

Senator Sanborn, Representative Tepler and distinguished members of the Health Coverage, Insurance & Financial Services Committee, my name is Larry Shaw, President & CEO of MMG Insurance, a property and casualty insurance company headquartered in Presque Isle. We employ over 260 people with 210 located in Maine. MMG is one of the largest writers of Commercial Insurance in the State protecting over 14,000 businesses, farms, and non-profit organizations. We have been consistently recognized amongst the Best Places to Work in Maine, have been named Maine Insurance Company of the Year many times, and 2021 represents our 124<sup>th</sup> birthday.

I am here today to testify in opposition to LD 694, An Act Concerning Business Interruption Insurance. If enacted, this bill would require all Commercial Lines insurers in Maine to pay for excluded business income losses as a result of the COVID pandemic. This bill also disregards contract law in forcing coverage retroactive to the emergency declarations put forth by State government approximately one year ago and restricts our ability to exclude pandemic caused losses moving forward.

If passed, LD 694 would inflict severe, if not fatal, financial distress on MMG and impact all of our competitors in a similar manner. In turn, the provisions of LD 694 would practically destroy Maine's highly regarded Commercial insurance marketplace. Our policies expressly exclude losses related to virus due to the impossible ability to calculate the loss of unprecedented, society wide events, the same reason that insurers have always excluded losses resulting from war. Case in point, we have estimated that, if passed, LD 694 would create a loss of \$200 to \$250 million to MMG alone. We are also quite certain that this number is low given the complete shutdown of a majority of the economy in the initial months of the pandemic and the limited ability for many businesses to operate since.

The follow-on effects of a loss of this magnitude combined with LD 694 creating an inability to exclude the undefinable nature of pandemic exposure moving forward would be a disaster. Here's how the chain reaction would manifest:

- A significant balance sheet hit to all Maine Commercial Insurers both in 2021 and continuing in subsequent years as we are faced with paying claims we never collected premiums for. Recovery through rate increase would be impossible given the premiums needed to cover the ongoing exposure would be prohibitively high. Insurers would be faced with pulling out of Maine's marketplace or, in our case, potentially ceasing to exist.
- The resulting abrupt contraction of the market will not only raise the insurance premiums for Maine businesses to unaffordable levels, it will also impact their ability to obtain any coverage. This in turn would restrict bank financing and have severe impacts on the economy of Maine.

A significant drop in the well-paying jobs provided by our industry will also result. Beyond the above, we are also very concerned with the precedent created by governmental intervention in retroactively changing constitutionally supported contract law. This creates further instability in the marketplace by creating a very valid question: If contract language as agreed between two parties is ruled null and void then what's next?

In closing, we certainly are empathetic to the hardships COVID 19 has caused for Maine businesses and its citizens. With that said, LD 694 does not solve the problem, it makes it infinitely worse.

For all the reasons above, I am asking that you vote against LD 694. Thank you for your time and I would be happy to answer any questions you might have.