GOVERNOR
GAVIN NEWSOM

WILDFIRE RECOVERY REFORM: SURVIVORS FIRST

The status quo isn't working for Californians. We must fix the broken system that is not working for survivors, taxpayers, or ratepayers. Survivors should never again be forced to compete against their own insurance company and hedge funds for the money they deserve to rebuild their homes. Period.

Without reform, future fire victims have no reliable path to compensation for their losses, and electricity rates continue to climb. We need immediate reforms to hold utility executives and shareholders accountable.

The Newsom Administration and the Legislature have been working on this issue since early 2025, after the deadly Los Angeles wildfires. Last year, they directed the Administrator of the California Wildfire Fund to prepare a report by April 2026 to inform legislative reforms.

This proposal is forward-looking only; it will not affect recovery for survivors of prior fires, including the 2025 LA Fires.

The status quo isn't working.

The 2019 PG&E bankruptcy is proof: Triggered by the Camp Fire, it instantly turned tens of thousands of fire victims — people who had lost homes and family members — into unsecured creditors competing in federal bankruptcy court.

- **The bankruptcy process put victims' payments at risk:** Every day the company was in bankruptcy, there was a real danger that another wildfire could wipe out victims' claims entirely because bankruptcy rules pay post-bankruptcy debts in full before pre-bankruptcy unsecured creditors see a dime.
- **The bankruptcy process put victims last:** Fire victims still got paid last and were not fully compensated. The State and the federal government agreed to wait on their claims and let fire victims be paid first. No one else agreed to that.

The process was not built to be fair to victims, and it wasn't:

- **Insurers got paid before their own policyholders who lost their homes**. Insurance companies were paid first — an $11 billion settlement, which left too little money to pay the claims of their own policyholders.
- **Hedge funds raked in billions of dollars first.** Wall Street hedge funds invest in wildfire claims. For them, these catastrophes are money- making opportunities. In the PG&E bankruptcy, a single East Coast hedge fund was paid more than $3 billion — before fire victims saw a penny.
- **Local governments took $1 billion,** competing against their own residents who lost their homes.

- **And the class action attorneys took their cut.** Only years later did individual fire victims get paid — after their own attorneys took their cut, which was more than $3 billion. The attorneys got paid in full, but the fire victims didn't. Many still don't have enough to rebuild.

The state's wildfire recovery fund is running out.

In 2019, the Governor and the Legislature stepped in with a solution to protect future fire victims. Because of AB 1054 and the Legislature's work, Eaton Fire survivors have a $22 billion fund to pay their losses, so they won't be left at the mercy of the bankruptcy court, waiting behind everyone else.

But both the AB 1054 fund and the smaller fund created by SB 254 last year — a short-term solution to give the Legislature and the Newsom Administration time to develop solutions — will soon be depleted. **This funding will not last, and without reform, future fire victims could be left at the mercy of the bankruptcy process, and electricity bills will keep climbing with no limit in sight.** The SB 254 report is clear-eyed about those consequences and the cost of doing nothing.

HOW WE CAN SOLVE THIS

The proposal will fix a broken system, ensuring that survivors are put first and get the compensation they need and deserve — and hold utilities accountable.

Utility executives should be held accountable.

Accountability must land on the people who make the decisions — utility executives and shareholders — not undermine affordability for ratepayers:

- **No more bonuses for those who are responsible** — CEO bonuses are forfeited in any year the utility causes a wildfire with significant damage (over $1 billion). And executive pay overall will be tied to safety metrics.
- **Increased shareholder penalties** — A 10x increase in shareholder penalties (up to $10 million per violation) for violating safety rules.
- **Clear and structured accountability** — A new three-step escalating enforcement ladder for safety violations — probation at step one, a CPUC-appointed monitor at step two, and potential receivership at step three.

Survivor recovery comes first.

In federal bankruptcy court, fire survivors come last. That is unacceptable. Creating fair payout rules under state law and keeping claims out of bankruptcy is the path to better victim compensation.

- **Survivors are prioritized and paid quickly, without a lengthy litigation process.** Fire survivors can access recovery funding for their homes, belongings, living expenses, wrongful death, and injury, with unlimited pain and suffering for death and injury, and $150,000 for those in harm's way.
- **Not insurance companies.** Insurance companies don't compete with their own policyholders' claims.

- **Not Wall Street.** Investors are prohibited from buying claims and investing in litigation.
- **Not corporations.** Corporate claimants take less, so small businesses can be made whole, and local governments take less so their own residents can recover and rebuild.
- **Not class action attorneys.** Attorney fees are tied to the work done, so survivors keep more of their recovery.

The FAIR Plan is a safety net, not a permanent solution.

The FAIR Plan as a primary insurer is not sustainable. This proposal supports transparency and reforms for the FAIR Plan, so Californians can get traditional coverage ASAP.

Ratepayers must receive cost relief.

This package gives IOU customers bill relief now, while also working to stabilize rates long term:

- **Requires shareholders to fund a customer bill credit each summer for two years,** giving additional bill relief on top of California's existing Climate Credit when customer bills are highest.
- **Reduces shareholder profit** on wildfire spending outside a utility's CPUC-approved budget to discourage the unbudgeted spending that drives rate increases.
- **Directs the CPUC to develop a durable long-term rate structure,** so things don't just snap back to the status quo when the two-year credit ends.

Increased wildfire risk requires stronger prevention.

Climate change has increased the number of extreme fire weather days in California by 35% — making communities more vulnerable. To protect lives, homes, and communities, the state needs a comprehensive plan to reduce risk before fires start and tie mitigation to insurance availability.

This package would:

- Support a package of bills aligning home-hardening certification, risk data collection, and regional coordination with insurance underwriting.
- Direct state agencies to develop a statewide community resiliency strategy.
- Fund home hardening with future growth in the existing insurance premium tax — no new tax.