

THE FIRE VICTIM TRUST OVERSIGHT COMMITTEE

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May 27, 2021

Dear Honorable Members of the State Legislature:

We are the members of the Trust Oversight Committee (TOC) appointed to oversee the Fire Victim Trust. We are in receipt of your letter of May 21, 2021 to Attorney General Bonta regarding the operations of the Fire Victim Trust set up to distribute the \$13.5 billion settlement reached with PG&E to benefit survivors and victims of the 2015, 2017, and 2018, PG&E caused Northern California wildfires.

We take our role as the TOC very seriously. In our role of providing oversight, we continue to work with the Trust to improve the claims resolution process, expedite the distribution of funds to claimants, and provide more up to date reporting on claims progress, determinations, payments, and expenses. We also know that inaccurate reporting regarding the progress of the FVT undermines the process and inflicts greater harm on the fire survivors and family members of those who died in the fires.

Unfortunately, it appears that you included some of the inaccuracies from recent press reports in your letter to the Attorney General. We wanted to take this opportunity to provide you with the correct information about the progress the Trust has made in approving claims and distributing funds to fire survivors. Specifically, your letter states that “the Trust spent almost 90% of the funds on overhead during the first year.” This is untrue and misleading as stated. Ninety percent of the funds in the Trust would be over \$10 billion. You go on to state that “During the first year, the Fire Victim Trust accumulated over \$51 million in overhead costs but allocated just \$7 million to fire survivors: less than 0.1% of the total settlement.” This statement is based on 2020 year end data, which is now five months old, even though the Trust has released more recent data regarding payments to survivors, which demonstrates a much different picture.

Additionally, we believe it is important for you to understand that the Trust was formally formed on July 1, 2020, about 10 months ago. Many people worked between January 1, 2020, and July 1, 2020, to get the Trust off the ground but until July 1 it had no funds, save an advance of \$15M made by PG&E in April 2020 to cover expenses incurred from January 1 forward. More importantly, until July 1, 2020, the Trust had no power to act.

Thus, very quickly after July 1, 2020, the Trust first had to build a robust staff to develop a claims resolution process that complied with both bankruptcy law and California law and could function to fairly and effectively resolve all claims made, while also combatting fraudulent claims to preserve the funds for those who truly deserve them. This process took months and significant start-up costs were necessary. The Trust began accepting claims on August 17, 2020, and began distributing funds on November 23, 2020, therefore distributing the \$7 million you indicated within the five weeks before year end.

As part of the mandatory requirements under the bankruptcy plan, the FVT must conduct an insurance review of every submitted claim. This process is critical to fairness and avoidance of double recovery which would unfairly diminish the recovery of other survivors. The TOC and

the FVT coordinated this unparalleled project to match and review claimant insurance policies and claim files to subrogation files from the carriers. This project involved the matching, document production, data collection, management, and review of over 30,000 insurance claims and a coverage analysis. Review has been substantially completed on over 25 million pages of records, and literally millions of inputs of critical data. As result of the FVT’s coordination between the FVT, TOC, claimants and carriers, this project is now substantially complete. There is still significant work to be done to ensure compliance with the insurance offset rules set forth in the plan and matching document review continues every day. At this point, tens of thousands of claims have completed the insurance review, which was one of the largest projects for the FVT. In addition, TOC members are working with the FVT to make sure insurance companies do not pass their coverage obligations on to the FVT’s books, thereby reducing money available to all.

During the first five months of 2021, the Trust continued to distribute funds and the current data is as follows:

Claims and Payment Data through May 27, 2021	
Total Amount of Approved Claims	\$ 684,332,654
Number of Determination Notices Issued	1,249
Number of Claimants who have Received a Determination Notice	1,810
Number of Claimants who have Received a Preliminary Payment	11,494
Total Amount Distributed to Claimants	\$ 285,709,961
Operating Expenses through April 30, 2021 (April expenses still under audit)	\$ 84,588,043

As such, the expenditures to date spent on overhead have amounted to **less than 1%** of the total fund.

Significantly, due to the strong oversight and reductions in expenditures suggested by the TOC, the FVT spent \$6.4 million **less than budgeted** in the January – March 2021 period. We can assure you that the TOC will continue to provide this level of scrutiny over the operations of the Trust throughout the distribution of funds. There is, of course, so much more work to be done to ensure that all claimants are compensated for their losses.

On that note, there are several important issues with which the State Legislature and Congress can assist:

1. Proposing legislation deeming compensation received by fire survivors from the Trust to be tax-free.
2. Proposing legislation deeming compensation received by fire survivors from the Trust to not be income for purposes of calculating income needs benefits so that fire survivors do

not have to be concerned that their needs-based benefits will be impacted or lost or incur costs of setting up special needs trusts.

3. Assisting the Trust in obtaining accurate and timely data from the insurance companies showing how much each insured fire survivor received from their insurer and insisting that the insurance companies release the billions of dollars that they are holding in reserves for fire survivors.

We look forward to hearing from you on these issues and, in the meantime, we will continue to hold the Trust accountable as we held PG&E accountable and ensure that the Trust acts in the best interest of the fire survivors.

Sincerely,

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