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Notice Publication Date: October 20, 2025

PUBLIC NOTICE

A PUBLIC MEETING OF THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL

NOTICE IS HEREBY GIVEN that the California Catastrophe Response Council (Council) will conduct a public meeting as described in this Notice. Pursuant to California Government Code §11120 *et seq.*, the Bagley-Keene Open Meeting Act applies generally to meetings of the Council, and the meeting is open to the public – public participation, comments, and questions will be welcome for agenda items on which the Council is considering taking action. All items on the Agenda are appropriate for action if the Council wishes to take action. Agenda items may be taken out of order.

This meeting will be held both in-person and via teleconference in accordance with Government Code section 11123.2. The meeting location noted below will be open to Council members and the public. The public may also participate remotely through the Zoom meeting link below. None of the locations from which Council members may participate remotely will be open to the public.

DATE: October 30, 2025
TIME: 2:00 p.m.
LOCATION: California Department of Food and Agriculture
Main Auditorium
1220 N Street, Sacramento, CA 95814

TELECONFERENCE ACCESS:

By Computer (Open the Zoom* App, or navigate to www.zoom.com):

Enter Meeting ID: 881 7222 8553

Direct Link: <https://us02web.zoom.us/j/88172228553>

By Phone: 1 (669) 900-6833

Enter Meeting ID: 881 7222 8553

* Please note that use of the Zoom platform to access the meeting may require the entry of an email address and may be subject to the Terms of Use and Privacy Policy of Zoom, which are outside the control of the Council or CEA. Anyone with concerns about the use of Zoom should attend the meeting from the physical location noted above.

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comments at this public meeting. The telephone lines and Zoom links of members of the public will be muted to prevent background noise from inadvertently disrupting the meeting. Phone lines and Zoom links will be unmuted upon request to allow for public comment when appropriate.

The member of the Council acting as Chair of the meeting will indicate when a portion of the meeting is to be open for public comment. Members of the public attending via Zoom or phone must either press *9 on their phone or use the "Raise Hand" button on Zoom. This action will notify the meeting moderator that you wish to comment, and you will be placed in line to comment in the order in which requests are received. When it is your turn to comment, the moderator will unmute you and announce your opportunity to comment. The Chair of the meeting reserves the right to limit the time for comment. **Members of the public should be prepared to complete their comments within approximately 2 to 3 minutes.** More or less time may be allotted by the Chair in his or her sole discretion. Please take notice that this meeting may be recorded, and that making public comments at the meeting will indicate your consent to the recording and to all future use and distribution of the recording.

ACCESSIBILITY FOR DISABLED PERSONS: The CEA complies with the Americans with Disabilities Act (ADA) by ensuring that the meeting facilities are accessible to persons with disabilities, and providing this notice and information given to the members of the California Catastrophe Response Council in appropriate alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, you may contact CEA's ADA Coordinator no later than five calendar days before the meeting at (916) 661-5400, or by email to EEO@calquake.com. TTY/TDD and Speech-to-Speech users may dial 7-1-1 for the California Relay Service to submit comments on an agenda item or to request special accommodations for persons with disabilities.

MEETING MATERIALS: A copy of this Notice and Agenda has been posted on the Wildfire Fund website <https://www.cawildfirefund.com/council>. Prior to the meeting, the written materials that will be provided to members of the Council will also be posted on this website. Finally, on the day of the meeting, a copy of any presentation deck that the Council or the Administrator may use during the meeting will also be posted to this site.

For further information about this notice or its contents:

Agenda Information:

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General Counsel
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To view this notice on the California Wildfire Fund website and to access meeting materials, please visit <https://www.cawildfirefund.com/council>

AGENDA

1. Quorum: Call to order, and establishment of a quorum.
2. Minutes (Action): Review and approve the minutes of the July 24, 2025, meeting of the Council.
3. Executive Report (Information): CEA Executive Staff will provide a report and facilitate a Council discussion on Wildfire Fund administration activities, with particular focus on:
 - A. The January 7, 2025, Eaton Fire.
 - B. SB 254 – Overview of key provisions.
 - C. The SB 254 Natural Catastrophe Resiliency Study.
4. Southern California Edison (Information): Representatives of Southern California Edison will present on its Wildfire Recovery Compensation Program in response to the Eaton Fire.
5. Claims Administration (Information & Action):
 - A. Claims Administration Updates: Mr. Sittner will provide an update on the status of covered wildfires that have resulted in or are anticipated to result in eligible claims.
 - B. Claims Data Reporting and Council Oversight of Claims Administration: Chief Insurance & Claims Officer George Sittner and representatives of Sedgwick will lead a Council discussion on claims administration functions.
 - C. Proposed Amendments to the *Wildfire Fund Claims Administration Procedures*: Mr. Sittner and Chief Financial Officer Tom Hanzel will present proposed amendments to the *Procedures* related to:
 - i. Participating Utility Wildfire Claim Compensation Programs; and
 - ii. Participating Utility Liquidity Support Program.
6. Financial Report (Information): Mr. Hanzel will provide the Council with a financial report on the Wildfire Fund as of September 30, 2025.
7. Budget Revision (Action): Mr. Hanzel will present for approval revisions to the 2025 Wildfire Fund Budget related to the SB 254 Natural Catastrophe Resiliency Study, and other administration items.
8. Enterprise Risk Management (Information): CEA Chief Risk and Actuarial Officer Shawna Ackerman will report on CEA's Enterprise Risk Management program.
9. Proposed 2026 Meeting Schedule (Information): Discussion of preliminary dates for 2026 Council meetings.
10. Public Comment: Public comment on matters within the California Catastrophe Response Council's subject matter jurisdiction that do not appear on this Agenda. Please note that while the Council may hear general public comments on matters within its subject matter jurisdiction, Council members may not otherwise deliberate, including providing substantive comments in response to, any matter not specified on this Agenda.
11. Adjournment.



California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of July 24, 2025 Meeting

Attached are draft minutes of the California Catastrophe Response Council (Council) meeting held on July 24, 2025. CEA staff reviewed these minutes and determined that they accurately summarize and document the matters discussed and actions taken by the Council at this meeting.

CEA staff recommends approval and adoption of the draft minutes as the official record of the Council's July 24, 2025 meeting.

California Catastrophe Response Council

MEETING MINUTES

Date: July 24, 2025

Time: 2:00 PM

Location: Feckner Auditorium, Lincoln Plaza North, 400 P Street, Sacramento, CA 95811 & via Zoom/Teleconference (Meeting ID: 870 7129 2065)

1. Quorum: Call to order and member roll call

Chair Mark Ghilarducci called the meeting to order at 2:05 PM.
Susan Johnson (CEA Governance Liaison) conducted roll call and confirmed quorum.

Roll Call

<u>Council Member</u>	<u>Attendance</u>
Mark Ghilarducci, Chair, designee of Governor Gavin Newsom	In Person
Paul Rosenstiel, Vice Chair Public Member	In Person
Khaim Morton designee of State Treasurer Fiona Ma	In Person
Michael Martinez, designee of Insurance Commissioner Ricardo Lara	In Person
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot	In Person
Tracy Van Houten, appointee of the Speaker of the Assembly	In Person
Kathleen Ritzman, appointee of the Senate Committee on Rules	Remotely (Via Zoom)
Rhoda Rossman Public Member	In Person
Catherine Barna Public Member	In Person

Council Members Absent: None

CEA Staff Present: Tom Welsh (Chief Executive Officer), Shawna Ackerman (Chief Risk and Actuarial Officer), Tom Hanzel (Chief Financial Officer), George Sittner (Chief Insurance and Claims Officer), Susie Hernandez (Legislative Director), Susan Johnson (Governance Liaison), Suman Tatapudy (General Counsel)

Also Presenting: Patxi Uriz, PH.D., P.E., Senior Director, Model Development, Moody's;
Sheri L. Scott, FCAS, MAAA, CSPA, Milliman

Public Attendees: Members of the public attended in person, and via Zoom/Teleconference.

At this point, Item 9 (Public Comment) was taken up out of order (see below).

2. Minutes: Review and approve the minutes of the May 1, 2025, meeting of the Council.

The draft minutes from the May 1, 2025, meeting were reviewed.

Motion: Ms. Van Houten moved to approve the minutes; Mr. Morton seconded.

No public comment was received.

Outcome: Motion passed by unanimous roll call vote.

3. Executive Report: CEA Chief Executive Officer Tom Welsh and other executive staff will provide the Council with a report and facilitate Council discussions on the following topics:

A. Legislative Matters – Wildfire Fund Durability Initiative; Communications with the Legislature; and pending legislation with potential direct impact on the Wildfire Fund.

Presented by Legislative Director Susie Hernandez.

AB 825 and SB 330

- Both bills contain a variety of provisions aimed at reducing energy costs for ratepayers.
- Both create new transmission project entities required to participate in the Wildfire Fund.
- Both bills are opposed by the utilities currently participating in the Wildfire Fund.
- Senate Energy Committee Analysis: “The fund was never envisioned to include other entities...”
- Bills are evolving, discussions are ongoing, and Administrator staff will monitor closely and stay engaged.

B. Claims from Covered Wildfires – Dixie & Kincade Fires

Presented by Chief Insurance and Claims Officer George Sittner.

Dixie Fire

- PG&E estimates losses in excess of \$1.925B.
- Review of claims paid concludes reasonable business judgement standard met.
- Wildfire Fund probable exposure \$925M.
- \$470M reimbursed to date.

Kincaid Fire

- PG&E estimates losses in excess of \$1.275B.
- Due to the fact that PG&E was the subject of an insolvency proceeding at the time of this fire’s ignition, California law dictates that PG&E is only able to recover a

maximum of 40% of the allowed amount of its eligible claims for this fire from the Wildfire Fund (after meeting the \$1 billion retention).

- Wildfire Fund probable exposure \$110M.

Administrator staff also described claim types, claimant types, and the claim review process to evaluate whether an IOU exercised reasonable business judgement.

Due to the Councils oversight role, Council requested staff to provide sufficient data to understand claims settlement percentages, particularly in light of subrogation concerns, balanced against the need for confidentiality in settlement processes.

C. Financial Report – Wildfire Fund Financials as of June 30, 2025

Presented by Chief Financial Officer Tom Hanzel.

Balance Sheet

- Total cash and investments: \$13.5B investments.
- Loss Adjustment Reserves: \$590M, related to Dixie and Kincaid Fires (PG&E) \$444M paid on those fires so far.
- \$12.9B net position.
- \$22B in current claim-paying capacity.
- Liquidity strategy reviewed: Average duration has been reduced to 1.72 years, and realizing a 3.1% return.

D. Enterprise Risk Management

Presented by Chief Risk and Actuarial Officer Shawna Ackerman.

- Legislative risk elevated to high.
- Closely monitoring reputational risk given concerns about Wildfire Fund durability.

IT and Data Systems:

- SOC 2 Type 2 certification achieved, recertification underway.
- Third party risk management vendor hired to help ensure vendors are in compliance.
- Cybersecurity insurance renewal underway.
- Standing committee on risk and compliance monitors staff compliance with continuously updated policies and training.
- Business Impact analysis underway in anticipation of scenario where Administrator must address claims related to an earthquake and wildfire at the same time.

4. Perspectives on Eaton Fire Loss estimates: Representatives from Moody's and Milliman will provide perspectives on estimated losses from the January 2025 Eaton Fire

Representatives from Moody's and Milliman provided perspectives on estimated losses from the Eaton Fire. Council members engaged in a discussion with the representatives to seek additional information and clarification on points that were presented. Highlights of the presentation are included below.

- Moody's
 - Methodologies were discussed
 - Insured losses: \$7B – \$12B
 - Economic losses estimated to be 20% -25% higher (not including firefighting or infrastructure costs)
 - Significant uncertainties persist including:
 - Impacts of litigation
 - Impacts of tariffs
 - Immigration policies on labor
 - Interest rates
 - Abatement, soil remediation, seismic upgrades and firefighting costs
- Milliman
 - Increases in US climate-related disasters discussed
 - Methodologies were discussed
 - Significant uncertainties persist
 - Estimated total insured loss and loss adjustment expense \$13.7B - \$22.8B

5. Subrogation Claims Discussion: Mr. Welsh and other executive staff will facilitate a discussion of AB 1054's subrogation claim settlement provisions.

- The Administrator must review and approve IOU claim settlements as reasonable business judgments before reimbursing from the Wildfire Fund.
- AB 1054 sets a 40% target for subrogation claim settlements – it is a goal, not a hard cap.
- Subrogation claims from entities like hedge funds, which seek settlement percentages in excess or greatly in excess of that goal threaten the durability of the Wildfire Fund.
- Refusing reimbursement above 40% does not necessarily protect the Fund – IOUs remain liable for full settlements and the Fund is required to pay the full judgment amount of subrogation claims that are finally adjudicated.
- Imposing a hard cap by withholding reimbursement may incentivize litigation.
- Achieving lower subrogation settlement rates would require legislative change.
- Subrogation claims should be understood in the context of the larger ecosystem. Subrogation claims are a tool for the insurance regulator to foster a viable, competitive

insurance market; lower subrogation recoveries could cause insurers to come to the regulator seeking higher rates.

6. Plan of Operations: CEA General Counsel Suman Tatapudy will ask the Council to review and consider approval and adoption of the Administrator's Sixth Annual Plan of Operations (Annual Report) to the Legislature and, if approved, authorize the Administrator to deliver the Sixth Annual Report to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy.

- California Public Utilities Code section 3283 requires the Council to direct the Administrator to prepare and present for approval an annual Plan of Operations.
- The Sixth Annual Report covers the one-year period of July 12, 2024, through July 11, 2025.
- On July 3, 2025, Administrator staff circulated a draft of the Report to council members (individually). This is the first opportunity council members have had to discuss the Report and its contents.

Motion: Ms. Van Houten moved to approve the Sixth Annual Report and to authorize the Administrator to present the Sixth Annual Report to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy; Mr. Morton seconded.

No public comment was received.

Outcome: Motion passed by unanimous roll call vote.

7. Administrator Evaluation: Council Member Tracy Van Houten will give an overview of the process used for the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2024. Mr. Welsh will present the comments received from the Council on CEA's performance.

- Same process as in years past - survey answered by each council member
- Scores on 0 – 5 scale (with 5 being best)
- Numerical Results
 - Leadership and Culture 4.6
 - Financial Leadership 5.0
 - Council Relations 4.6
 - Claims Administration 4.6
 - Enterprise Risk Management 4.8
 - Overall Performance 4.7
- Council commentary
 - Leadership and Culture: Be more proactive in developing plans for Council to address potential large drain on Fund
 - Council Relations: More frequent, enriched information to ensure all Council

members are up to speed

- Council Relations: It would be useful to get updates/briefings on legislative matters/understanding
- Claim Administration: It is important to exercise and consider various scenario-based claim challenges
- Enterprise Risk Management: This area needs constant attention, particularly as claims pick up, to ensure appropriate security and reliability

8. **Claims Administration Procedures: Chief Insurance & Claims Officer George Sittner will facilitate a discussion on conceptual amendments to the *Procedures* to establish the Administrator's view on reasonable business judgment for Direct Payments for Community Recovery Programs.**

Highlights:

- The purpose of the proposed conceptual amendments is to establish criteria and guiding principles that an IOU must adhere to when developing a Direct Payments for Community Recovery Program.
- These Programs are designed to quickly compensate certain wildfire claimants through an easy-to-follow process.
- The proposed criteria are intended to ensure that the Program is fair, consistent, objective, and aligned with applicable law and an IOU's responsibility to exercise reasonable business judgment in settling claims. Proposed criteria:
 - Clearly defined, publicly available eligibility standards
 - Objective, standardized damage assessments
 - Uniform compensation framework with consistent settlements
 - Transparent claims process
 - Sophisticated processes to eliminate fraud and duplicate payments
 - Timely processing
 - Protections against discrimination including outreach
 - Auditability with thorough documentation of all processes

Council members discussed the proposed criteria with Administrator staff and expressed a willingness to consider amendments to the *Procedures* along the lines of the conceptual amendments. Administrator staff committed to bringing the amendments to the Council for consideration during a future meeting.

9. **Public Comment: Public comment on matters within the California Catastrophe Response Council's subject matter jurisdiction that do not appear on this Agenda. Please note that while the Council may hear general public comments on matters within its subject matter jurisdiction, Council members may not otherwise deliberate, including providing substantive comments in response to, any matter not specified on this Agenda.**

This item was taken up earlier in the meeting. Chair Ghilarducci reopened the floor for public comment.

Public Comment: Emma Canevari attended remotely. Ms. Canevari's full public comment is attached to these minutes.

Adjournment

Meeting adjourned at 4:48 PM

DRAFT

CALIFORNIA EARTHQUAKE AUTHORITY
WILDFIRE FUND ADMINISTRATOR

PUBLIC MEETING OF THE
CALIFORNIA CATASTROPHE RESPONSE COUNCIL

PARTIAL TRANSCRIPT -
PUBLIC COMMENT RECEIVED DURING THE MEETING

CalPERS - FECKNER AUDITORIUM
LINCOLN PLAZA NORTH

400 P STREET

SACRAMENTO, CALIFORNIA

THURSDAY, JULY 24, 2025

2:00 P.M.

Recorded by: Ramona Cota

APPEARANCESCalifornia Catastrophe Response Council Members:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom

Khaim Morton, designee of Treasurer Fiona Ma

Michael Martinez, designee of Insurance Commissioner
Ricardo Lara

Bryan Cash, designee of Secretary of Natural Resources Wade
Crowfoot

Tracy Van Houten, appointee of the Speaker of the Assembly

*Kathleen Ritzman, appointee of the Senate Committee on
Rules

Paul Rosenstiel, Vice Chair, Public Member

Rhoda Rossman, Public Member

Catherine Barna, Public Member

Members of the CEA staff in attendance:

Tom Welsh, Chief Executive Officer

Shawna Ackerman, Chief Risk and Actuarial Officer

Tom Hanzel, Chief Financial Officer

Susie Hernandez, Legislative Director

George Sittner, Chief Insurance and Claims Officer

Suman Tatapudy, General Counsel

Susan Johnson, Governance Liaison

*Participated remotely

APPEARANCESGuest Speakers:

Patxi Uriz, PhD, PE, Senior Director, Model Development
Moody's

Sheri L. Scott, FCAS, MAAA, CSPA, Principal and Consulting
Actuary
Milliman

Members of the Public Offering Comment:

*Emma Canevari

*Participated remotely

PROCEEDINGS

4:46 p.m.

MS. CANEVARI: Hi. I have a quick question for you guys. Well, I just want to start off by thanking everybody involved in the, you know, oversight and administration of this Fund. You know, I think this is really good work that you guys are doing and I really appreciate all of you guys.

My question pertains to the process of qualifying wildfires. It is my understanding that there's a date that was created in 2019 that, you know, everything after that could potentially be a qualified fire. My family and myself were affected by the Tubbs Fire in 2017 and we lost our home and everything that we owned and pets and all that kind of stuff. So, we were -- we're involved in the Fire Victim Trust and they just announced just a couple days ago that, you know, they are wrapping things up and the last payout they are expecting to be 1% or less of the -- your determination amount, which will bring us to a total of 71% at the max.

So, I just wanted to ask if there was any discussion or anything in the legislation that's being considered that will include any of the 2017 wildfires, or if there's, you know, any conversation about that falling under this Fund or anything like that?

1 CHAIR GHILARDUCCI: Thank you for the question.

2 MR. WELSH: Yeah, if you go on our website -- why
3 don't you find our contact information or we'll get you
4 that and we can provide you the same kind of information we
5 have shared with other people in your situation.

6 MS. CANEVARI: Okay.

7 MR. WELSH: Happy to share that detail with you.

8 MS. CANEVARI: Perfect. I will do, I will do
9 that.

10 MR. WELSH: Okay, thanks.

11 CHAIR GHILARDUCCI: Thank you for your question.

12 MS. CANEVARI: Thank you, guys.

13 CHAIR GHILARDUCCI: Any other comments?

14 MS. JOHNSON: There are no other requests for
15 public comment.

16 CHAIR GHILARDUCCI: Okay. Well, with that we
17 stand in adjournment. Thank you all very much.

18 (The meeting was adjourned at 4:48 p.m.)

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CERTIFICATE OF REPORTER

I, RAMONA COTA, a Certified Electronic Reporter and Transcriber, do hereby certify that I am a disinterested person herein; that I recorded the foregoing meeting of the California Catastrophe Response Council and thereafter transcribed the recording.

I further certify that I am not counsel or attorney for any of the parties in this matter, or in any way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of July, 2025.



RAMONA COTA, CERT**478

California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 3: Executive Report

Recommended Action: Information Only

CEA Executive Staff will provide a report and facilitate a Council discussion on Wildfire Fund administration activities, with particular focus on:

A. The January 7, 2025, Eaton Fire

The Eaton Fire started on January 7, 2025, near Eaton Canyon in Los Angeles County and quickly spread into foothills and residential areas like Altadena. The fire burned over 14,000 acres, destroyed approximately 9,500 structures, and killed at least 19 people. While origin of the Eaton Fire remains the subject of an ongoing investigation, the Eaton Fire is a Covered Wildfire, for purposes of the Wildfire Fund.

On September 12, 2025, Southern California Edison (Edison) notified CEA (as the Administrator of the Wildfire Fund) of its position that pursuant to Public Utilities Code section 1701.8(a)(1), the Eaton Fire is a "Covered Wildfire" for the coverage year January 1, 2025 to December 31, 2025, based on a court-approved dismissal of litigation that alleged that Edison's equipment had ignited the Eaton Fire. CEA evaluated Edison's position and the supporting materials and, in a letter dated September 23, 2025, notified Edison of the Administrator's agreement that the Eaton Fire had become a Covered Wildfire.

These developments mark the commencement of what is expected to be a multi-year process of administering and paying eligible claims submitted by Edison ("eligible claims" are claims arising from the settlement of third-party damages caused by the Eaton fire, after the first \$1 billion in claims is paid by Edison). The total amount of claims that will be paid from the Wildfire Fund on account of the Eaton Fire remains uncertain but is estimated to be in the tens of billions of dollars. Given the magnitude of this fire, nearly all of the Agenda Items for this meeting of the Council will touch upon the significant impact the Eaton Fire on the Wildfire Fund.

B. SB 254 – Overview of Key Provisions

In the aftermath of the Eaton Fire, the California Legislature and the Governor undertook the negotiation and development of legislation to address the impact of the Eaton Fire on the Wildfire Fund. Those activities culminated in the passage of Senate Bill 254 (SB 254). This bill was signed into law by the Governor and took effect (as an urgency measure) on September 19, 2025.

The key provisions of SB 254 relevant to the Wildfire Fund include:

- 1) Wildfire Fund “Replenishment”** – The creation of a “Continuation Account” within the Wildfire Fund from which eligible claims from future covered wildfires (i.e., covered wildfire ignited after September 19, 2025) will be paid. The Continuation Account will be capitalized upon notice from the Administrator to the three participating IOUs, from a combination of \$9 billion in IOU capital contributions (not funded by or recovered from ratepayers), plus another approximately \$9 billion from ratepayers through a 10-year extension of the non-bypassable charges from 2035 through 2045. To the extent there remain any residual assets in the Wildfire Fund after all eligible claims from the three pre-September 19, 2025, covered wildfires are fully paid (i.e., claims from the Eaton, Dixie and Kincade fires), those residual assets will be moved into the Continuation Account for future covered wildfires.
- 2) Controls on investor (hedge fund) acquisition of subrogation claims** – SB 254 also provided a new mechanism to address concerns over the Continuation Account being inappropriately depleted by hedge fund investors seeking to profit from catastrophic wildfires in California by acquiring and then aggressively litigating insurance industry subrogation claims against utility companies. SB 254 created a “right of first refusal” under which any insurance company that seeks to sell its subrogation rights against a utility company after a catastrophic wildfire must first offer to settle with the utility company on the same economic terms.
- 3) The Natural Catastrophe Resiliency Study & Report** – Finally, the Legislature tasked CEA, as the Administrator, with conducting a study and submitting a report to the Legislature and the Governor by April 1, 2026, bringing forward recommendations on new models or approaches to complement or replace the Wildfire Fund to mitigate damage, accelerate recovery, and responsibly and

equitably allocate the cost from natural catastrophes, particularly catastrophic wildfires. Governor Newsom promptly issued his [Executive Order \(N-34-25\)](#) to launch the next phase of his “whole-of-government response” to the economic and insurance consequences of the climate crisis and to direct robust governmental participation in the SB 254 Study. The Governor’s [Press Release](#) regarding his Executive Order encouraged broad stakeholder engagement in the SB 254 Study and included a link to CEA’s Call for Stakeholder Contributions to the study, discussed below.

C. The SB 254 Natural Catastrophe Resiliency Study

CEA is already deeply engaged in the SB 254 Study process and will remain so through the delivery of the SB 254 report to the Legislature and Governor on or before April 1, 2025. CEA, among other things, has:

- 1) Engaged Dr. Laurie Johnson as a consultant to act as the Research Study Director. Dr. Johnson was formerly CEA’s Chief Catastrophe Response & Resiliency Officer, and in that capacity was the architect of the Wildfire Fund’s Claims Procedures. Her background and subject matter expertise has made her immediately effective in driving execution on the mandate that CEA deliver a report and recommendation on a wide-ranging array of complex topics surrounding California’s natural catastrophe resiliency.
- 2) Prepared and published a [Request for Stakeholder Contributions](#) on any or all of the research study topics identified by the Legislature in SB 254. The purpose of this call for contributions was to ensure robust opportunity for all stakeholders to contribute their views to the study and recommendations.
- 3) Created and convened an Executive Steering Committee for the Study, consisting of representatives of each of the state Agencies and Departments referenced in SB 254 and the Governor’s Executive Order (CPUC, CDI, CAL FIRE, OES, and OEIS), and the Chair and Vice Chair of the Council.
- 4) Distilled the 10 specific topics to be included in the Study into four “Workstreams” – Catastrophe Risk Financing; Electric Utilities; Insurance Industry; and Risk Reduction & Financing, as depicted below. The process of convening stakeholders to facilitate the workstreams is underway. During the timeline, there will be a convergence of the workstreams to share viewpoints in an effort to

identify recommendations on new models and approaches that would have strong and diverse support among stakeholders.

SB 254: Overarching Directive for the Natural Catastrophe Resiliency Study

“A report that evaluates and sets forth recommendations on new models or approaches that ...

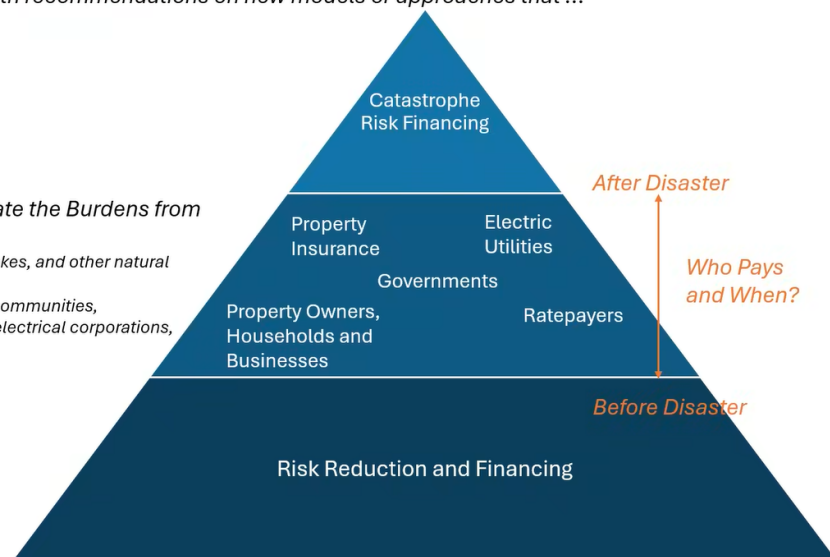
➤ Accelerate Recovery

➤ Responsibly and Equitably Allocate the Burdens from Natural Catastrophes

(Including catastrophic wildfires, earthquakes, and other natural disasters)

(Across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and local publicly owned electric utilities)

➤ Mitigate Damage



... to complement or replace the (Wildfire) Fund.”

CEA staff and Dr. Johnson will provide the Council with a briefing on the most current developments in this rapidly evolving study process.



California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 4: Southern California Edison

Recommended Action: Information Only

Representatives of Southern California Edison, Matthew Dwyer, Director, Corporate Risk and Jennifer Hasbrouck, General Counsel will give a presentation on Edison's Wildfire Recovery Compensation Program.

California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 5: Claims Administration Update

Recommended Action: A. Update on Covered Wildfires (Discussion Item);
B. Claims Data Reporting & Council Oversight (Discussion Item); and
C. Proposed Amendments to Claims Procedures (**Action Item**)

A. Claims Administration Updates

The Administrator continues to monitor and report to the Council on active wildfires as well as the status of potentially Covered Wildfires in the 2019 through 2025 coverage years. In particular, the Administrator is tracking the reported losses for two major fires that occurred in Pacific Gas and Electric's (PG&E) servicing territory - the October 2019 Kincade Fire and the July 2021 Dixie Fire. PG&E's 10-Q report to the SEC for the quarterly period ending September 30, 2025 reports aggregate liabilities of \$1.325 billion and \$2.125 billion for the 2019 Kincade Fire and the 2021 Dixie Fire, respectively. Of these, PG&E has recorded a potential recovery of \$1.125 billion from the Fund for the 2021 Dixie Fire.

On January 16, 2025, PG&E sent notification to the CEA that the utility has paid more than \$750M in the aggregate for third-party claims resulting from the 2019 Kincade Fire that burned in Sonoma County, California. This notification satisfies the reporting requirement outlined by the *Procedures*. It is worth noting that because PG&E was the subject of an insolvency proceeding at the time of the ignition of the Kincade Fire and had not yet emerged from bankruptcy, the Fund will not pay more than 40 percent of the allowed amount of a claim arising from the Kincade Fire.

The Administrator is also monitoring the January 2025 Eaton Fire, which originated in the Eaton Canyon area of Altadena, CA. The Eaton Fire ignited in the servicing territory of Southern California Edison (SCE), a participating electrical corporation of the Fund.

According to the California Department of Forestry and Fire Protection, the fire burned 14,000 acres, resulted in 17 fatalities, and destroyed over 9,400 structures. The cause of the Eaton fire is under investigation. SCE's 10-Q report to the SEC for the quarterly period ending June 30, 2025 reports approximately 300 lawsuits are currently pending against Edison International (SCE's parent company), representing approximately 4,500 individual plaintiffs, subrogation lawsuits, and lawsuits filed by public entity plaintiffs for the Eaton fire.

On September 12, 2025, SCE reported to the Administrator that they settled a claim that alleged damages arising out of the Eaton Fire, which resulted in a court-approved dismissal, and SCE believes because of this action the Eaton fire is now a Covered Wildfire. As the litigation resulted in a court-approved dismissal, the Administrator agrees with SCE that the Eaton Fire qualifies as a Covered Wildfire. The Procedures define a covered wildfire as follows:

Covered Wildfire – As described in section 1701.8(a)(1) of the Public Utilities Code, as amended from time to time, a wildfire that ignited on or after July 12, 2019, and for which either of the following is satisfied: (A) The governmental agency responsible for determining causation or a court of competent jurisdiction determines the wildfire was caused by a Participating Utility. (B) Asserted to have been caused by a Participating Utility and results in a court-approved dismissal resulting from the settlement of third-party damage claims. This includes a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff. It also includes a landslide, mudslide, mudflow, or debris flow that is the result of a Covered Wildfire.

The Administrator has been proactively working with SCE to review the claims administration steps as described in the Procedures. The Administrator and Sedgwick have been meeting with SCE regularly to discuss the processes of claims settlement, data collection, and document sharing. Sedgwick has shared their comprehensive file selection criteria and their process of reviewing both Threshold and Eligible Claims. SCE has demonstrated their Wildfire Recovery Compensation Program, which will provide an option for certain claimant types to settle their claims quickly. The Administrator is taking a proactive approach to the Eaton Fire through these early discussions with SCE that will enable the Administrator to provide status to the Council early and often as information becomes available.

There are currently no issues, conflicts or delays associated with participating utility claims management for the three covered wildfires in process - October 2019 Kincade Fire, July 2021 Dixie Fire, and January 2025 Eaton Fire. As noted earlier, the Administrator has been working closely with SCE and Sedgwick to ensure that claims from the Eaton Fire are processed in accordance with the Procedures. The Administrator and Sedgwick will staff accordingly to ensure prompt review and reimbursement of claims that meet the Reasonable Business Judgement standard.

➤ **Threshold and Eligible Claims Administration Process (By Fire)**

Dixie Fire Claim Review

PG&E continues to settle outstanding claims and as previously reported to the Council, reached the threshold claim amount, which is \$1 billion or more, in the aggregate for a coverage year, in mid-June 2024.

Based on the threshold claim review, and a review of eligible claims paid in June 2024 through June 2025, Sedgwick has determined that all claims that are reimbursed met the criteria for Reasonable Business Judgement. For the small amount of claims that the criteria were not met, Sedgwick has returned those claims to PG&E and has requested further explanation and documentation. For those claims, Sedgwick had requested:

- explanations or details of subrogation recoveries
- documentation to verify claimant's legal interests in property claimed
- additional data needed for direct payment program claims
- additional miscellaneous documents

Sedgwick has reviewed almost 25 percent of all eligible claims for the Dixie fire. Those reviews account for approximately 60% of the total dollar value of eligible claims. Reviews of eligible claims continue, and reimbursement payments have been made to PG&E as follows:

Eligible Claim Paid Month	Reimbursement to PG&E
June 2024	\$39,258,154
July 2024	\$33,657,156
August 2024	\$78,851,058
September 2024	\$16,877,339

October 2024	\$88,474,800
November 2024	\$48,807,990
December 2024	\$43,942,610
January 2025	\$30,244,000
February 2025	\$24,256,642
March 2025	\$40,456,399
April 2025	\$24,840,226
May 2025	\$77,741,000
June 2025	\$61,640,000
Total	\$609,082,374

The total amount of all committed settlements for the Dixie Fire, as of October 6, 2025, is \$1,902,018,484.

Kincade Fire Claim Review

Sedgwick has completed the Threshold review process and has made the determination that there are \$1 billion of paid claims that have met the standard of Reasonable Business Judgement. Sedgwick has also recently completed its review of Eligible Claims that were paid by PG&E from February 2025 through June 2025. The amounts of those claims that met the Reasonable Business Judgement standard and were subsequently reimbursed are outlined below. Given that PG&E had not yet emerged from bankruptcy at the time of the Kincade fire, the Fund will reimburse 40 percent of the allowed amount.

Eligible Claim Paid Month	Paid by PG&E
February 2025	\$34,251,281
March 2025	\$26,109,070
April 2025	\$10,307,177
May 2025	\$53,574,345
June 2025	\$37,775,400
Total	\$161,927,272
Reimbursement (Total * 40%)	\$64,770,908

There are 10 claims included in the Eligible Claims category that are still under review where individual claimants possibly received additional insurance recoveries after their

claims were fully settled with PG&E. In these cases, the undisputed amounts have been paid, and the disputed amounts are under review, pending additional documentation. Sedgwick will continue to work with PG&E and seek explanations and/or request additional support related to the insurance recovery differences.

The total amount of all committed settlements for the Kincade Fire, as of October 6, 2025, is \$1,290,902,993.

Eaton Fire Claim Review

While the Eaton fire was only recently identified as a Covered Wildfire, the Administrator, Sedgwick and SCE have been meeting frequently to move the claims administration process forward. Sedgwick is working with SCE to develop a smooth data transfer process for all claims as soon as those claims are identified. Work has also been performed to ensure that documents can be shared through secure and protected tools. The Administrator is meeting with Sedgwick and SCE on a regular basis as the claim administration evolves.

SCE is in the process of creating a program known as the Wildfire Recovery Compensation Program (WRCP) where certain types of claimants can make claims directly with SCE. This optional process to settle claims is designed to support individuals, families, and other eligible claimants whose residences or business properties were either designated as damaged or destroyed by the California Department of Forestry and Fire Protection. The design of this program is backed by experts in this space and will provide direct payments and fast resolutions to eligible claimants. SCE is hosting workshops to acquire public comment and feedback and expects to launch the WRCP soon.

The Administrator and Sedgwick worked with SCE to gain a clearer perspective and understanding of the development of the program and how it would impact claimants. The Administrator and Sedgwick performed a comprehensive review of the WRCP to include its formulas, methodologies, procedures, and document requirements. The Administrator's preliminary conclusion is that, if the WRCP is implemented and applied as designed, the resulting settlements would satisfy the standard of Reasonable Business Judgement as outlined in the Procedures. This conclusion was made considering the program was designed with the advice of several experts, counsel, and other advisors. Additionally, the program as described conforms to the conceptual

amendments to the Procedures which were provided at the July 24, 2025, California Catastrophe Response Council meeting materials.

The Administrator expects and anticipates ongoing communication with Edison throughout the public comment period and implementation of the Program. Should the Administrator identify any Program design features, implementation practices or settlement outcomes suggesting that settlements are trending toward levels inconsistent with reasonable business judgment, we will bring such matters to Edison's immediate attention.

B. Claims Data Reporting and Council Oversight of Claims Administration

California Public Utilities Code Section 3281 defines the duties that the Administrator shall carry out, subject to the oversight of the Council. Among those duties is the review and approval of claims and settlements, and to provide funds to the participating utilities for the purposes of paying eligible claims. The Administrator acknowledges the Council's desire for increased knowledge and information around covered wildfire claims, settlement information, and the claim review that determines if claims meet the Reasonable Business Judgement standard for reimbursement. The Administrator will increase the level of communication and provide as much meaningful data and information as frequently as possible.

Following the Council's meeting on August 6, 2025, the claims administration team at CEA and Sedgwick assembled additional documentation regarding claims administration processes and make those available to Council members. A copy of those materials are attached to this memorandum (as **Attachment 5.B**). The supplemental procedures and practices that CEA will undertake to enhance Council oversight of the claims administration process, particularly in light of the impact of the Eaton Fire, are set forth below.

Quarterly Claim Administration Updates

The Administrator will continue to agendize a presentation for Claims Administration Oversight at each CCRC meeting. The Administrator will provide the Council during the threshold claim review period and subsequent eligible claim review periods, with a comprehensive report detailing the audit process and certifying that approved claims reviewed during that period have met the standard of Reasonable Business Judgement,

as defined in the Procedures. The quarterly cadence will provide high-level updates but also include valuable data and insights at a level of specificity that provides the Council with the information needed to better understand the progress and accuracy of the Administrator's claim review.

The certification report will include an overall evaluation of the results of the claim review for that period, specifics around the data review and validation, claim validation, and claim valuation. The report will detail the volume and types of claims submitted, the statistical audit selection process, the outlier claims selection process, and an inventory of approved or rejected claims for the given period, as well as aggregated results. The report will also include the amount of the determined allowable value of reimbursement to the participating utility, an outline of paid claims against outstanding reserves, and any recommendations or claim handling guidance the Administrator may have for the participating utility.

This reporting exercise will also include valuable information for any emerging covered wildfire. The Administrator will work with the participating utility to determine the strategy and mechanics of how wildfire settlements will be approached. The Administrator will provide visibility to the Council, when possible, of what predicted claim volumes are, a description of the different tranches of claims, and the methodology of how different types of claims will be settled. The Administrator will also work with the participating utility, early in the settlement process, to outline guidelines and expectations of the participating utility with respect to community direct payment programs, subrogation claims settlement, public entity claims settlements, and other types of claim settlements.

Dashboard Reporting

The Administrator is working with Sedgwick to develop dashboard-type reporting where the claims administration process can be monitored in close to real-time. These reports will track the activities and results of the claim selection and review process and will also display data for different types of claims and the progress being made with respect to reimbursement. Dashboard reporting centralizes data from various resources into a visual format and will help the Council stay informed on the claims administration process for each Covered Wildfire.

The Administrator welcomes any input or feedback from the Council with respect to its expectations for comprehensive and detailed information.

C. Proposed revisions to the California Wildfire Fund Claims Administration Procedures

The Council adopted amendments to the *Wildfire Fund Claims Administration Procedures (Procedures)* on May 4, 2023. It also authorized the Administrator to make periodic non-discretionary, conforming changes to the *Procedures* as necessary to ensure that the *Procedures* conform to any statutory amendments that may be enacted in the future. The Administrator entered into an agreement with Sedgwick Claims Management Services, Inc. (Sedgwick) effective as of January 24, 2022, to provide claims review services for the Wildfire Fund.

These actions are in keeping with Public Utilities Code section 3284(g), which requires that the Administrator prepare and seek Council approval for written procedures for the review, approval, and timely funding of eligible claims. The Council's adoption of the *Procedures* is also in keeping with the Articles of Governance, in which the Administrator is authorized to operate the Wildfire Fund within the framework established by law and in accordance with the *Procedures* approved by the Council.

Based on experience over the past several years, and particularly in light of the Eaton Fire, CEA is recommending the Council approve the following additional revisions to the *Procedures*.

1. Proposed Revisions: Direct Payment for Community Recovery Programs

The Administrator is required by law, to review and approve any settlement of an eligible claim by an electrical corporation participating in the Wildfire Fund ("IOU") as being in the reasonable business judgment of the IOU before reimbursing the IOU from the Wildfire Fund.

It is the Administrator's opinion that an IOU's exercise of reasonable business judgment in evaluating and resolving claims will necessarily vary based on the specific circumstances and individual factors associated with each covered wildfire. These

factors may include, but are not limited to, the size and complexity of the covered wildfire, the volume and nature of claims, the availability and quality of supporting documentation, and the overall settlement dynamics unique to that covered wildfire.

The recommended amendments described below are intended to recognize the unique circumstances an IOU would face if it was determined to have caused one, or more, of the January 2025 Southern California Wildfires, or other large wildfires, including the magnitude of the wildfire(s) and the finite resources available in the Wildfire Fund. These factors are critical to the IOU's exercise of reasonable business judgment in establishing Direct Payments for Community Recovery Programs. The recommended amendments would apply to any Covered Wildfire where a claim is presented to the Fund.

Proposal Specifics

The amendments would require an IOU that establishes a Direct Payments for Community Recovery Program for the processing and payment of claims resulting from covered wildfires, to formally attest that its Program meets the criteria listed below. This requirement is intended to enhance transparency, promote accountability, and ensure that Programs are designed and implemented in a manner that prioritizes the efficient infusion of recovery dollars directly to impacted individuals while adhering to established standards. Eligible claims submitted to the Administrator arising from Programs that meet the established criteria will be subject to an expedited review. Upon request of the Administrator, the IOU shall provide information on the methodologies for compensation based on damage type and severity used by the IOU in its uniform compensation framework.

Program Criteria:

- *Eligibility Standards:* Clearly defined and publicly available criteria for determining who qualifies for the Program.
- *Objective Damage Assessments:* Use of standardized methods and tools to assess damages, including the application of reputable models and engagement with established modeling firms.
- *Uniform Compensation Framework:* Establishment of consistent methodologies for compensation based on damage type (real property; additional living expenses; personal property; non-economic; etc.) and severity. The framework should avoid arbitrary or ad hoc determinations of individual claims.

- *Transparent Claims Process:* Clear, written explanation of the claims process, documentation requirements, and deadlines.
- *Fraud Measures:* Implementation of procedures for identifying and investigating potentially fraudulent claims, including a process for eliminating duplicate damage claims between a claimant and the subrogated insurer for that claimant.
- *Timely Processing:* Defined timelines for claim review, decision, and payment issuance.
- *Equity and Anti-Discrimination Measures:* Protections against discrimination based on race, ethnicity, income, disability, or other protected characteristics. The IOU should conduct special outreach efforts and provide assistance to potential eligible claimants to ensure equitable access to the Program.
- *Auditability:* The IOU should maintain documentation of how it has handled claims consistent with the Program criteria.

2. Proposed Revisions – Liquidity Support Programs

Administrator staff is considering establishing a Liquidity Support Program in response to the Eaton Fire, if doing so would: (i) benefit ratepayers; and (ii) support a Participating Utility's financial stability. CEA believes establishing a Liquidity Support Program could encourage Edison to enter into early and reasonable Eaton Fire settlements without creating liquidity concerns for Edison or requiring them to borrow funds at a higher cost than CWF can provide, given that higher borrowing costs are likely to be borne by Edison ratepayers.

CWF's Claims Administration Procedures already give the Administrator the flexibility to establish a liquidity program; however, staff proposes additional language to provide full transparency to specifically note what staff is contemplating. In the current Claims Administration Procedures, the language in Section 3, "Claim Payment Process" provides staff with the ability to initiate the liquidity program as noted in bullets 4 and 5:

- 4) While the Wildfire Fund is under no obligation to advance funds to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, the Administrator reserves the right to advance payments in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.

5) The Administrator reserves the right to recall claim payments from the Participating Utility in the event of over-payment or the Participating Utility's recovery of Eligible Claims from other parties.

Staff's proposed language (new sub-bullet #5) provides additional details and a reporting requirement to the Council:

5) The Administrator may, at its discretion, establish and implement a Liquidity Support Program for a Participating Utility if the Administrator determines that doing so would benefit ratepayers and promote the financial stability of the Participating Utility. Such support may include advances or other mechanisms deemed appropriate under the circumstances. The Administrator shall determine the terms and conditions of any such support and shall report the establishment and status of any Liquidity Support Program to the Council at the Council's next public meeting.

Recommendations

1. The Administrator recommends that the Council approve the amendments to the Procedures establishing criteria and guiding principles that an IOU must adhere to when developing a Direct Payments for Community Recovery Program. These criteria are intended to ensure that the Program is fair, consistent, objective, and aligned with applicable law and an IOU's responsibility to exercise reasonable business judgment in settling claims.
2. The Administrator also recommends that the Council approve the amended language with respect to Liquidity Support Programs which benefits ratepayers, promotes financial stability for the IOU, and encourages Edison to enter into early and reasonable Eaton Fire settlements.



Attachments:

The following documents are attached to this memorandum:

- Attachment 5.B Claims Administration Process Documentation to Facilitate Council Oversight.
- Attachment 5.C-1 Proposed revised Claims Administration Procedures (with changes indicated)
- Attachment 5.C-2 Proposed revised Claims Administration Procedures (clean copy)

California Wildfire Fund- Claims Administration Memo



California Catastrophe Response Council Memorandum

To: Members of the California Catastrophe Response Council (via BCC)

From: George Sittner, Chief Insurance and Claims Officer

Date: September 09, 2025

Re: California Wildfire Fund– Claims Administration
Documentation of claims administration process in support of Council oversight

CEA, in its capacity as the Administrator of the Wildfire Fund conducts its duties under the oversight of the California Catastrophe Response Council (“Council”). Among the Administrator’s responsibilities conducted under Council oversight is the review of eligible claims from covered wildfires to determine if the participating investor owned utility used Reasonable Business Judgment with respect to claim settlement and payment.

The January 2025 LA Wildfires, particularly the Eaton Fire which destroyed large portions of Altadena and surrounding communities, has focused significant attention on CEA’s claims procedures as well as the Council’s oversight role. Southern California Edison (Edison) has publicly accepted responsibility for igniting the Eaton Fire and, in collaboration with CEA, has announced that the Eaton Fire is a covered wildfire for the Wildfire Fund. While the total amount of eligible claims that Edison will submit for payment from the Wildfire Fund is currently unknown, the aggregate losses from the Eaton Fire could exceed the Wildfire Fund’s remaining claim-paying capacity.

To facilitate continued discussion regarding claims administration and the Council’s oversight of that process, this memorandum outlines the approved Claim Procedures (“Procedures”), details how a data-driven model is used to implement the Procedures, provides an update on all covered wildfires that are producing eligible claims, and suggests reporting and documentation formats to align with the Council’s needs for diligent oversight, balanced against the need to protect claimant privacy, prevent claims inflation, and ensure the integrity of the claims process.



I. Background

The Procedures provide a plan of operations for the Administrator of the Wildfire Fund (“Fund”) to fulfill its claims review, approval, and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code, as these sections may be amended, subject to the approval and oversight by the Council. The Administrator is authorized to operate the Fund within the framework established by law and in accordance with the Procedures as approved by the Council.

II. Claims Procedures

The Procedures contains guidance for general claims administration and outlines the Administrator’s claim review process. The Procedures outline the principles of general claims administration, the roles of the Administrator and the participating utilities, and provides general guidance. Further, the Procedures detail the Administrators claim review process with respect to establish if claims were settled using the Reasonable Business Judgement standard. [See CWF Claims Administration Procedures May 2023](#)

The Procedures align with the policy direction and guidance established by the Council. They clearly define each phase of the comprehensive claims administration process, offering precise instructions, clearly assigned roles and responsibilities, and well-articulated expectations for claim selection and review. The framework for evaluating Reasonable Business Judgment is thorough and systematically organized, with all necessary elements addressed and no gaps identified.

Principles of Claims Administration

The development of the Procedures is guided by a set of principles that apply broadly to claims administration to assure that the Administrator is consistent with the Legislature's goals in creating the fund. The principles that apply broadly to claims administration are intended to develop Procedures that:

- are designed to lead to the efficient and timely resolution of claims for payment from the Fund
- include stakeholder input in the development of the Procedures
- aim to balance the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, participating utilities, and others



- maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances and account for changes in legal and other standards

Role and Responsibility of the Administrator

The Administrator oversees the claims review and payments process of third-party claims submitted by the participating utilities for reimbursement by the fund. The Administrator's role includes:

- Developing and maintaining the claims administration policies and procedures as needed
- Seeking Council approval of revisions to the claims administrative policies and procedures
- Retaining the necessary claims review service providers and subject matter experts (SMEs) to evaluate claims
- Receiving and reviewing claims review service provider and vendor reports concerning evaluations of claims and eligibility for payment
- Preparing the reports and preliminary on final determinations of eligibility of claims
- Implementing and managing a dispute resolution mechanism
- Overseeing the processing for payment issuance of reimbursement amounts
- Maintaining records of paid and expected reimbursements by the fund

Role and Responsibility of the Participating Utilities

The participating utility is to provide the Administrator with a generalized understanding of the participating utility claim processes and standards used in resolving wildfire claims. The participating utility generally follows a three-part process to validate, value, and settle claims.

- Claims validation – confirmation that the claim is in relation to a covered wildfire, a determination of the scope and applicability of insurance policy coverage, a request and review of itemized claim data, a review of any evidence to support the description of items, and a determination of non-duplication
- Claim valuation – involves the use of valuation standards, tools and services; to include expert reports, confirmation of claims submitted to the subrogating insurers are paid consistent with the subrogation insurer's policy and settled based on what is recoverable by law, and confirming the final settlement



- Claim settlement – involved reaching agreement with the claimant, resolving the claim, and documenting payment

Submission of Claims

The Administrator will supply the participating utility with an approved template for provision of data, using secure file transfer protocols, that provides information for each third-party claim submitted to the Administrator for review and reimbursement by the Fund. The information provided on the provisional claims template includes:

- For non-subrogation claims, the supplied data must include:
 - Name or a unique identifier of the third-party claimant
 - Identification of the specific covered wildfire(s) giving rise to the claim
 - Specific location where damage or injury occurred
 - Legal interest of third-party claimant in the property, if any
 - Damaged amount, if any, recovered by the third-party claimant from any other sources such as the claimant's insurer or governmental agencies
 - Itemization of amounts claimed by the third-party claimant broken down among the following types of damages:
 - Real Property (Structures and Land)
 - Loss of Use/Additional Living Expenses
 - Personal Property/Business Personal Property
 - Business Income Loss
 - Crops
 - Trees
 - Personal Injury, Wrongful Death, Emotional Distress
 - Fire Suppression Costs
 - Attorneys' fees recoverable by the third-party claimant as an allowable part of damages
 - Other legally recoverable damages
 - Total amount paid by the participating utility for the third-party claim
 - Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - Proof of payment, or of obligation to pay, by the participating utility
 - Information and documentation relied upon by the participating utility for its determination of settlement or resolution amount



- For subrogation claims:
 - Name of insurer or other entity claiming right of subrogation
 - Identification of the specific covered wildfire(s) giving rise to the subrogation claims
 - If the subrogating entity is an insurer, name or other unique identifier for each of the subrogated insurer's policyholders under whom right of subrogation is claimed
If the subrogating entity is not an insurer, explanation of that entity's legal basis for asserting a right of subrogation
 - Specific location where each subrogated loss or injury occurred
 - Itemization of amounts claimed by the subrogating entity broken down among the following types of damages:
 - Real Property (Structures and Land)
 - Loss of Use/Additional Living Expenses
 - Personal Property/Business Personal Property
 - Business Income Loss
 - Crops
 - Trees
 - Other damages legally recoverable in subrogation
 - Total amount paid by the participating utility for the third-party claim
Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - Proof of payment, or of obligation to pay, by the participating utility
 - Information and documentation relied upon by the participating utility for its determination of settlement or resolution amount

The Administrator may request additional information as deemed necessary in the judgment of the Administrator.

Liaison with Participating Utilities

The Administrator serves as a liaison and will regularly confer with participating utilities on matters related to claim administration and reviews the claim handling capabilities and processes of the participating utilities. The Administrator is responsible for:



- Maintaining communications with liaisons of each participating utility regarding claim handling for wildfires with respect to current and projected amounts of claim payments made, or anticipated to be made
- Gaining an understanding of each participating utility’s wildfire claims handling practices and procedures, to include:
 - Structure, experience level and qualifications of personnel staffing
 - Training and development of personnel
 - Authority structure for claims review and settlement,
 - Procedures for handling large-loss claims
 - Procedures for exceptions
 - Business continuity plans to handle significant increase in claims submissions
 - Changes in the claim reporting requirements of the participating utility’s insurance carriers
 - Information on vendors, copies of guidelines provided to those vendors, and a description of how those vendors are audited
 - Information technology systems and security, and electronic data extraction and submission methods
 - Data retention policies
 - Procedures for identifying claims that are duplicative
 - Procedures for identifying and investigating potential fraudulent claims
 - Procedures for confirming third-party claims were actually paid and the participating utility had a legal obligation to pay

The Administrator’s Claim Review Process

The primary purpose of the Administrator’s claims review process is to determine if a participating utility has demonstrated that it exercised Reasonable Business Judgment in the valuation and payment of third-party claims.

Reasonable Business Judgement is defined in the Procedures as “the judgement of the Participating Utility of the validity and value of a claim that is based on the process employed by the Participating Utility and the type of information and documentation generally relied upon by the Participating Utility to reach a fair evaluation and the Participating Utility’s liability for, and amount of, the claim”.



The Procedures direct the Administrator to review and approve any settlement of eligible claims as being in the Reasonable Business Judgement of the participating utility as a prerequisite to reimbursing funds for covered wildfire claims. The Administrator's review of all claims for the Reasonable Business Judgement standard includes an evaluation of the process by which a participating utility has settled claims, and a determination of whether the process by which the settlement was reached was appropriate and consistent.

The Administrator reviews samples of claim submissions to determine if the standard of Reasonable Business Judgement has been satisfied. The Administrator contracted with Sedgwick Claims Management Services (“Sedgwick”) as its claim review services provider and together developed the Procedures, collaborating with participating utilities to develop an understanding of the claims handling process and claimant types, and to develop a reporting mechanism to collect data that is used to assess claims.

In determining whether a participating utility exercised Reasonable Business Judgment in resolving wildfire claims under the guiding principles adopted by the Council, the Administrator will consider the following:

- The participating utility’s general procedures for evaluating and paying claims.
- Whether the amount paid is finally adjudicated as defined herein, and/or whether it resulted from a judgment, mediation, arbitration award or informal negotiation.
- The extent to which the participating utility based its settlement decisions on documentation and other information appropriate for the types of damages and losses claimed.
- The extent to which the participating utility based its settlement decisions on consultation with SME’s appropriate for the types of damages and losses claimed.
- The costs and risks of further litigation with the third-party claimants.
- The extent to which the amount paid reflects legally recoverable damages.
- For subrogation claims, claims paid at less than or equal to 40% of total asserted claim value will be assumed to reflect the exercise of Reasonable Business Judgment unless the Administrator finds that the facts and circumstances surrounding a particular claim indicates a failure to exercise Reasonable Business Judgment.
- For all claims, the relationship between the value of the amount claimed and the amount paid.



- Finally adjudicated claims, as defined herein, will be paid in the full judgment amount.
- The participating utility's process for eliminating duplicate damage claims between a third-party claimant and the subrogated insurer for that claimant.
- Any other relevant and valid considerations.

The Administrator will employ various statistical methods in the claim review process. This may involve creating statistically meaningful samples of the data to be used in the selection of random files for review, as well as analyzing the data, and extracting particular information from the data. To that end, the purpose and activities of statistical analyses in the claims review process are directed towards:

- Expediting the claims review process by developing statistically significant random samples of claims for more detailed review.
- Identifying duplicate claims.
- Identifying common ranges of claim amounts in particular geographic areas, indicating certain claims that may warrant closer review.
- Identifying common ratios between amounts of particular damage categories to identify outliers.
- Suggesting any other areas of inquiry that the data reveals, and which may be relevant to an evaluation of Reasonable Business Judgment and of use in the claims review process.

The identification of "outliers" is an important function of statistical sampling. "Outliers" are claims with values outside the norm that may warrant individual claim review. The specific definition of an "outlier claim" will depend on what constitutes the norm in any given data set. Some examples of statistical analyses that may be performed to identify potential outliers and/or anomalies for further evaluation by an individual claim review are as follows:

- Determination and identification of any claim with a value in excess of \$10,000,000.
- Determine median loss amounts by damage types and identify those claims that are significantly higher than the median.
- Identify claims by specific location, by street for example, to determine the median value of a particular damage type and identify claims that far exceed the



median. These addresses may then be identified for the Administrator to consider conducting a more detailed review of that claim.

- For real property claims, determine average ratio of total structure loss to total loss of use losses. Compare the average ratio to the particular claims and identify losses where the relationship of the loss of use total to structure loss is unusually high.
- For real property claims, identify structure loss amounts that may represent a loss that has reached the insurance policy limit. Compare structure loss amounts to contents losses and identify contents amounts exceeding 50% of structure loss amount.
- Analyze itemized claims data to determine if the participating utility received duplicate claims for the same losses from the subrogating insurer and its insured. Submit a listing of identified duplicates to the Administrator for further review.
- Identify any additional anomalies in the data, such as a large claim for additional living expenses but no claim for damage to a home, locations outside the area of a covered wildfire based upon ZIP Code, and loss dates outside the known dates of the covered wildfire.
- The individual claim reviews determined by the identification of outliers and/or anomalies will be in addition to individual claim reviews determined by the statistically significant random file review.

III. Claim Administration in Practice

The Administrator has also partnered with Sedgwick to implement the Procedures for any covered wildfire. At present, Sedgwick is providing claim review services for the review of two covered wildfires: the 2021 Dixie fire and the 2019 Kincadee fire, both of which originated in Pacific Gas & Electric's servicing territory.

Sedgwick has demonstrated consistency and alignment with the Procedures respective to the claim reviews performed to date. Sedgwick is one of the largest and most technically experienced firms in the United States property claims space and can easily scale to meet the demands of the Administrator. Sedgwick has demonstrated a strong commitment to protocol by meticulously adhering to the Procedures. Each step of the Procedures has been executed with precision and consistency, reflecting a clear understanding of the requirements and the Administrator's expectations. Sedgwick is disciplined in their approach, communicates timely, and demonstrates thorough and accurate record keeping



practices. The Administrator has confidence in Sedgwick’s claims administration abilities, and believes that the pre-planned Procedures are implemented and executed as expected for each covered wildfire.

Sedgwick’s data-driven model meets all of the requirements for data validation, statistical claim selection, and identification of outlier claims for review. Sedgwick has leveraged the use of highly experienced SMEs to review claims for the evaluation and assessment of specific types of damage caused by wildfires. Below outlines many of the elements of the Procedures that Sedgwick has implemented with respect to the review of claims from covered wildfires.

Claim Procedures Requirements	Sedgwick Claim Operating Procedures
Provisional claims template	Detailed template built to collect up to 30 claim variables and identification of claims by claimant type and damage type to allow adequate comparisons of data
Claimant and data types	Sedgwick employs the claim and data types as outlined in the Procedures
Statistical methods for claim selection	Data scientist developed a model to identify a statistically significant data set for claims identification for claim review
Outlier claim identification	Data-driven model built to identify data patterns, detect duplicate claims, identify common ranges of claim amounts by geography or damage categories to identify outlier claims for review
Participating Utility Collaboration	Sedgwick requests detailed documentation from the participating utility based on the sample and outlier claim selection
Claim review	Claim review template contains up to 100 questions for a claim reviewer to complete with respect to determining reasonable business judgement, based on the type of claim and built in template logic
Data review and validation	The claim reviewer will verify that the data presented in the provisional claims template matches the supporting documentation provided at the claim level
Damage type review	Procedure established to account for variation in damage types by type of claimant



SMEs	The type of SME is identified based on the type and complexity of the claim. SMEs are provided with detailed directions for claim review and the key process steps for assessing each claim, and reviews claim audits with team leaders
Reasonable business judgement	Established basis for reasonable business judgement through interactions with the participating utility, to include understanding of the claim settlement process and verification of proof of payment, data review and selection, validation and valuation of claims, and confirmation of final settlement values

Sedgwick has provided a comprehensive update with respect to the claim administration services provided to date. The update details the rigorous review process that follows the requirements and guidance provided in the Procedures, the technical and statistical approach used in claim review, and the quality control tools used in the claim administration process. [See Sedgwick Claims Admin Update](#)

IV. Reporting

The Administrator has been reporting to the Council on the status of all covered wildfires at each quarterly Council meeting. This standardized reporting has typically consisted of updates to any covered wildfire, and any potential covered wildfire, to include a summary of the review process, and any amounts reimbursed to the participating utility. In response to the Council's request, the Administrator plans to provide more visibility to include additional information and data on a regular basis. More detail on future reporting is included in Section V.

V. CCRC Wildfire Claims Administrative Oversight

California Public Utilities Code Section 3281 defines the duties that the Administrator shall carry out, subject to the oversight of the Council. Among those duties is the review and approval of claims and settlements, and to provide funds to the participating utilities for the purposes of paying eligible claims. The Administrator acknowledges the Council's desire for increased knowledge and information around covered wildfire claims, settlement information, and the claim review that determines if claims meet the Reasonable Business Judgement standard for reimbursement. The Administrator will increase the level of



communication and provide as much meaningful data and information as frequently as possible.

Claim Administration Update

The Administrator will agendaize a presentation for Claims Administration Oversight at each CCRC meeting. The Administrator will provide the Council, during the threshold claim review period and subsequent eligible claim review periods, with a comprehensive report detailing the audit process and certifying that approved claims reviewed during that period have met the standard of Reasonable Business Judgement, as defined in the Procedures. The quarterly cadence will provide high-level updates but also include valuable data and insights at a level of specificity that provides the Council with the information needed to better understand the progress and accuracy of the Administrator's claim review.

The certification report will include an overall evaluation of the results of the claim review for that period, specifics around the data review and validation, claim validation, and claim valuation. The report will detail the volume and types of claims submitted, the statistical audit selection process, the outlier claims selection process, and an inventory of approved or rejected claims for the given period, as well as aggregated results. The report will also include the amount of the determined allowable value of reimbursement to the participating utility, an outline of paid claims against outstanding reserves, and any recommendations or claim handling guidance the Administrator may have for the participating utility.

This reporting exercise will also include valuable information for any emerging covered wildfire. The Administrator will work with the participating utility to determine the strategy and mechanics of how wildfire settlements will be approached. The Administrator will provide visibility to the Council of what predicted claim volumes are, a description of the different tranches of claims, and the methodology of how different types of claims will be settled. The Administrator will also work with the participating utility, early in the settlement process, to outline guidelines and expectations of the participating utility with respect to community direct payment programs, subrogation claims settlement, public entity claims settlements, and other types of claim settlements.

Monthly Claim Administration Updates

The Administrator will provide covered wildfire claim portfolio reports, monthly, or more frequently if needed, that provide claim inventory, incurred loss calculations, payment reserve updates, committed future settlements, and other information as it becomes



available. The report will include details for monthly new claim volume by type, the number of claims identified for review, and the number of claims approved or rejected. This monthly snapshot will the Council to be informed on month-to-month claim activity and bring awareness to any important claim related issues or activity.

The Administrator is collaborating with Sedgwick to design dashboard reports that consolidate key data points and monitor claims progress. These dashboards will integrate multiple data sources to deliver concise snapshots of various claim types, including their review and approval status, as well as a monthly reimbursement tracker. Each dashboard can be tailored to improve transparency and reflect the specific details of individual fire events, providing the Council with greater opportunities for oversight. [See Sedgwick Dashboard Examples.](#)

The Administrator welcomes any input or feedback from Council members with respect to your expectations for comprehensive and detailed information.

CWF Claims Administration Procedures May 2023



CLAIMS ADMINISTRATION PROCEDURES

WILDFIRE FUND ADMINISTRATOR

APPROVED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
JULY 22, 2021

AMENDED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
May 4, 2023

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PREFACE

These Claims Administration Procedures ("Procedures") provide a plan of operations for the Administrator of the Wildfire Fund ("Fund") to fulfill its claims review, approval, and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code, as these sections may be amended, subject to the approval and oversight by the California Catastrophe Response Council ("Council"). They have been drafted prior to any claims submission to the Fund and thus reflect a current view of the process for review and approval of claims as well as the Administrator's efficient operation and management of the Fund. The Administrator, Council, and Participating Utilities have a common interest in cooperating with each other, to the extent permitted by law, in order to share information protected by the attorney-client privilege and by the attorney work product doctrine with respect to claims administration, protection of claimant privacy, and maintaining the durability of the Fund.

Operational documentation will provide more detailed implementation direction for the Procedures and particularly for the Administrator's claims review process. The operational documentation may be updated as claims handling experience is gained. The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.

The Administrator will promptly notify the Council of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments. Upon request from a Council member, the Administrator will place a matter on the agenda for the next public meeting of the Council to allow for discussion and comment on the required changes.

OVERVIEW

The State of California has found that catastrophic wildfires pose an immediate threat to communities and properties throughout the state. The State of California also found that, when the equipment of an electrical corporation is implicated in the cause of wildfires, there is a significant risk of increased costs to ratepayers and decreased funding available for the electrical corporation to improve the safety and reliability of the state's electrical infrastructure.

In 2019, the California Legislature addressed these concerns with its adoption of Assembly Bill (AB) 1054 and signed into law by the California Governor on July 12, 2019. That bill contained several measures, including the creation of a Wildfire Fund (the "Fund") to be funded by participating electrical corporations ("Participating Utilities," as defined below) with additional contributions derived from a ratepayer charge that was approved by the California Public Utilities Commission.

The Legislature's intent in creating the Fund was to provide a mechanism for Participating Utilities to pay wildfire claims which provides mutual benefits to ratepayers and Participating Utilities. Fund benefits are available only under specific, limited conditions as defined by the Legislature. Monies will be paid from the Fund only to the extent that a Participating Utility demonstrates that its payment of claims reflects the exercise of Reasonable Business Judgment as defined herein.

To accomplish those goals, the Legislature vested discretion in an Administrator of the Wildfire Fund (the "Administrator," as defined below) to establish procedures for the review, approval, and timely funding of Eligible Claims to the Fund, consistent with the legislative goals of the bill and as approved by the California Catastrophe Response Council (the "Council," as defined below). The California Earthquake Authority ("CEA") was appointed as the Administrator on April 23, 2020.

The Fund reimburses Participating Utilities for Eligible Claims arising from a Covered Wildfire, that ignited on or after July 12, 2019, and that a Determining Governmental Entity has found was caused by a Participating Utility, as described in section 1701.8(a)(1) of the Public Utilities Code. Only Eligible Claims shall be made against or paid by the Fund. To access the Fund, Participating Utilities must have an aggregation of wildfire losses in a Coverage Year that exceeds an annual aggregated Threshold Amount.

The Legislature did not substitute the Administrator's judgment for that of the Participating Utility in settling claims made against a Participating Utility after a Covered Wildfire(s). However, Participating Utilities must develop and demonstrate reasonable standards when resolving wildfire claims. The fundamental principle is that the

Participating Utility will have made a determination of legally recoverable damages and will not have included settlement items that are not recoverable at law.

The purpose of these Claims Administration Procedures (“Procedures”) is to guide the Administrator, through its own internal staff and any vendors that it retains, in fulfilling its claims review, approval and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code. Figure 1 provides an illustration of the entire process of claims arising from Covered Wildfires, how claims are filed and reimbursed by Participating Utilities, and the submission of claims by Participating Utilities for reimbursement by the Fund. These Procedures primarily address the submission of claims by Participating Utilities for reimbursement by the Fund—steps 5 and 6 in Figure 1. Liability and the responsibility for claims handling and direct interaction with claimants—steps 1 through 4 in Figure 1—remain with the Participating Utilities and its claimants. Any responsibilities of the Administrator for potential reimbursement to the Fund associated with a Catastrophic Wildfire Proceeding—defined in section 1701.8.(b) of the Public Utilities Code, and step 7 in Figure 1—are not part of these Procedures and will be handled separately.

The Procedures also reflect the policy direction and guidance provided by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*, approved by the Council on October 22, 2020, and the *Claims Administration: Expanded Summary of Procedures* approved by the Council on January 28, 2021. The Council’s adoption of the *Expanded Summary of Procedures* and the *Provisional Policy Statement and Summary of Procedures* are in keeping with the *Articles of Governance* in which the Administrator is authorized to operate the Fund within the framework established by law and in accordance with claims administration procedures approved by the Council.

These Procedures are organized into two parts:

- I. **General Claims Administration Information** – outlines the principles and defines key terminology used in the Administrator’s claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.
- II. **Administrator’s Claims Review Process** – describes the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

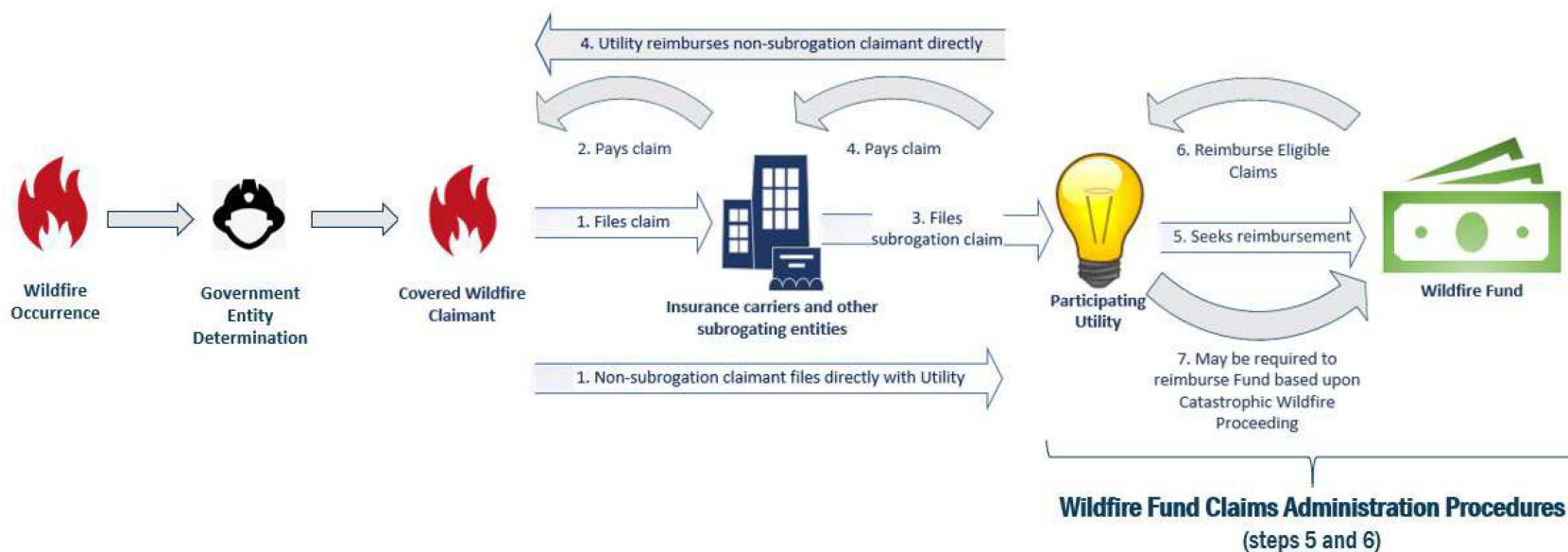


Figure 1. Illustration of the process of handling claims arising from Covered Wildfires

I. GENERAL CLAIMS ADMINISTRATION INFORMATION

This part of the Procedures outlines the principles and defines key terminology used in the Administrator's claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.

A. PRINCIPLES OF CLAIMS ADMINISTRATION

To assure that the Administrator's claims review processes are consistent with the Legislature's goals in creating the Fund, the Administrator's development of these Procedures is guided by a set of principles approved by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*. The principles that apply broadly to claims administration and the development of these Procedures are as follows:

- Procedures for the presentation and resolution of Wildfire Fund claims will be designed to lead to the efficient and timely resolution of claims for payment from the Fund.
- Stakeholder input is an important part of the development of claims administration procedures and the Administrator will attempt to balance potentially competing stakeholder interests and opinions as appropriate in the Administrator's discretion.
- Procedures will aim to balance the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.
- Procedures will maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances that cannot yet be predicted, and to account for changes in legal and other standards, while remaining consistent with the legislative intent expressed in the creation of the Fund.
- The Fund will be managed judiciously to assure that payments of Fund benefits are appropriate and that the Fund remains economically viable for the payment of future wildfire claims.

According to section 3284(g) of the Public Utilities Code, the Procedures may be revised from time to time by the Administrator with the approval of the Council. They may also include processes to facilitate and expedite the review and approval of settled Eligible Claims, including guidelines for, or preapproval of, settlement levels. They must also provide for the reimbursement of Eligible Claims within 45 days of the date the

Administrator approves the reimbursement amount for any Eligible Claim unless that timing is not practicable.

In particular, section 3292 of the Public Utilities Code directs the Administrator to review and approve any settlement of an Eligible Claim as being in the Reasonable Business Judgment of the Participating Utility as a prerequisite to releasing funds for payment. The Reasonable Business Judgment standard, as employed in these Procedures, primarily emphasizes the evaluation of the process by which a Participating Utility has settled claims while also allowing for the evaluation of specific claim resolutions as warranted by these Procedures. The Administrator's review of claims focuses on determining whether the process by which the settlement was reached was appropriate and consistent with Reasonable Business Judgment.

In essence, the claims review processes set forth in these Procedures comprise a "due diligence" review to assure that the Participating Utility's settlement decisions are based on the types of documentation and other evidence typically considered appropriate by reliable subject-matter experts when reaching a decision as to how much to pay in settlement. Given the catastrophic nature of wildfires, the Procedures acknowledge the potential for the destruction or corruption of evidence that might be relied upon to determine a claim settlement. The concept of Reasonable Business Judgment acknowledges that a pragmatic approach on the part of the Participating Utility will be appropriate in cases where evidence has been so destroyed or corrupted. In these cases, the pragmatic approach may involve consideration of the Participating Utility's prior or current experience with valuing similar claims in lieu of other evidence.

B. DEFINITIONS

The following definitions have been reviewed and approved by the Council and provide further clarification of the guidance provided on claims administration in Public Utilities Code sections 3280 – 3297, as amended from time to time.

Administrator – The administrator of the Wildfire Fund appointed by the Council pursuant to section 8899.72 of the Government Code. The California Earthquake Authority was appointed by the Council to serve as the Administrator on April 23, 2020. "Administrator" also includes any third-party claims review services provider and vendors that the California Earthquake Authority retains to review and process claims.

Council – The California Catastrophe Response Council created pursuant to section 8899.70 of the Government Code.

Coverage Year – For any Participating Utility, an annual period of exactly twelve months that commences as of a certain date and time, as declared by the Participating Utility to the Administrator.

Covered Wildfire – As described in section 1701.8(a)(1) of the Public Utilities Code, as amended from time to time, a wildfire that ignited on or after July 12, 2019, and for which either of the following is satisfied: (A) The governmental agency responsible for determining causation or a court of competent jurisdiction determines the wildfire was caused by a Participating Utility. (B) Asserted to have been caused by a Participating Utility and results in a court-approved dismissal resulting from the settlement of third-party damage claims. This includes a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff. It also includes a landslide, mudslide, mudflow, or debris flow that is the result of a Covered Wildfire.

Determining Governmental Entity – As described in section 1701.8 of the Public Utilities Code, as amended from time to time, an entity, agency, or subdivision of the government of the United States of America, State of California, or California county or municipality that is legally charged with the responsibility for determining, and does in fact make a final determination of, the cause of ignition of a wildfire. This includes a determination by a federal or California court of competent jurisdiction that a wildfire, ignited on or after July 12, 2019, was caused by a Participating Utility, or a court-approved dismissal following the settlement of third-party damage claims asserted to have resulted from a wildfire caused by a Participating Utility.

Eligible Claim(s) – As described in section 3280(f) of the Public Utilities Code, as amended from time to time, Third-Party Claims for damages resulting from Covered Wildfires and presented by a Participating Utility for reimbursement from the Fund. “Eligible Claims” include amounts for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the settlement of a settled or Finally Adjudicated claim of a third-party claiming damages caused by a Covered Wildfire.

Final Determination of Eligibility – The Administrator’s final determination of whether the Participating Utility has demonstrated that it has met the Threshold Amount through the payment of Third-Party Claims for damages resulting from Covered Wildfires in the Participating Utility’s exercise of Reasonable Business Judgment.

Final Determination of Eligible Claims - The Administrator’s final determination that the Participating Utility exercised Reasonable Business Judgment in the payment of Eligible Claims and will reimburse the Participating Utility.

Finally Adjudicated – A claim is Finally Adjudicated when a neutral judicial or quasi-judicial third party, such as a court or arbitrator, has issued a final decision on the merits that is binding on the parties and may no longer be appealed. Settlements, consent judgments, and other dispositions that are the result of a voluntary agreement or are not a binding decision by a third party are not Finally Adjudicated claims.

Participating Utility – An electrical corporation that has met all the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.

Preliminary Determination of Eligibility – The Administrator’s initial determination regarding the extent to which a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the payment of Third-Party Claims exceeding the Threshold Amount.

Preliminary Determination of Eligible Claims – The Administrator’s determination that it is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment with respect to one or more claims submitted for reimbursement. The Participating Utility will be requested to provide additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the Third-Party Claims can be further considered for reimbursement.

Reasonable Business Judgment – The judgment by the Participating Utility of the validity and value of a claim that is based on the process employed by the Participating Utility and the types of information and documentation generally relied upon by the Participating Utility to reach a fair evaluation of the Participating Utility’s liability for, and amount of, the claim. Under section 3292(f) of the Public Utilities Code, only claims settled in the “Reasonable Business Judgment” of a Participating Utility are reimbursable by the Fund.

Subject Matter Experts (SMEs) – Individuals advising the Participating Utilities and/or the Administrator with expertise for the valuation and assessment of specific types of damage caused by wildfires.

Subrogation Claim(s) – Claims paid, as a result of a Covered Wildfire, to insurers for recovery of policy benefits paid to their insureds and claimants and based on the insurers’ contractual rights of subrogation of their policyholders’ rights of recovery, or to other persons or entities holding a contractual or equitable right to be reimbursed for payments that person or entity was legally required to make to a third party.

Third-Party Claim(s) – Claims for damages or losses, or other associated expenses, presented to a Participating Utility by any person or entity, including those claiming a right by subrogation and governmental entities, claiming damages resulting from a Covered Wildfire. “Third-Party Claims” do not include losses or damages sustained directly by the Participating Utility.

Third-Party Claimant - A person or entity that files a Third-Party Claim.

Threshold Amount – Claims paid by a Participating Utility as a result of one or more Covered Wildfires that, in the aggregate, exceed the greater of the following for a

Coverage Year: (1) one billion dollars (\$1,000,000,000), or (2) the amount of the insurance coverage required to be in place for the Participating Utility pursuant to section 3293 of the Public Utilities Code.

Wildfire – A accidental and unintentional, uncontrolled fire that (1) is listed on a list of wildfire incidents compiled by the California Department of Forestry and Fire Protection (“CAL FIRE”), or, (2) if not so listed on the CAL FIRE list of wildfire incidents, is determined by the Administrator, in the Administrator’s sole discretion, to be of the nature and sort of fire that should enable a Participating Utility to apply for and receive reimbursement for Eligible Claims from the Wildfire Fund.

Wildfire Fund – The fund created in section 3284 of the Public Utilities Code.

C. ROLE AND RESPONSIBILITIES OF THE ADMINISTRATOR

The Administrator oversees the claims review and payment processes of Third-Party Claims submitted by Participating Utilities for reimbursement by the Fund.

The Administrator’s role includes:

- Developing, maintaining, and revising the claims administration policies and procedures as needed to achieve an adequate level of performance, in the discretion of the Administrator, by claims review service providers, other vendors, and the Administrator staff.
- Seeking Council approval of revisions to the claims administration policies and procedures, and advising claims review service providers and Participating Utilities of any changes as they occur.
- Retaining the necessary claims review service providers and Subject Matter Experts (SMEs) to satisfactorily evaluate Threshold and Eligible Claims, and to provide for accurate and timely payment of Eligible Claims.
- Receiving and reviewing claims review service provider and vendor reports concerning evaluations of claims and eligibility for payment by the Fund.
- Preparing the reports on Preliminary and Final Determinations of Eligibility of claims, and conveying them to the Participating Utility and the Council.
- Managing the establishment and execution of quality control and audit functions for the overall claims administration processes.
- Implementing and managing a dispute resolution mechanism.
- Overseeing the processing for payment issuance within 45 days of the approval of the reimbursement amount.
- Maintaining records of paid and expected reimbursements by the Fund on a current basis.

The Administrator also has responsibilities to liaise with Participating Utilities and retain claims review service providers and other vendors to assist with claims handling. These responsibilities are further defined in the following sections.

C.1. LIAISON WITH PARTICIPATING UTILITIES

The Administrator will appoint a staff member to serve as liaison to confer with Participating Utilities on matters related to claim administration and to conduct an annual review of the claim handling capabilities and processes of Participating Utilities. The Administrator's liaison is responsible for the following tasks, to the extent deemed appropriate by the Administrator:

1. Maintain communication with the liaisons of each Participating Utility regarding claim handling for wildfires, including the current and projected amounts of claims payments made, committed to be made, and/or anticipated to be paid for each Covered Wildfire.
2. Gain an understanding of each Participating Utility's wildfire claims handling organization, practices and procedures that includes information on, without limitation, the following:
 - a. Size and structure of the claims handling organization, experience levels and qualifications of personnel, and personnel staffing at each experience level
 - b. Training and development of personnel
 - c. Authority structure, both internal to the Participating Utility and by vendor, for claims reviews, settlements of claims, and audit and control mechanisms for those authorities
 - d. Procedures for handling large-loss claims and any exceptions to the procedures
 - e. Any claims procedures to resolve claims for reasons other than a reasonable estimation of liability and legally recoverable damages
 - f. Business continuity plans and capabilities to handle significant increases in claims submissions
 - g. Changes in the claim reporting requirements of the Participating Utility's insurance carriers
 - h. Claim support by vendors and the names of and contracts with any claims handling vendors, if used
 - i. Copies of any guidelines that vendors should follow in adjusting claims and how those adjustments are audited and reviewed, including any delegated authority that is provided
 - j. Information technology systems and security, and electronic data extraction and submission methods used to produce claim submissions to the Administrator, as indicated in the reporting requirements for losses
 - k. Data retention policies for all claims related data and documentation

- l. Procedures for identifying claims that are duplicative and/or that are included twice, for example, once in the context of a Subrogation Claim and again in the context of a non-Subrogation Claim made by the person or entity directly sustaining the claimed loss
 - m. Procedures for identifying and investigating potentially fraudulent claims
 - n. Procedures for confirming proof that the Third-Party Claim was actually paid or that the Participating Utility has an existing and legally enforceable obligation to pay that Third-Party Claim.
3. Conduct annual update meetings with each Participating Utility within the first half of each Coverage Year to secure the latest information, as described above, on the claims handling organization, its functioning, and reporting capabilities.
 4. Be available as requested to meet with each Participating Utility to address concerns arising from either the Participating Utility or the Administrator.

C.2. POLICIES AND PROCEDURES FOR USE OF CLAIMS REVIEW SERVICE PROVIDERS AND OTHER VENDORS

The Administrator may retain vendors to execute and comply with these Procedures for the review and approval of Threshold Amount claims and Eligible Claims submitted to the Fund, and the timely funding of Eligible Claims. In this way, vendors will be an integral part of the Administrator's claim handling process.

Vendors are expected to have qualified staff to conduct claim reviews as are deemed necessary by the Administrator. Vendors will be expected to have ready access to experts in loss evaluation for each of the damage types identified in the Procedures. When the Administrator requires the specific expertise during a claim review, the vendor will demonstrate that the expert has suitable credentials.

Vendors are required to review and agree with the Administrator as to the scope, resourcing, and timing of any claims review. Vendors must receive written approval from the Administrator before arranging to conduct detailed claim reviews.

Vendors must be timely in their review of claim submissions as well as be accurate in their evaluations. Reports to the Administrator must be timely and accurate as well.

Vendors must ensure that they identify for the Administrator two points-of-contact familiar with the handling of the Wildfire Fund account to ensure there is always efficient and timely communication with the Administrator.

Vendors are expected to maintain timely communications with the Participating Utility and/or the Administrator during the entire period of the pendency of a claim submission.

D. ROLE AND RESPONSIBILITIES OF THE PARTICIPATING UTILITIES

The Council has adopted guiding principles for the Administrator's development and implementation of the Claims Administration Procedures. Two of those principles that specifically relate to the roles and responsibilities of the Participating Utilities are:

- Participating Utilities must demonstrate reasonable standards when resolving wildfire claims.
- Each settlement for which Participating Utilities seek reimbursement from the Wildfire Fund must be a fully and finally settled claim.

The Participating Utilities are also expected to:

- Appoint a liaison to confer with the Administrator's liaison on all claims-related matters.
- Participate in the Administrator's annual review of the Participating Utilities' claim handling capabilities and processes within the first half of each Coverage Year.
- Be available as requested to meet with the Administrator to address concerns arising from either the Participating Utility or the Administrator.
- Provide the Administrator with information requested as part of pre-claims processes and for the submission of claims to the Fund. These responsibilities are further defined in the following sections D.1. and D.2.

As part of the annual review, it is the responsibility of each Participating Utility to provide the Administrator with a generalized understanding of Participating Utility claims processes and standards used in resolving wildfire claims, and to update the Administrator, at least annually, on any major changes that may materially affect the Administrator's understanding of these processes and standards.

Based upon interviews with the Participating Utilities, the Administrator has developed an initial generalized understanding of the Participating Utilities' claims processes. It is summarized here to provide a contextual and consistent basis for subsequent assessment by the Administrator. Following the intake and acknowledgement (if needed) of itemized claims data, Participating Utilities generally follow a three-part process to validate, value and settle claims:

- Claims validation – involves confirmation that the claim is in relation to a Covered Wildfire(s); if relevant, an initial review to determine the scope and applicability of insurance policy coverage or any applicable contract, and any deductible applied; a review of the itemized claim data supplied and requests for any missing items (as needed); a review of the evidence to support the existence/description of items included in the claim and evidence that can reasonably be provided; and a determination of non-duplication.

- Claims valuation – involves use of valuation standards, tools, and services;; review of any supporting experts’ reports, such as adjusters, engineers, accountants, medical experts; consideration of salvage and value of salvage; confirmation that the claim submitted to the subrogating insurer was covered and paid consistent with the subrogating insurer’s policy or any other applicable contract; calculate the settlement value based on what is recoverable at law, considering injury, actual cash value (ACV), replacement cost value (RCV), market value, and other relevant factors; and confirm final settlement value.
- Claims settlement – involves reaching agreement with the claimant, resolving the claim, and documenting payment.

D.1. PRE-CLAIM PROCESSES

These procedures apply before a Participating Utility presents Eligible Claims for reimbursement from the Fund. These procedures are necessary to expedite the processing of Eligible Claims.

1. The Administrator and each Participating Utility will determine in advance the Coverage Year to be used for the identification of Eligible Claims.
2. Each Participating Utility must develop procedures that capture all relevant details regarding Third-Party Claims that have been paid, or for which there are binding commitments to pay, in a form compatible with the requirements for seeking reimbursement of Eligible Claims from the Fund. This includes policies for claims data retention.
3. Each quarter, or at such other intervals as determined by the Administrator, the Participating Utility must report, in a standardized format specified by the Administrator, all the following to the Administrator with respect to actual or anticipated Eligible Claims:
 - a. The date, location and, if applicable, name of each Covered Wildfire.
 - b. A brief description of the status of efforts to resolve Third-Party Claims and an estimate of the timing of resolution of those claims.
 - c. The total amounts of payments made, or committed to be made, for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - d. To the extent publicly disclosed, the total estimated amount of additional payments anticipated for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - e. The status of the determination of causation by the Determining Governmental Entity as to each wildfire that the Participating Utility knows to be or reasonably expects to be determined to be a Covered Wildfire.

4. In addition to the periodic reports described above, each Participating Utility must report the information listed in section 3 above to the Administrator when any of the following occurs:
 - a. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, more than \$750,000,000, in the aggregate, for Third-Party Claims resulting from Covered Wildfires for a single Coverage Year;
 - b. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, any single Third-Party Claim exceeding \$25,000,000 resulting from a Covered Wildfire;
 - c. The Participating Utility has a reasonable belief that it may have Eligible Claims exceeding the Threshold Amount for a single Coverage Year; or,
 - d. Upon request of the Administrator.
5. The information identified in sections 3 and 4 above is not intended to replace the more detailed information required for the formal submission of Eligible Claims, but is intended to provide the Administrator with advance notice of potential Eligible Claims to help facilitate the processing and payment of Eligible Claims if or when they are submitted for reimbursement. The failure to provide the information identified in sections 3 and 4 above will not result in a denial of claims submitted by the Participating Utility, but may significantly delay the processing and reimbursement of such claims.

D.2. SUBMISSION OF CLAIMS

The Participating Utility must provide, in a secure fashion and by means determined by agreement between the Administrator and the Participating Utility, the following information for each Third-Party Claim submitted to the Administrator for review and reimbursement by the Fund. The Administrator will supply Participating Utilities with an approved template for the provision of data and use secure file transfer protocols to receive the data.

1. For non-Subrogation Claims, the supplied data must include:
 - a. Name or a unique identifier of the Third-Party Claimant
 - b. Identification of the specific Covered Wildfire(s) giving rise to the claim
 - c. Specific location where damage or injury occurred
 - d. Legal interest of Third-Party Claimant in the property, if any, damaged
 - e. Amount, if any, recovered by the Third-Party Claimant from any other sources such as the claimant's insurer or governmental agencies
 - f. Itemization of amounts claimed by the Third-Party Claimant broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property

- iv. Business Income Loss
- v. Crops
- vi. Trees
- vii. Personal Injury, Wrongful Death, Emotional Distress
- viii. Fire Suppression Costs
- ix. Attorneys' fees recoverable by the Third-Party Claimant as an allowable part of damages
- x. Other legally recoverable damages
- g. Total amount paid by the Participating Utility for the Third-Party Claim
- h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
- i. Proof of payment, or of obligation to pay, by the Participating Utility
- j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount
- 2. For Subrogation Claims, the supplied data must include:
 - a. Name of insurer or other entity claiming right of subrogation
 - b. Identification of the specific Covered Wildfire(s) giving rise to the Subrogation Claims
 - c. If the subrogating entity is an insurer, name or other unique identifier for each of the subrogated insurer's policyholders under whom right of subrogation is claimed
 - d. If the subrogating entity is not an insurer, explanation of that entity's legal basis for asserting a right of subrogation
 - e. Specific location where each subrogated loss or injury occurred
 - f. Itemization of amounts claimed by the subrogating entity broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Other damages legally recoverable in subrogation
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount.

The Administrator may request additional information as deemed necessary in the judgment of the Administrator.

As explained in more detail in section II.F, the supplied information will also be used to test the claims review systems, operational documentation and Procedures. Testing will occur before the claims review process commences for new Third-Party Claims that are submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

E. DATA CONFIDENTIALITY AND PRIVACY

The Administrator has developed the following procedures designed to protect from disclosure any confidential or proprietary documents or information that may be submitted by a Participating Utility to support claims payable from the Fund. Except as otherwise required by law, neither the Administrator nor the Council will divulge to any other person or entity that confidential or proprietary information absent the written consent of the Participating Utility. If the Administrator or the Council receives from any person or entity any valid and enforceable request or demand to divulge a Participating Utility's confidential or proprietary information, the Administrator will notify the Participating Utility of the demand or request as promptly as reasonably practicable and will provide reasonable assistance and will provide reasonable non-monetary assistance in protecting confidential or proprietary information from disclosure.

The following procedures specifically apply to information submitted to the California Earthquake Authority (CEA), in its capacity as Administrator, or to the Council, on or after the date these Procedures are approved by the Council.

E.1. SUBMISSION OF INFORMATION CLAIMED TO BE CONFIDENTIAL

The information submitter is responsible for documenting the reasons why the Administrator, or the Council, should withhold any information, or any portion thereof, from the public. To request confidential treatment of information submitted to the Administrator, or the Council, an information submitter must satisfy all the following requirements:

1. If confidential treatment is sought for any portion of information, the information submitter must designate each page, section, or field, or any portion thereof, as confidential. If only a certain portion of information is claimed to be confidential, then only that portion rather than the entire submission should be designated as confidential.
2. Specify the basis for the Administrator, or the Council, to provide confidential treatment with specific citation to an applicable provision of the California Public Records Act.

3. Provide a declaration in support of the legal authority cited above of the California Public Records Act signed by an officer of the information submitter or by an employee or agent designated by an officer. The officer delegating signing authority to an employee or agent must be identified in the declaration.
4. Provide a name and email address of the person for the Administrator, or the Council, to contact regarding the potential release of information by the Administrator, or the Council. An information submitter may designate as many as three people by name and email address for all document submissions to the Administrator, or the Council. Failure of the information submitter to monitor and respond to Administrator or Council, communications by any specified deadlines in such communications, to the designated email address(es) does not preclude release of information per section E.2. below. There is no requirement for the Administrator staff to contact each name provided. To designate or change the designated email address and contact name, an information submitter shall send an email to the CEA's Legal & Compliance Department at records@calquake.com.

If an information submitter satisfies the requirements in this section, then the Administrator, or the Council, will segregate such information in its records. If the Administrator, or the Council, receives a request, whether through the California Public Records Act or otherwise, requiring the production of claimed confidential information, it will evaluate the legal authority for the Administrator, or the Council, to withhold the document from the public and follow the process established in section E.2. below.

E.2. PROCESSING OF CALIFORNIA PUBLIC RECORDS ACT REQUESTS THAT IMPLICATE INFORMATION CLAIMED TO BE CONFIDENTIAL

This section applies if an information submitter has satisfied section E.1. above.

1. Before releasing information in response to a California Public Records Act request, or in any other context, the CEA's Legal & Compliance Department will determine, based on the information it has, whether the information submitter has established a lawful basis of confidentiality. If CEA Legal & Compliance requires additional information, it may notify the information submitter of the California Public Records Act request and ask the information submitter to provide further information.
2. If CEA Legal & Compliance concludes the information submitter has established a lawful basis for confidential treatment, it will not release the information and will notify the California Public Records Act requester of its decision to deny the request partially or completely.
3. If CEA Legal & Compliance concludes the information submitter has failed to establish a lawful basis for confidential treatment, it will notify the information

submitter of this determination, and provide the information submitter a reasonable amount of time, subject to applicable timing limitations, if any, set forth in the California Public Records Act, to seek a court order protecting the information submitter's allegedly confidential information.

4. The Administrator, and the Council, will follow all required deadlines and requirements of the California Public Records Act in responding to California Public Records Act requests. These procedures are not intended to contradict or circumvent those requirements in any way.

II. ADMINISTRATOR'S CLAIMS REVIEW PROCESS

The primary purpose of the Administrator's claims review process is to determine if a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the valuation and payment of Third-Party Claims. The Administrator's review of Third-Party Claims has two distinct parts: a Threshold Claims review and an Eligible Claims review. Each is described in greater detail in the following sections.

While the Administrator will review Threshold Claims separately from Eligible Claims, the processes and standards described herein will apply to each of those evaluations. In a Threshold Claims review, the Administrator will evaluate Third-Party Claims that a Participating Utility has paid, or made binding commitments to pay, that, in the aggregate, meet the Participating Utility's Threshold Amount for a particular Coverage Year. If the Administrator determines that the total amount paid or committed to be paid by the Participating Utility was consistent with the exercise of Reasonable Business Judgment, then the Participating Utility may seek reimbursement from the Fund for payment of Eligible Claims for the applicable Coverage Year.

The Administrator's review of Eligible Claims will then determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the following statutory standards of claim review set forth in section 3292.f. of the Public Utilities Code:

"Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the administrator shall be paid unless the administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of such business judgment. To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.

The administrator shall approve a settlement of an eligible claim that is a subrogation claim if the settlement exceeds 40 percent of the total asserted claim value, as determined by the administrator, and includes a full release of the balance of the asserted claim so long as the administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms.

A subrogation claim that is finally adjudicated shall be paid in the full judgment amount.”

Also, the Administrator will pay the full adjudicated amount of all Eligible Claims, including Subrogation Claims, that are Finally Adjudicated as defined herein.

The following sections provide additional detail on the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

A. REASONABLE BUSINESS JUDGMENT STANDARD FOR CLAIMS REVIEW

As provided in the Definitions section, Reasonable Business Judgment is a judgment of the value of a claim that is based on consideration of the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim. The key point is that Reasonable Business Judgment focuses on the process employed by the Participating Utility rather than the end result. Therefore, the Administrator’s review should focus on two questions:

- Did the Participating Utility rely on the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim?
- Was the Participating Utility’s process one that is generally relied upon to reach a fair evaluation of the amount of the claim?

In determining whether a Participating Utility exercised Reasonable Business Judgment in resolving wildfire claims under the guiding principles adopted by the Council, the Administrator will consider the following:

1. The Participating Utility’s general procedures for evaluating and paying claims.
2. Whether the amount paid is Finally Adjudicated as defined herein, and/or whether it resulted from a judgment, mediation, arbitration award or informal negotiation.
3. The extent to which the Participating Utility based its settlement decisions on documentation and other information appropriate for the types of damages and losses claimed.
4. The extent to which the Participating Utility based its settlement decisions on consultation with SME’s appropriate for the types of damages and losses claimed.
5. The costs and risks of further litigation with the Third-Party Claimants.
6. The extent to which the amount paid reflects legally recoverable damages.
7. For Subrogation Claims, claims paid at less than or equal to 40% of total asserted claim value will be assumed to reflect the exercise of Reasonable Business Judgment unless the Administrator finds that the facts and circumstances

surrounding a particular claim indicate a failure to exercise Reasonable Business Judgment.

8. For all claims, the relationship between the value of the amount claimed and the amount paid.
9. Finally Adjudicated claims, as defined herein, will be paid in the full judgment amount.
10. The Participating Utility's process for eliminating duplicate damage claims between a Third-Party Claimant and the subrogated insurer for that claimant.
11. Any other relevant and valid considerations.

Additional information on the documentation and information, including the use of SME's and the process, including the legal standards for valuation of typical wildfire damages, are provided in the following sections.

A.1. DOCUMENTATION AND INFORMATION - USE OF SUBJECT MATTER EXPERTS

The use of Subject Matter Experts (SMEs) to determine whether a Participating Utility exercised Reasonable Business Judgment in resolving claims is a key component of the claims review process. SMEs identify what types of documentation and other information are "generally relied upon to reach a fair evaluation of the amount of the claim," using the definition of Reasonable Business Judgment, within the specific area of expertise of an SME. SMEs may also identify whether the Participating Utility's process was one that is "generally relied upon" in valuing certain types of damages.

In drafting these Procedures, the Administrator consulted with SMEs with expertise valuing the damage types typically found in wildfire claims. These areas are:

- Real Property (Structures and Land)
- Loss of Use/Additional Living Expenses
- Personal Property/Business Personal Property
- Business Income Loss
- Crops
- Trees
- Personal Injury, Wrongful Death, Emotional Distress
- Fire Suppression Costs

The use of SMEs supports the key features of the claims review process in the following ways:

- Expedites claims review by identifying documentary support considered reliable among experts.
- Helps identify claims lacking in reliable support for which further inquiry may be needed.
- Helps identify claims that may require specific review.

A.2. PROCESS – LEGAL STANDARD FOR VALUATION OF TYPICAL WILDFIRE DAMAGES

In determining whether the Participating Utility's process in resolving a claim was consistent with Reasonable Business Judgment, the Administrator must consider whether the amount paid by the utility is recoverable under California law.

Below is an overview of the Administrator's current understanding of the legal measure of damages for the types of damages typically associated with wildfires. At the start of any claims review process, the Administrator will review and update, as necessary, the legal measure of damage for the typical wildfire damage categories.

1. Real Property (Structures and Land):
 - a. Baseline Measure: The lesser of either the cost to repair or the diminution in the fair market value of the property caused by the fire (plus loss of use during the time of repair, as discussed in section 2 below).
 - b. Exceptions: Repair costs that exceed diminution in value are recoverable if the property owner demonstrates that he or she has a "genuine desire" to repair or replace the property for personal reasons, and the costs of repair or replacement are reasonable given the damage to the property, its pre-fire value, and its value after repair.
2. Loss of Use/Additional Living Expenses
 - a. Baseline Measure: The reasonable cost to rent similar property for the reasonable length of time when the claimant could not use the property due to the damage.
 - b. Exceptions: None noted.
3. Personal Property, including Business Personal Property:
 - a. Baseline Measure: For destroyed personal property, the measure is the fair market value of the item before it was destroyed. For damaged personal property the measure is the lesser of diminution of value or cost to repair, plus loss of use during the time of repair and any residual loss in value because of the repair (e.g., if a repaired vehicle has a lower value because it had been previously damaged).
 - b. Exceptions: The measure for personal property that is so unique as to have no readily identifiable market (e.g., one-of-a-kind items) is an amount that is fair and reasonable under the circumstances.
4. Business Income Loss:
 - a. Baseline Measure: Businesses whose property is damaged resulting in income loss can claim net income loss during a reasonable repair time and until the business has recovered to its previous level. The loss is calculated by adding the actual past income loss during the repair period to any reasonably certain future income loss, if any. Due allowance will be made in the calculation for

- any savings in the costs of sales, employee wages or benefits, taxes, and any other variable expenses.
- b. Exceptions: None noted.
- 5. Crop Losses:
 - a. Baseline Measure: The expected market value of the crop before the damage, less the cost of producing and marketing the crop that would have been incurred.
 - b. Exceptions: For perennial crops, claimants can recover the difference between the rental value of the land with the crop and the land without the crop for the duration of time that it takes to restore the crop.
- 6. Trees:
 - a. Baseline Measure: Tree values are typically assessed by professional arborists who use various published standards for appraising trees.
 - b. Exceptions: Tree valuations should consider the extent to which the lost trees contributed to the fair market value of the property as a whole. Otherwise, the added value of trees may exceed the diminished fair market value of the property.
- 7. Personal Injury, Wrongful Death, Emotional Distress:
 - a. Baseline Measure for Personal Injury: Claimants who suffer personal injury caused by the fire can recover the reasonable cost of past and future medical care, emotional distress, and lost income/earning capacity if the injury prevents them from earning income.
 - b. Baseline Measure for Wrongful Death: Family members can claim a loss of financial support, gifts/benefits, and value of household services provided by decedent, as well as funeral/burial expenses and noneconomic damages such as the loss of love, comfort, and care.
 - c. Exceptions: None noted.
- 8. Fire Suppression Costs:
 - a. Baseline Measure: Reasonable cost of firefighting, as well as providing rescue or emergency medical services along with administrative costs.
 - b. Exceptions: None noted.

B. CLAIMS REVIEW METHODS

The review of individual claims is the principal method by which the Administrator will determine whether the Participating Utility exercised Reasonable Business Judgment when resolving claims. The Administrator may conduct statistical sampling in order to derive a representative set of claims for individual review. Individual claim reviews are more detailed evaluations of claims information and may involve more time and resources than statistical sampling, depending on the volume of claims submitted.

B.1. INDIVIDUAL CLAIM REVIEWS

In fulfilling the claims review requirements of section 3292 of the Public Utilities Code, four key steps have been defined for the review of individual claims submitted by the Participating Utilities for evaluation by the Administrator as part of the Threshold Claims and Eligible Claims reviews. The purpose and areas addressed in each step are as follows:

1. **Data review and validation.** The purpose of this step is to validate and establish the core data about each claim. This involves confirmation that the claimed damage was caused by a Covered Wildfire; if a Subrogation Claim, the identity of the insurer or other subrogating entity; and a review of the supporting documentation. Missing documentation will be requested and the amount of each type of claimed damage submitted to the Participating Utility will be reconciled with the amount paid by the Participating Utility.
2. **Claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value.** This step of the claims review focuses on Subrogation Claims paid at less than or equal to 40% of the total asserted claims value and that the Administrator determines have been settled consistent with Reasonable Business Judgment standard referenced in section 3292(f)(1) of the Public Utilities Code. The primary focus of review of these claims is confirming that the paid amount truly is less than or equal to 40% of the asserted claim value. This involves a review for any failure to use Reasonable Business Judgment by establishing the asserted values for each damage type and confirming that these values are supported by suitable documentation. The review at this step will also confirm that the asserted value represents no more than 40% of the claim submitted to the Participating Utility. Subrogation claims that are Finally Adjudicated as defined herein will be paid in full.
3. **Validation and valuation of other Subrogation and non-Subrogation Claims which require further detailed review.** This step involves a more detailed review of the basis supporting the Participating Utility's determination of the settlement amount, including identifying and considering the information and documentation relied upon by the Participating Utility. The Administrator conducts a detailed review of claims to determine the extent to which full supporting evidence was used and available. The Administrator's review of Subrogation Claim settlements exceeding 40% of the total asserted claim value will use the Reasonable Business Judgment standard referenced in section 3292(f)(2) of the Public Utilities Code and defined herein. This more detailed review involves itemizing the types of damage, claim amounts, the way in which the claims were validated in relation to the description and scope of the damage, and whether the use of an SME was warranted in this exercise and then deployed.

The review will consider the evidence used to support the claim and whether the Participating Utility exercised Reasonable Business Judgment in reaching the settlement amount. Documentation reviewed by the Participating Utility in this determination should be considered. This step also involves confirmation of the basis of resolution of the claim by the Participating Utility – negotiated settlement, judgment, mediation etc. Any errors in the calculation of this valuation are to be noted and recorded. Finally adjudicated claims as defined herein will be paid in full.

4. **Confirm Administrator allowable value.** This final step confirms the amount that is allowable by the Administrator for the Third-Party Claim. The review will include confirmation that there is adequate proof of payment by the Participating Utility and a final data check for consistency with claimed amounts before recommending an allowable and/or reimbursable sum by the Administrator.

B.2 STATISTICAL METHODS

Appropriate statistical methods may be employed for the review of Threshold Claims or Eligible Claims. A statistician may assist the Administrator in the claims review process by working with the data submitted by the Participating Utilities. This may involve creating statistically meaningful samples of the data to be used in the selection of random files for review, as well as analyzing the data, and extracting from the data particular information. To that end, the purpose and activities of statistical analyses in the claims review process are directed towards:

1. Expediting the claims review process by developing statistically significant random samples of claims for more detailed review.
2. Identifying duplicate claims.
3. Identifying common ranges of claim amounts in particular geographic areas, indicating certain claims that may warrant closer review.
4. Identifying common ratios between amounts of particular damage categories to identify outliers.
5. Suggesting any other areas of inquiry that the data reveals, and which may be relevant to an evaluation of Reasonable Business Judgment and of use in the claims review process.

The identification of “outliers” is an important function of statistical sampling. “Outliers” are claims with values outside the norm that may warrant individual claim review. The specific definition of an “outlier claim” will depend on what constitutes the norm in any given data set. Some examples of statistical analyses that may be performed to identify potential outliers and/or anomalies for further evaluation by an individual claim review are as follows:

- Determination and identification of any claim with a value in excess of \$10,000,000.
- Determine median loss amounts by damage types and identify those claims that are significantly higher than the median.
- Identify claims by specific location, by street for example, to determine the median value of a particular damage type and identify claims that far exceed the median. These addresses may then be identified for the Administrator to consider conducting a more detailed review of that claim.
- For real property claims, determine average ratio of total structure loss to total loss of use losses. Compare the average ratio to the particular claims and identify losses where the relationship of the loss of use total to structure loss is unusually high.
- For real property claims, identify structure loss amounts that may represent a loss that has reached the insurance policy limit. Compare structure loss amounts to contents losses and identify contents amounts exceeding 50% of structure loss amount.
- Analyze itemized claims data to determine if the Participating Utility received duplicate claims for the same losses from the subrogating insurer and its insured. Submit a listing of identified duplicates to the Administrator for further review.
- Identify any additional anomalies in the data, such as a large claim for Additional Living Expense but no claim for damage to a home, locations outside the area of a Covered Wildfire based upon ZIP Code, and loss dates outside the known dates of the Covered Wildfire.

The individual claim reviews determined by the identification of outliers and/or anomalies will be in addition to individual claim reviews determined by the statistically significant random file review.

B.3. CLAIMS REVIEW REPORTING

Results of the claims review process will be compiled into reports for both Threshold Claims and Eligible Claims. These reports will include an assessment of the Participating Utility's use of Reasonable Business Judgment and standard of practice in claims settlement. The report may contain summary information, including the name of the involved Participating Utility; name of the Covered Wildfire (if assigned) and the dates of the fire; the dates of the claim review and key personnel who participated in the review; the number of claims selected by the statistician; and the number of claims reviewed broken down by random sample claims and outlier claims. The summary may also comment on the sample size as compared to the total amount of claims submitted by the Participating Utility, and report and categorize any errors in the data or the process.

Claims review reports will summarize the evaluation of different aspects of the claim handling process of the Participating Utility. Each aspect will be reviewed against a system of ratings that considers the application of Reasonable Business Judgment. Specific sections of the report may include:

1. **Overall evaluation of results of claims review.** This section provides a brief explanation of the findings, including how they were determined, and the number of claims deemed to be within Reasonable Business Judgment and accepted by the Fund, and the number of claims that are deemed to be outside Reasonable Business Judgment and rejected by the Fund, as well as the number of claims per rating as described above.
2. **Specific results of review.** This section reports the results of the specific areas of individual claims review, with a summary of ratings for each specific area – data review and validation; claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value; and validation and valuation of other Subrogation and non-Subrogation Claims which required further detailed review. All Finally Adjudicated claims will be confirmed as meeting the definition of “Finally Adjudicated” contained in these Procedures before being paid in full.
3. **Confirm Administrator allowable value.** This section will state the number of claims accepted and the accepted dollar amount. It will list claims requiring additional information before being accepted and any claims and amounts that have been disallowed.
4. **Recommendations.** This section includes any claims handling guidance the Administrator may have for the Participating Utility. Insights as to why claims or portions of claims were disallowed will also be included.

In addition to the summary report, the Administrator will generate reports from the claims submission data, for example, regarding Subrogation Claims settled at or below 40% of claimed value, Subrogation Claims settled above 40%, and claims resolved on an adjudicated basis.

The Administrator may in its sole discretion share the details of the claims review results that it determines are reasonably necessary to communicate with and between the Participating Utilities in order to enhance the claims administration relationship between the Participating Utilities and the Administrator.

C. THRESHOLD AMOUNT CLAIMS REVIEW

To determine whether a Participating Utility has met the Threshold Amount for a particular Coverage Year and may submit claims to the Fund for reimbursement, the Administrator must determine that the Participating Utility exercised Reasonable

Business Judgment in resolving and paying, or making commitments to pay, the claims that comprise the Threshold Amount. The Participating Utility claiming to have met the Threshold Amount must provide the Administrator with specific information about the Threshold Amount claims as set forth in the agreed claims data template. This template is a consolidated spreadsheet setting out specific data fields to be provided within the schedule of claims that are submitted for Threshold Amount claims review.

After receipt of the claims data, the Administrator will first review the information to ensure that all Threshold Amount claims resulted from Covered Wildfires and have either been paid by the Participating Utility or there is a binding commitment to pay them. Claims not paid at the time of submission of the claims data to the Administrator will be excluded in the calculation of whether the Threshold Amount has been met unless proof of a commitment to pay is also submitted.

Claims that the Administrator determines were paid on Covered Wildfires will then be evaluated to determine whether the amounts paid to reach the Threshold Amount were paid consistent with the exercise of Reasonable Business Judgment. This review may include the evaluation of a statistically significant selection of representative claims or damage types, claim-by-claim analysis, or such other methods as the Administrator deems appropriate in the exercise of its sole discretion.

The Administrator may request additional information from the Participating Utility as appropriate in the Administrator's judgment.

The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

After completing the review of Third-Party Claims submitted by the Participating Utility, the Administrator will issue a Final Determination of Eligibility if it finds that the Threshold Amount has been met through the Participating Utility's exercise of Reasonable Business Judgment. Upon the issuance of a Final Determination of Eligibility, the Administrator will consider claims above the Threshold Amount for reimbursement.

If the Administrator finds that the Participating Utility has not met the Threshold Amount, it will issue a Preliminary Determination of Eligibility with one of the following findings:

1. A preliminary finding that the Participating Utility did not provide sufficient information or documentation demonstrating the exercise of Reasonable Business Judgment, and that no part of the Threshold Amount will have been satisfied and no Third-Party Claims will be further considered for reimbursement.

2. A preliminary finding that a certain percentage or amount of the Threshold Amount has been satisfied but that the remainder is not supported by proof of the exercise of Reasonable Business Judgment, and that no Third-Party Claims will be considered for reimbursement until the balance of the Threshold Amount has been met.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligibility, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility shall submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving claims within the Threshold Amount.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligibility, the Administrator will issue a Final Determination of Eligibility.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

The purpose of the Threshold Amount claims review is to determine whether the Participating Utility has exercised Reasonable Business Judgment in the payment of Third-Party claims and if claims paid on Covered Wildfires in aggregate exceed the Threshold Amount in any coverage year. The primary method for this determination is an individual claims assessment. However, depending on the volume of claims submitted, the Administrator may use statistical sampling to derive a representative sample of claims for individual review.

Figure 2 illustrates the specific steps in the Threshold Amount claims review process, which are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an agreed format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and that any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate by the Administrator.

- **Individual claims review.** This involves the use of a structured claims review procedure to conduct a due diligence assessment of the application of reasonable business judgment on a claim-by-claim basis. This specific procedure is described in more detail in the “Individual Claims Review” section B.1. above.
- **Threshold Claims report.** This report, which is described in the “Claims Review Reporting” section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of settled claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator’s determination of eligibility.** This involves the review and approval of the Threshold Amount claims report and a report on findings (preliminary or final) with the Participating Utility. In the event that a finding is preliminary, the Administrator requests, receives and reviews any additional information provided by the Participating Utility and revises findings as needed. Once the finding is final, the Administrator issues a Threshold Amount determination and may begin reimbursing submitted Eligible Claims. The Administrator will report its final determinations of eligibility to the Council.

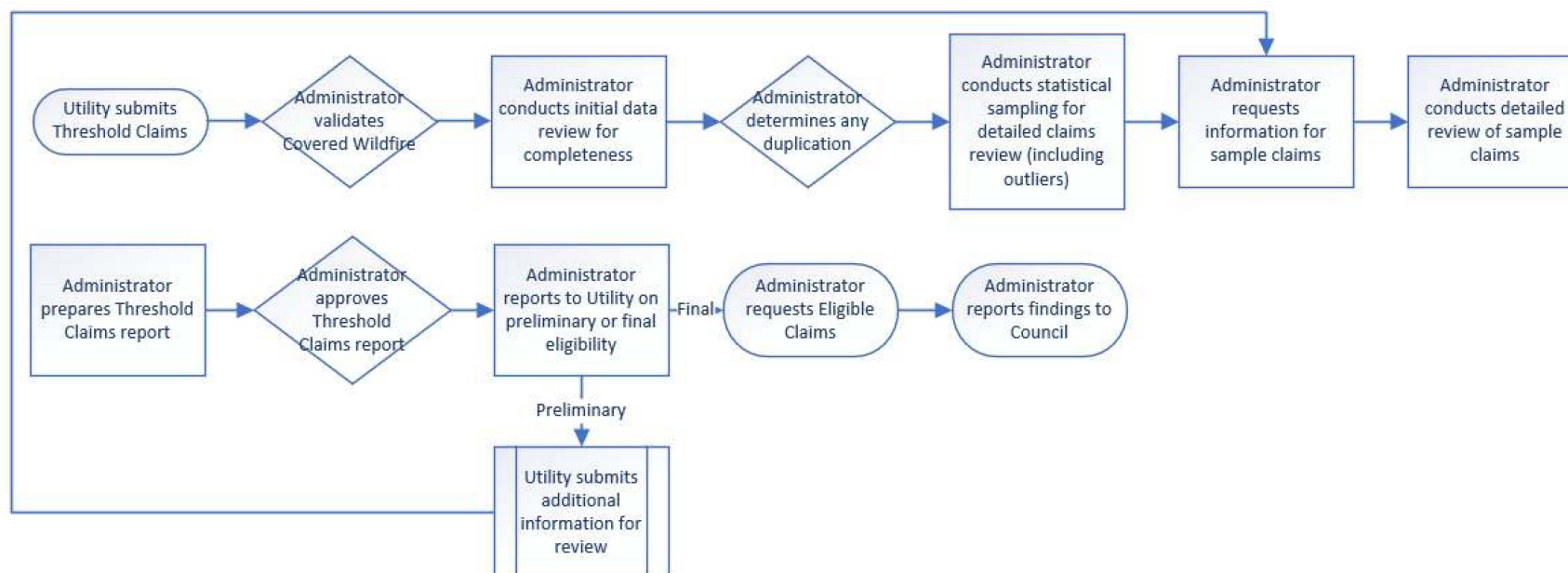


Figure 2. Illustration of the Threshold Amount Claims Review Process

D. ELIGIBLE CLAIMS REVIEW

When the Administrator determines the Participating Utility has met or exceeded the Threshold Amount, the Participating Utility may request reimbursement from the Fund for payment of Eligible Claims arising from Covered Wildfires occurring during the applicable Coverage Year. The Administrator's review of Eligible Claims will determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the statutory standards of claim review set forth in section 3292 of the Public Utilities Code. Participating Utilities are entitled to reimbursement for only those amounts that the Administrator determines were paid consistent with the exercise of Reasonable Business Judgment.

For each Eligible Claim submitted for reimbursement, the Participating Utility must provide the Administrator with the information set out in an approved format to be provided by the Administrator. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

Eligible Claims submissions will be reviewed either on an individual claims basis or using a statistically significant random sample to determine the extent to which the claims are entitled to reimbursement. The purpose of the Eligible Claims review, like that of the Threshold Amount claims review, is to determine whether the Participating Utility exercised Reasonable Business Judgment in its decision to pay the settlement amount.

After completing the review of Eligible Claims submissions, the Administrator will issue a Final Determination of Eligible Claims if it finds that the Participating Utility exercised Reasonable Business Judgment in its claims settlement. Upon the issuance of a Final Determination of Eligible Claims, the Administrator will reimburse the Participating Utility. If the Administrator is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment, it will issue a Preliminary Determination of Eligible Claims with a request for additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the claims can be further considered for reimbursement.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligible Claims, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility must submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving the claims.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligible Claims, the Administrator will issue a Final Determination of Eligible Claims.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

Figure 3 illustrates the specific steps involved in the Eligible Claims review process and are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an approved format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate.
- **Individual claims review.** This involves the use of a structured claims review procedure to assess the application of Reasonable Business Judgment on a claim-by-claim basis. This specific procedure is described in more detail in the "Individual Claims Review" B.1. section above.
- **Eligible claims report.** This report, which is described in "Claims Review Reporting" section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category, with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of the asserted claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value for reimbursement and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator's determination of eligibility.** This involves the review and approval of the Eligible Claims report and a report on findings (preliminary or final) to the Participating Utility. If the finding is preliminary, the Administrator will request, receive, and review any additional information provided by the Participating Utility, and will revise the finding as needed. Once the finding is final, the Administrator will issue an Eligible Claims determination and reimburse Eligible Claims. The Administrator will report its findings to the Council.

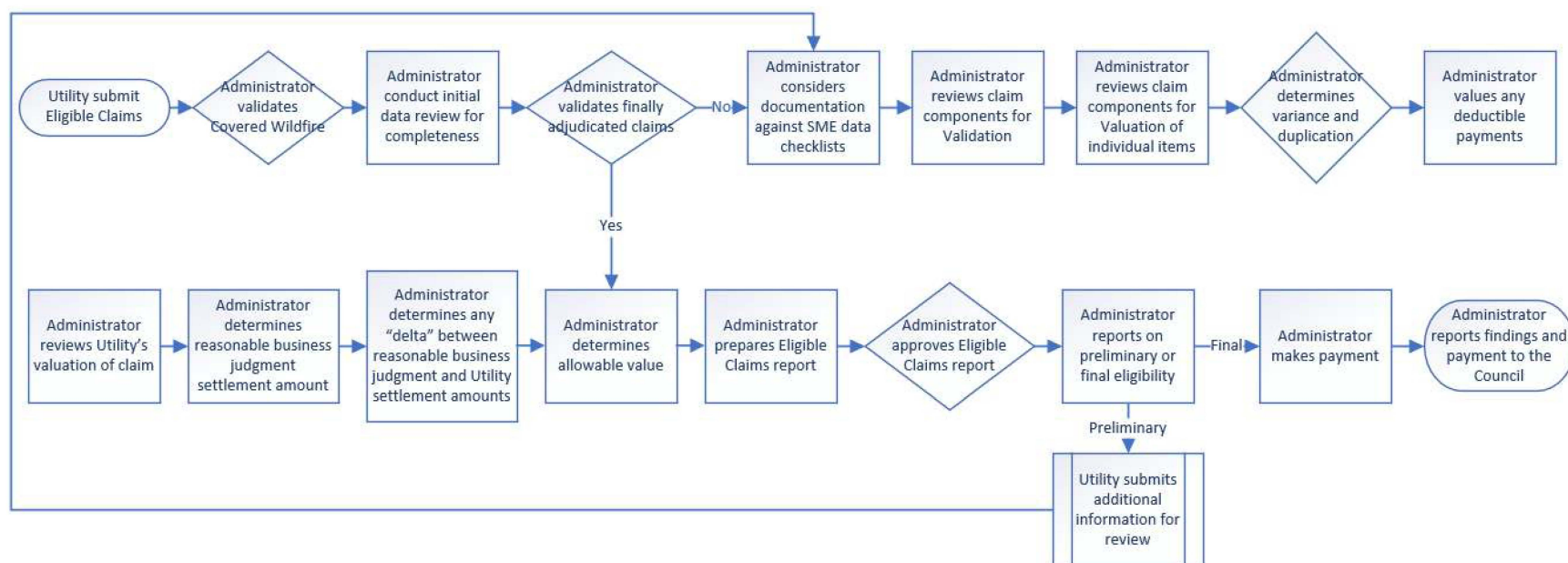


Figure 3. Illustration of the Eligible Claims Review Process

E. CLAIM PAYMENT PROCESS

Following the completion of the Eligible Claims report and the Administrator's determination of final eligibility, the Administrator will reimburse the Participating Utility for the amount that the Administrator determines to be reimbursable. Policies and procedures for the claim payment process are as follows:

1. The Administrator will create one or more controlled disbursements accounts for purposes of making claim payments from the Fund. Participating Utilities will be required to provide payment instructions to the Administrator.
2. The Administrator will reimburse Eligible Claims within 45 days after the date the Administrator approves the confirmed reimbursement amount, unless that timing is not practicable under the circumstances.
3. When the Administrator has determined that the Threshold Amount has been met for a particular Coverage Year, the Administrator will have the right, but not the obligation, to provide payment to the Participating Utility for Eligible Claims after the amount of those Eligible Claims incurred by the Participating Utility are finally determined but before those Eligible Claims are actually paid by, or on behalf of, the Participating Utility.
4. While the Wildfire Fund is under no obligation to advance funds to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, the Administrator reserves the right to advance payments in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
5. The Administrator reserves the right to recall claim payments from the Participating Utility in the event of over-payment or the Participating Utility's recovery of Eligible Claims from other parties.
6. If at any point in time the Administrator makes the determination contemplated under Public Utilities Code section 3292(i)(2), the Administrator will notify all Participating Utilities of such determination and, to the extent necessary, describe the Administrator's plan for the equitable apportionment and distribution of remaining funds to any Participating Utilities with unpaid Eligible Claims.

Once a Participating Utility has received any payment from the Wildfire Fund for Eligible Claims, the Participating Utility must comply with the laws and regulations related to a Catastrophic Wildfire Proceeding as defined in section 1701.8.(b) of the Public Utilities Code. The Participating Utility must file an application to the California Public Utilities Commission (the "Commission") to commence a Catastrophic Wildfire Proceeding. Based on the Commission's decision in a Catastrophic Wildfire Proceeding, a Participating Utility may be required to reimburse the Wildfire Fund.

F. TESTING

The Administrator will develop and implement a plan to periodically test the claims review systems, operational documentation, and Procedures used by the Administrator for the claims review process. Testing will be conducted before any claims review services provider starts reviewing Third-Party Claims submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

The claims review systems and operational documentation may be revised and updated to improve the claims handling. The Administrator will seek Council review and approval for any amendments or updates that materially affect the Procedures.

G. QUALITY CONTROL

The Administrator will have a quality control process in order to ensure that the Procedures are implemented and adhered to. Quality control processes will be operated by the Administrator and any claims review service provider that the Administrator may retain. Agreed reporting levels for quality control between any claims review service provider and the Administrator will be negotiated and implemented.

H. INDEPENDENT AUDITOR

The Administrator reserves the right to appoint an Independent Auditor to review the Administrator's claims handling processes. The Independent Auditor will be responsible for auditing the claims review, reporting and quality control as situations demand. The Independent Auditor will provide a report in writing to the Administrator. The Independent Auditor will be independent of and unrelated to any vendor providing claims review services for the Administrator and its quality control processes. The Independent Auditor will be accountable solely to the Administrator.

I. DISPUTE RESOLUTION

In the event any Participating Utility claims to be aggrieved by any action or failure to act by the Administrator, the Participating Utility and Administrator shall first, in good faith, attempt to resolve the dispute between themselves. If the Participating Utility and the Administrator fail to resolve the dispute between themselves, the Council will, upon written demand by the Participating Utility that specifies the details of the Administrator's action or failure to act, allow the Participating Utility an opportunity to make its complaint during a Council meeting. The Council may, but is not required to, choose to set a special meeting to hear the Participating Utility's complaint, or it may choose to do so as an agenda item at a regularly scheduled meeting, or both. The

Council shall exercise its oversight pursuant to Public Utilities Code section 3281(d) and may fashion appropriate resolutions of the dispute.

J. REPORTING TO THE COUNCIL

The Administrator will provide a quarterly Claims Administration report to the Council on the implementation of these Procedures and status of any claim submissions and reviews underway. The quarterly reports will include the following:

- Liaison activities with Participating Utilities.
- Status of Covered Wildfires for each Participating Utility by Coverage Year, including information on the status of settlements and incurred losses for Third-Party Claims.
- Status of claim submissions to the Fund, tracking the submission and review status for both Threshold Amount claims and Eligible Claims submissions made by each Participating Utility by Coverage Year, including the Administrator's determinations of eligibility of both Threshold Amount claims and Eligible Claims, and the Administrator's confirmed allowable values for the Threshold Amount or reimbursement of Eligible Claims.
- Status of paid and expected reimbursements by the Fund on a current basis, including any payments to the Participating Utility for Eligible Claims for which the settlements are finally determined but have not yet been actually paid by, or on behalf of, the Participating Utility, and any other advance payments that the Administrator has made to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
- Status of quality control and independent auditing processes that may be underway.
- Status of any dispute resolution efforts that may be underway.
- Status of operational documentation and any modifications that may have been made to the documentation.
- Status of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments.

The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.

Sedgwick Claims Administration Update

August 27, 2025

George Sittner
Email: gsittner@CalQuake.com
Chief Insurance and Claims Officer
California Earthquake Authority
400 Capitol Mall, Suite 1200
Sacramento, CA 95814

Re: Sedgwick Update to the California Catastrophe Response Council

Dear George,

We are pleased to provide this comprehensive update on Sedgwick's claims administration services for the California Wildfire Fund to the California Catastrophe Response Council. This report details our rigorous review processes, technological implementations, and quality assurance mechanisms that ensure proper stewardship of the Fund while maintaining operational efficiency.

Executive Summary

Sedgwick has successfully developed and implemented a comprehensive claims administration framework for the California Wildfire Fund that balances rigorous review standards with operational efficiency. Over a period of approximately 20 months from early 2022 through late 2023, Sedgwick worked in close collaboration with the CEA and all Participating Utilities to unify and operationalize claims processes, implement claims management standards, and establish technological review platforms to ensure all Covered Wildfire claim submissions would be reviewed efficiently and that a consistent application of the Reasonable Business Judgment standard would be made across all claim submissions. Our approach combines sophisticated statistical methodologies, advanced technological platforms, and experienced subject matter expertise to provide a thorough evaluation of claims while maintaining required timelines for reimbursement.

Collaborative Framework Development

The foundation of our claims administration program rests upon over a year of intensive collaboration with Pacific Gas & Electric Company, Southern California Edison, and San Diego Gas & Electric Company. This collaborative effort addressed the significant

challenge of harmonizing claims processes across three major utilities with different legacy systems, technical infrastructures, and claims management approaches.

Our collaborative framework development approach focused on creating scalable processes that would maintain quality standards while enabling operational efficiency. The primary achievement of this collaboration was the establishment of unified data standards through the Provisional Claims Data Template. This template contains pre-determined data fields for each third-party claimant type, ensuring consistent data provision to Sedgwick regardless of which utility submits claims for reimbursement.

The collaborative process required careful navigation of multiple competing priorities. We worked directly with each utility to understand their existing claims processes, documentation standards, and technical capabilities. Through iterative workshops and working sessions, we developed standardized processes that could accommodate each utility's operational requirements while maintaining the Fund's integrity through rigorous review standards. These unified standards establish clear documentation requirements that provide sufficient detail for thorough review without creating unnecessary administrative burden for the utilities.

The framework addresses five distinct third-party claimant categories: individual claims, public entity claims, subrogation claims, fire suppression claims, and specialty claimant types including smoke and soot damage, timber losses, and winery-specific damages. Each category required tailored approaches while maintaining consistency in overall review standards.

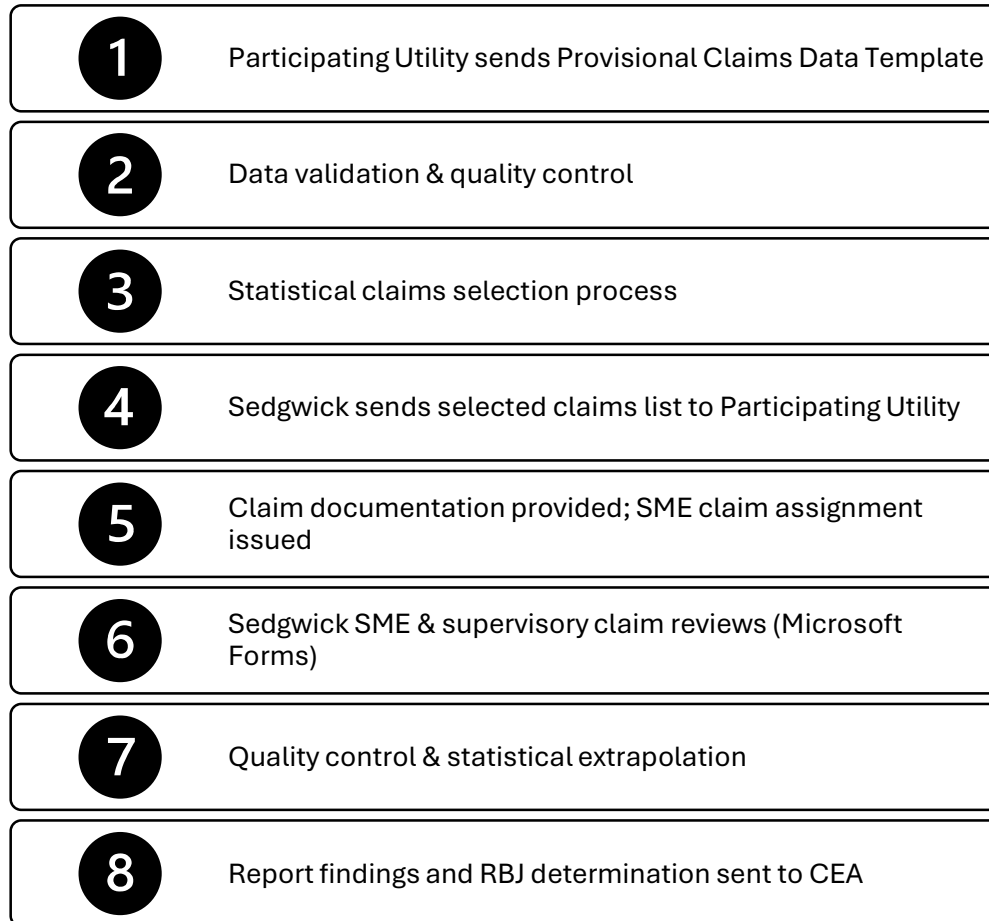
Claims Administration Process Overview

Our claims administration process begins when a Participating Utility provides formal notice of submission for a Covered Wildfire. Upon receipt of this notice, Sedgwick immediately establishes a dedicated project team with specialized expertise relevant to the specific fire event and affected region. This team confirms data formats and documentation standards to ensure compatibility with our review systems, establishes secure transmission methods meeting stringent cybersecurity requirements, and develops project-specific timelines for completing both the mandatory \$1.0 billion Threshold Review and subsequent Eligible Claims Reviews.

Upon receiving the utility's **Provisional Claims Data Template**, we perform comprehensive validation ensuring data completeness and format compliance. This validation process includes verification that all claims meet the specific Covered Wildfire requirements as defined in the Claims Administration Procedures, identification and resolution of any data discrepancies or questions before proceeding to the statistical

selection phase, and cross-referencing of claims within and across all third-party claimant types to identify potential duplicates or related claims.

Exhibit A – Sedgwick Claims Administration Process



Throughout the review process, Sedgwick maintains clear milestones for each phase with regular status updates provided to both the California Earthquake Authority and the Participating Utility. We proactively identify and resolve potential delays to keep projects on schedule, maintaining detailed documentation of all activities to create a complete audit trail for regulatory and oversight purposes.

Comprehensive Operations Manual

To ensure consistency and quality across all aspects of the claims review process, Sedgwick has developed a comprehensive Operations Manual exceeding seventy pages that serves as the definitive reference for all team members involved in California Wildfire Fund claims administration. This manual represents the codification of our collaborative

efforts with the CEA and Participating Utilities and establishes the operational framework that ensures consistent application of review standards.

The Operations Manual contains detailed step-by-step procedures for every review activity, from initial data receipt through final reporting. Clear escalation protocols address complex or unusual situations that may arise during the review process. The manual undergoes regular updates incorporating lessons learned and process improvements from ongoing operations, ensuring that our procedures evolve with experience while maintaining consistency in fundamental standards.

The manual's structure reflects the comprehensive nature of our claims administration approach:

Table 1 – Overview of Sedgwick Operations Manual

Section	Content Description
I. Introduction	Establishes founding principles of the Operations Manual and introduces the California Wildfire Fund context
II. Overview of Claims Process & Terminology	Provides visual claims process flow diagrams and defines key terminology used throughout operations
III. Data Management	Summarizes data management processes with detailed procedures contained in appendices
IV. Statistical Methods & Claims Selection	Summarizes statistical methods and claims selection approach with full technical detail in appendices
V. Claims Review	Contains comprehensive step-by-step guidelines for claims review procedures
VI. Claims Reporting	Details reporting guidelines including Reasonable Business Judgment determinations to the CEA
VII. Administration	Describes claim review modes, personnel planning, and training program requirements
Appendix A	Contains complete data management standards, statistical selection methodologies, and inferential analytics framework

This Operations Manual enables Sedgwick to quickly identify and deploy qualified resources from our nationwide network of thousands of professionals. The established training materials allow rapid onboarding of additional subject matter experts when needed to handle varying claim volumes or respond to multiple concurrent wildfire events, demonstrating the flexibility and depth of resources available to ensure timely and thorough reviews regardless of scale or complexity.

Managing Different Wildfire Claimant Types

Our claims administration framework recognizes that different claimant types require tailored review approaches while maintaining consistent standards across all evaluations. The implementation of Microsoft Forms technology has been particularly transformative in managing these diverse review requirements, creating an intuitive, consistent, and adaptable review process that scales effectively across varying claim volumes and complexity levels.

For **individual claimants**, which typically represent the highest volume of claims, we have leveraged Microsoft Forms to create standardized review questionnaires that ensure every Subject Matter Expert covers all required due diligence items mandated by the Claims Administration Procedures. These electronic forms incorporate conditional logic that adapts questions based on specific claim characteristics, ensuring that reviewers focus on relevant factors for each unique claim situation. The forms automatically populate responses into our centralized SharePoint repository, eliminating manual data transfer steps that traditionally create delays and potential errors.

The Microsoft Forms implementation provides several critical advantages for individual claim reviews. First, it guarantees consistent evaluation criteria across all claims regardless of which SME performs the review. Second, it enables real-time quality control through built-in validation checks that prevent submission of incomplete assessments. Third, it facilitates efficient distribution of claims across qualified team members based on their expertise and availability. Fourth, it creates comprehensive documentation trails that satisfy regulatory requirements while providing clear audit paths for quality assurance reviews.

The automated collection capabilities of Microsoft Forms have transformed our ability to provide real-time progress monitoring. Project managers can instantly view the status of all assigned claims, identify potential bottlenecks in the review process, and reallocate resources as needed to maintain project timelines. This visibility extends to our clients at the California Earthquake Authority, who receive regular updates demonstrating progress against established milestones.

For **public entity claimants**, which often involve complex infrastructure damage and extended business interruption periods, we perform claim reviews both in aggregate and by specific damage types through a comprehensive interactive Microsoft Excel claims review form. This approach allows our experts to analyze patterns across multiple related claims while maintaining the ability to drill down into specific damage categories for detailed evaluation.

For **subrogation and fire suppression claimants**, Sedgwick engages Subject Matter Experts (SMEs) with expertise and skill sets directly related to these claimant types (e.g. use of EFI Global experts for fire suppression claims). Sedgwick conducts detailed interviews with the Participating Utility to understand and validate the steps and processes used in settling these claims. Sedgwick developed process-based questionnaire review forms used by our SMEs to evaluate these third-party claimant types. SMEs review the data provided in the Provisional Claims Data Template, the Participating Utility's processes for handling and settling the claim(s), and all supporting documentation.

Specialty claimants represent industry-specific or geographic claim clusters that emerge due to specific Covered Wildfire circumstances. For example, wineries affected by smoke taint require specialized expertise in understanding both the immediate damage to current inventory and the long-term impacts on future vintages. Timber claims necessitate understanding of complex valuation methodologies for standing timber at various growth stages. Sedgwick's subject matter experts are strategically selected from our nationwide network of specialists with relevant industry experience to ensure accurate evaluation of these unique claim types.

Testing and Training Phase

From October 2023 through March 2024, Sedgwick underwent a comprehensive six-month testing and training phase that enabled refinement of processes, validation of statistical methodologies, and optimization of review workflows. This intensive preparation period involved actual Dixie Fire claims data, allowing us to test our systems and procedures against real-world complexity.

The testing phase encompassed two primary focus areas. First, process development and refinement included receipt and analysis of actual claims data, updates and enhancements to claims review methods and Microsoft Forms questionnaires, and extensive engagement with and testing by Sedgwick subject matter experts. Second, adaptability and scalability testing involved stress-testing our ability to adapt to varying claim circumstances and scenarios, developing protocols for new claimant types as they emerged, implementing our staffing plan with full training of teams, and validating that our review processes could scale to handle multiple concurrent wildfire events.

Data Management and Analytics Framework

The data management and analytics framework that supports our claims administration represents a critical foundation for ensuring accuracy, consistency, and efficiency across all review activities. Sedgwick has developed sophisticated systems that enable comprehensive analysis while maintaining the highest standards of data security and privacy protection.

Data Management Standardization

Successfully unifying data protocols across PG&E, SCE, and SDG&E despite their different legacy systems and technical infrastructures required significant technical innovation. We developed a common data dictionary ensuring consistent interpretation of data fields across all participating utilities, created standardized transmission methods that work within each utility's existing security framework, and established protocols that maintain data integrity while respecting each organization's internal processes.

A key achievement in this standardization effort was carefully balancing information requirements with privacy protection. We determined the minimum necessary data fields required for effective review while implementing data minimization principles throughout the entire process. Tiered access controls limit data exposure to only those team members requiring specific information for their review tasks, with clear protocols for handling personally identifiable information ensuring ongoing compliance.

Data Validation and Quality Control

Our comprehensive data validation process begins immediately upon receipt of each Participating Utility's request for reimbursement. This validation encompasses multiple layers of automated and manual verification to ensure data integrity before the statistical selection process begins.

The validation process includes combined manual verification and automated processes for duplicate detection, ensuring that no claims are inadvertently reviewed multiple times. We verify that all claim dates fall within the Covered Wildfire period as defined by CAL FIRE and the Claims Administration Procedures. Initial data screening flags new or unexpected patterns that require follow-up clarification with the utility before proceeding.

Data enrichment through public data integration significantly enhances our validation capabilities. We incorporate county assessor property records using Assessor Parcel Numbers (APNs) to verify property ownership and characteristics. CAL FIRE official perimeter data provides authoritative boundaries for validating claim locations. NOAA and

NASA smoke dispersion models allow us to verify smoke damage claims even for properties outside the immediate fire perimeter. DINS damaged structure maps provide additional validation of structural damage claims.

Statistical Claims Selection Methodology

Our inferential statistics approach enables comprehensive review coverage while maintaining operational efficiency. The statistical methodology begins with systematic identification of outliers, including automatic selection of all claims exceeding \$10 million, statistical analysis identifying claims with unusual characteristics relative to the population, and damage type ratio analysis performed in accordance with the Claims Administration Procedures.

Geographic Information Systems analytics identify geographic trends and outliers that may indicate systematic issues or areas requiring additional scrutiny. Financial ratio analysis compares claim amounts to property values to identify potential anomalies, while damage ratio assessments evaluate the reasonableness of loss calculations based on the type and extent of reported damages.

This dual-approach selection strategy provides robust coverage across three critical metrics. First, while we typically review approximately 20-25% of the total claim count, these selected claims often represent 60% or more of the total claim value due to our outlier selection methodology. Second, our statistical approach maintains 95% or higher confidence levels, ensuring that findings can be reliably extrapolated to the entire population of claims. Third, the combination of outlier selection and random sampling prevents gaming or manipulation of the system while ensuring no large potentially problematic claims escape detailed review.

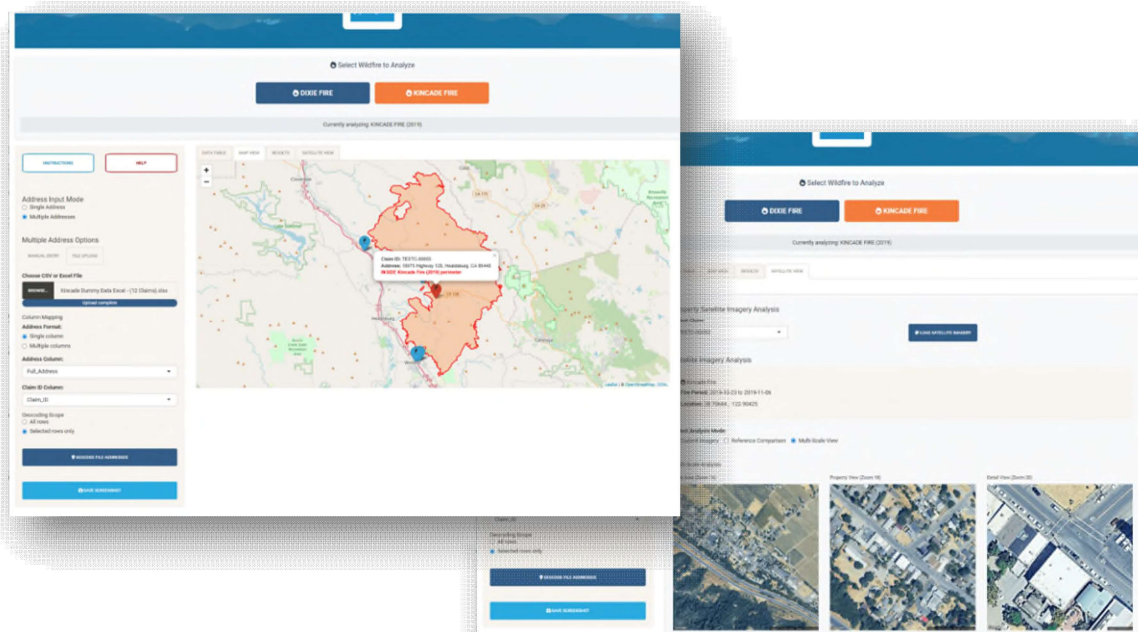
Geographic Information Systems Analysis

Our custom-built GIS platform integrates multiple authoritative data sources to provide comprehensive spatial analysis supporting claims validation. The platform incorporates CAL FIRE official wildfire perimeter data, NASA MODIS satellite smoke plume data showing the full extent of potential damage areas, utility infrastructure maps displaying equipment locations relevant to causation analysis, topographical features affecting fire spread patterns, and temporal data showing fire progression over the course of the event.

The GIS mapping platform provides Subject Matter Experts with an interactive interface allowing detailed examination of each property's relationship to the fire event. Automated distance calculations from fire perimeters and smoke boundaries provide objective

measures for evaluating damage claims. Elevation and slope analysis relevant to fire behavior assessment helps validate the reasonableness of reported damage patterns. Integration with county assessor databases provides additional property details for validation purposes.

Exhibit B – Screenshots of Sedgwick-Built GIS Analytics and Claims Mapping Webtool for Subject Matter Experts



(screenshots provided with generic artificial claimant data and publicly available data)

These geographic tools provide objective verification of claimed damage locations, identify claims requiring additional scrutiny based on spatial relationships, support consistent application of proximity-based criteria across all reviewers, and create comprehensive documentation of geographic factors supporting claim decisions. The visual nature of the GIS platform enhances both the efficiency and quality of the review process while ensuring consistency across all SMEs regardless of their individual experience with specific geographic regions.

Technology Integration and Cybersecurity

The Microsoft Forms and SharePoint integration creates significant workflow efficiency throughout the claims review process. This technology stack has achieved complete elimination of paper-based review processes, significant reduction in manual data entry requirements, implementation of automated quality control checkpoints throughout the workflow, real-time reporting providing immediate visibility into review metrics, and systematic documentation of all review activities.

All California Wildfire Fund project data is completely firewalled from other Sedgwick operations with no possibility of cross-contamination. Role-based access controls strictly limit data exposure to authorized personnel who have passed conflict checks. Multi-factor authentication is required for all system access regardless of user location. Encryption protects data both at rest and in transit, with regular security audits ensuring ongoing compliance with industry standards.

Subject Matter Expert Qualifications and Management

Sedgwick's Subject Matter Experts represent the cornerstone of our claims review quality. These carefully selected senior adjusters bring extensive claims experience to their review responsibilities. Our SMEs typically possess several years of experience handling complex property and casualty claims, with demonstrated expertise in evaluating property damage and business interruption claims. They have a comprehensive understanding of claim damage types, claims handling processes, and claims settlement processes, critical to evaluating the reasonableness of wildfire claims.

Every SME undergoes comprehensive conflict screening before any assignment. We verify that the SME has not previously worked on any claims related to the specific Covered Wildfire in question and confirm no prior engagements with the affected utility for the fire under review. Documentation of all conflict checks is maintained for audit purposes, with ongoing monitoring throughout the review process to ensure continued independence.

Selected SMEs complete specialized California Wildfire Fund training covering the specific requirements of the Claims Administration Procedures, detailed instruction on applying Reasonable Business Judgment standards consistently, comprehensive technology platform training for uniform use of review tools, and participation in regular calibration sessions ensuring consistent application of standards across all reviewers. Our training curriculum includes continuous education on best practices and program updates.

Quality Management and Reporting Framework

Our comprehensive reporting framework provides regular progress updates to the California Earthquake Authority throughout the claims review process via verbal and written reporting. Our communication with the CEA includes information related to our detailed review methodologies, statistical processes and claim selections, claims review status updates and findings, and any irregularities identified during the claims review process. Upon completion of each review of submitted claims to the California Wildfire Fund, we provide the CEA with reporting including the third-party claimant types reviewed and our Reasonable Business Judgment determination. Sedgwick maintains detailed documentation of all claims review results and complete audit trails satisfying all regulatory compliance requirements.

The scalability of our operations ensures readiness for future wildfire events. Our established framework allows rapid deployment of additional resources when needed, with continuing investment in enhanced data analytics and review capabilities to further improve efficiency and accuracy. We maintain the highest standards of independence and objectivity in all reviews regardless of external pressures, remaining ready to adapt processes based on regulatory updates or lessons learned from ongoing operations.

Commitment to Excellence

Sedgwick remains fully committed to performing thorough, independent reviews ensuring that Reasonable Business Judgment standards are met for every claim while protecting the Fund's durability for future California wildfire recovery needs. We recognize the critical importance of this work for California communities affected by catastrophic wildfires and the broader goal of maintaining a stable utility infrastructure capable of supporting the state's clean energy future.

Our comprehensive approach combines rigorous statistical methodologies with experienced professional judgment, leveraging technology to enhance consistency and efficiency while maintaining the human expertise necessary for complex claim evaluation. Through our continued partnership with the California Earthquake Authority and the Participating Utilities, we stand ready to adapt and enhance our processes to meet evolving needs while maintaining the highest standards of professional excellence.

We appreciate the opportunity to present this update to the California Catastrophe Response Council and remain available to provide any additional information or clarification that may be helpful in your oversight responsibilities.

Respectfully submitted,

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Tom Hanzel, Chief Financial Officer, California Earthquake Authority
Suman Tatapudy, General Counsel, California Earthquake Authority
Shawna Ackerman, Chief Risk and Actuarial Officer, California Earthquake Authority



Sedgwick Dashboard Examples

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sedgwick® Select Dashboard View Technical Guide Help Search

Wildfire Dashboard Options



Pacific Gas and Electric Company®

Select



SDGE

A Sempra Energy utility

Select



SOUTHERN CALIFORNIA EDISON

An EDISON INTERNATIONAL Company

Select

Coverage Year

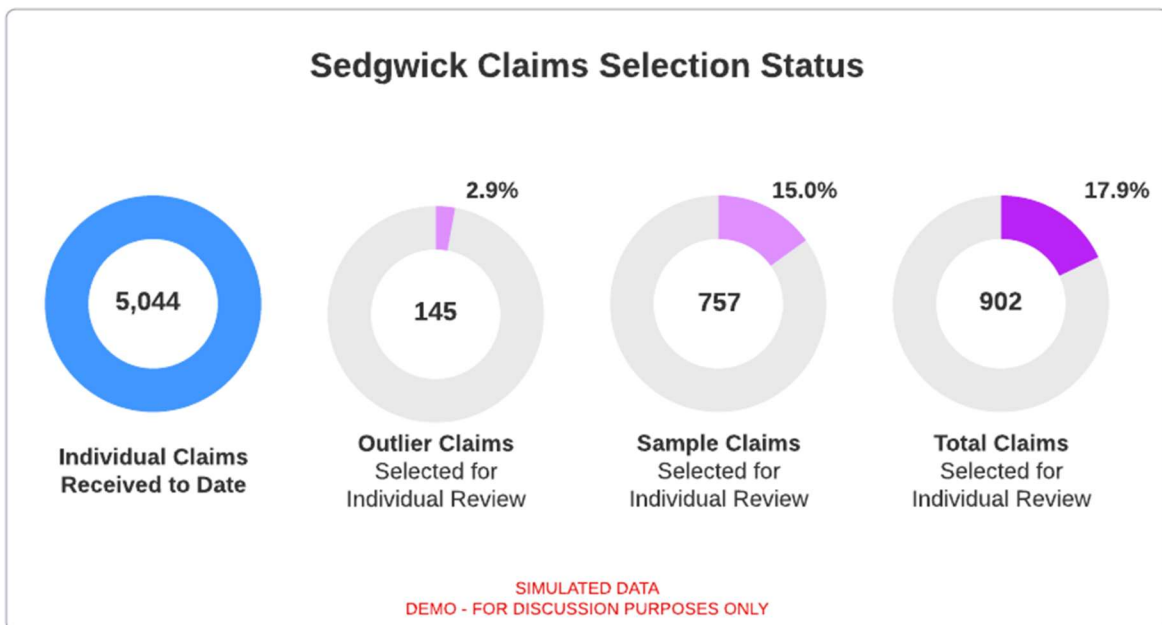
☐ 2024

☒ 2025

☐ 2026

Select Covered Wildfire(s)

DEMO Fire ▼



SEDGWICK CLAIMS SUMMARY DASHBOARD

All Claimant Types

Coverage Year: Jan 1, 2025 - Dec 31, 2025
 Covered Wildfire: Demo Wildfire IOU: DEMO

Threshold Claims

Claims Submissions Package(s)
 All

Overall Claims Status

Claims Approved 2,964
 Threshold Claims Approved Amounts \$X,XXX

Claims Process Status

Number of Claims					Claim Amounts				
Third Party Claims Type	Claims Received	Claims in Review	Claims Approved	Claims Non-Approved	Third Party Claims Type	IOU Claimed Amounts	Amounts in Review	Threshold Claims Approved Amounts	Amounts Non-Approved
Individual Claims	3,297	310	2,876	47	Individual Claims	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Subrogation Claims	89	15	73	1	Subrogation Claims	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Fire Suppression Claims	11	3	8	0	Fire Suppression Claims	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Public Entity Claims	8	1	7	0	Public Entity Claims	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Grand Total	3,405	329	2,964	48	Grand Total	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX

NOTICE: This dashboard contains entirely fictitious data generated for illustrative purposes only. All figures, metrics, entities, statistics, and claims data presented herein are synthetic and do not represent any actual loss event, insurance claims, or real-world occurrence. Any resemblance to actual events, companies, or claims is purely coincidental.

September 11, 2025

SIMULATED DATA DASHBOARD
 DEMO - FOR DISCUSSION PURPOSES ONLY



SEDGWICK INDIVIDUAL CLAIMS PROCESS STATUS DASHBOARD

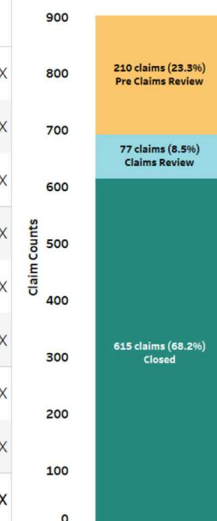
Selected Outlier and Sample Claims

Coverage Year: Jan 1, 2025 - Dec 31, 2025
 Covered Wildfire: Demo Wildfire IOU: DEMO

Claims Process Status

Case Status	Detailed Case Status	Claim Count	Claims in Process (%)	IOU Claimed Amount
Pre Claims Review	Claims Selected - Pending File Request	18	2.0%	\$X,XXX
	Claim Files Requested	30	3.3%	\$X,XXX
	In Queue for Review	162	18.0%	\$X,XXX
Claims Review	Review in Progress	11	1.2%	\$X,XXX
	Additional Info Requested	28	3.1%	\$X,XXX
	Supervisory Review	38	4.2%	\$X,XXX
Closed	Sedgwick Approved	544	60.3%	\$X,XXX
	Sedgwick Non-Approved	71	7.9%	\$X,XXX
Grand Total		902	100.0%	\$X,XXX

Status Summary



September 11, 2025

SIMULATED DATA DASHBOARD
 DEMO - FOR DISCUSSION PURPOSES ONLY





CLAIMS ADMINISTRATION PROCEDURES

WILDFIRE FUND ADMINISTRATOR

APPROVED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
JULY 22, 2021

AMENDED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
May 4, 2023

AMENDED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
OCTOBER 30, 2025

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PREFACE

These Claims Administration Procedures ("Procedures") provide a plan of operations for the Administrator of the Wildfire Fund ("Fund") to fulfill its claims review, approval, and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code, as these sections may be amended, subject to the approval and oversight by the California Catastrophe Response Council ("Council"). They have been drafted prior to any claims submission to the Fund and thus reflect a current view of the process for review and approval of claims as well as the Administrator's efficient operation and management of the Fund. The Administrator, Council, and Participating Utilities have a common interest in cooperating with each other, to the extent permitted by law, in order to share information protected by the attorney-client privilege and by the attorney work product doctrine with respect to claims administration, protection of claimant privacy, and maintaining the durability of the Fund.

Operational documentation will provide more detailed implementation direction for the Procedures and particularly for the Administrator's claims review process. The operational documentation may be updated as claims handling experience is gained. The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.

The Administrator will promptly notify the Council of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments. Upon request from a Council member, the Administrator will place a matter on the agenda for the next public meeting of the Council to allow for discussion and comment on the required changes.

OVERVIEW

The State of California has found that catastrophic wildfires pose an immediate threat to communities and properties throughout the state. The State of California also found that, when the equipment of an electrical corporation is implicated in the cause of wildfires, there is a significant risk of increased costs to ratepayers and decreased funding available for the electrical corporation to improve the safety and reliability of the state's electrical infrastructure.

In 2019, the California Legislature addressed these concerns with its adoption of Assembly Bill (AB) 1054 and signed into law by the California Governor on July 12, 2019. That bill contained several measures, including the creation of a Wildfire Fund (the "Fund") to be funded by participating electrical corporations ("Participating Utilities," as defined below) with additional contributions derived from a ratepayer charge that was approved by the California Public Utilities Commission.

The Legislature's intent in creating the Fund was to provide a mechanism for Participating Utilities to pay wildfire claims which provides mutual benefits to ratepayers and Participating Utilities. Fund benefits are available only under specific, limited conditions as defined by the Legislature. Monies will be paid from the Fund only to the extent that a Participating Utility demonstrates that its payment of claims reflects the exercise of Reasonable Business Judgment as defined herein.

To accomplish those goals, the Legislature vested discretion in an Administrator of the Wildfire Fund (the "Administrator," as defined below) to establish procedures for the review, approval, and timely funding of Eligible Claims to the Fund, consistent with the legislative goals of the bill and as approved by the California Catastrophe Response Council (the "Council," as defined below). The California Earthquake Authority ("CEA") was appointed as the Administrator on April 23, 2020.

The Fund reimburses Participating Utilities for Eligible Claims arising from a Covered Wildfire, that ignited on or after July 12, 2019, and that a Determining Governmental Entity has found was caused by a Participating Utility, as described in section 1701.8(a)(1) of the Public Utilities Code. Only Eligible Claims shall be made against or paid by the Fund. To access the Fund, Participating Utilities must have an aggregation of wildfire losses in a Coverage Year that exceeds an annual aggregated Threshold Amount.

The Legislature did not substitute the Administrator's judgment for that of the Participating Utility in settling claims made against a Participating Utility after a Covered Wildfire(s). However, Participating Utilities must develop and demonstrate reasonable standards when resolving wildfire claims. The fundamental principle is that the

Participating Utility will have made a determination of legally recoverable damages and will not have included settlement items that are not recoverable at law.

The purpose of these Claims Administration Procedures (“Procedures”) is to guide the Administrator, through its own internal staff and any vendors that it retains, in fulfilling its claims review, approval and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code. Figure 1 provides an illustration of the entire process of claims arising from Covered Wildfires, how claims are filed and reimbursed by Participating Utilities, and the submission of claims by Participating Utilities for reimbursement by the Fund. These Procedures primarily address the submission of claims by Participating Utilities for reimbursement by the Fund—steps 5 and 6 in Figure 1. Liability and the responsibility for claims handling and direct interaction with claimants—steps 1 through 4 in Figure 1—remain with the Participating Utilities and its claimants. Any responsibilities of the Administrator for potential reimbursement to the Fund associated with a Catastrophic Wildfire Proceeding—defined in section 1701.8.(b) of the Public Utilities Code, and step 7 in Figure 1—are not part of these Procedures and will be handled separately.

The Procedures also reflect the policy direction and guidance provided by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*, approved by the Council on October 22, 2020, and the *Claims Administration: Expanded Summary of Procedures* approved by the Council on January 28, 2021. The Council’s adoption of the *Expanded Summary of Procedures* and the *Provisional Policy Statement and Summary of Procedures* are in keeping with the *Articles of Governance* in which the Administrator is authorized to operate the Fund within the framework established by law and in accordance with claims administration procedures approved by the Council.

These Procedures are organized into two parts:

- I. **General Claims Administration Information** – outlines the principles and defines key terminology used in the Administrator’s claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.
- II. **Administrator’s Claims Review Process** – describes the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

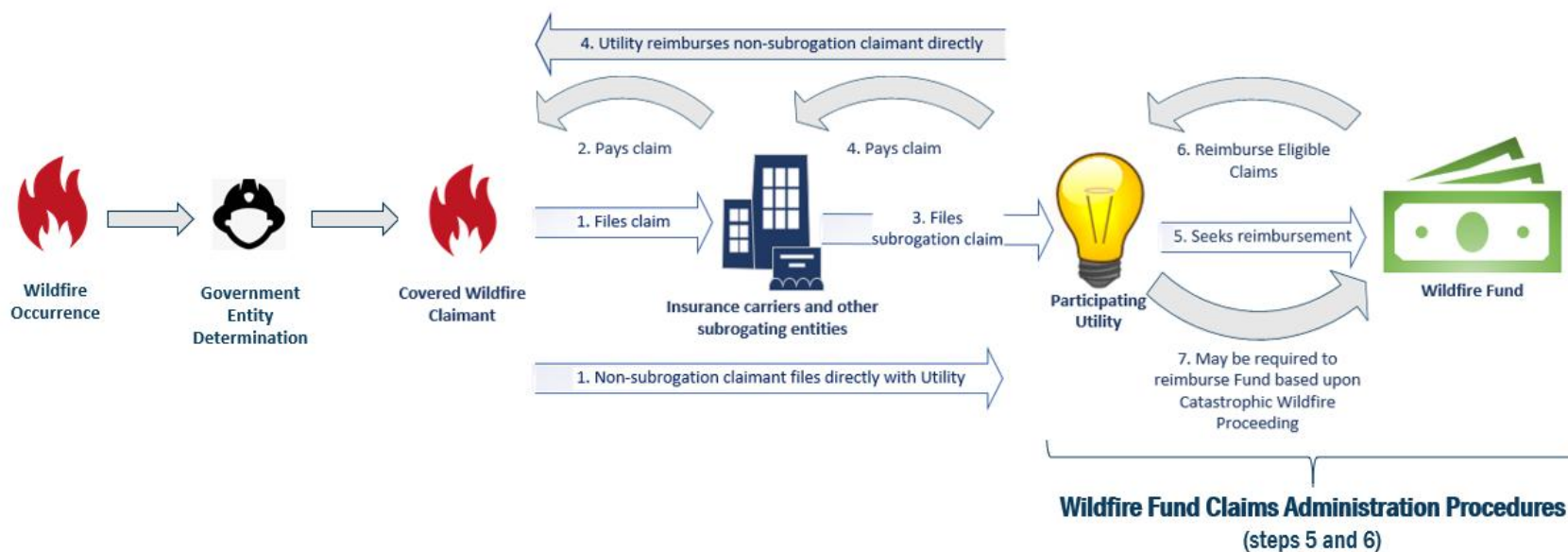


Figure 1. Illustration of the process of handling claims arising from Covered Wildfires

I. GENERAL CLAIMS ADMINISTRATION INFORMATION

This part of the Procedures outlines the principles and defines key terminology used in the Administrator's claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.

A. PRINCIPLES OF CLAIMS ADMINISTRATION

To assure that the Administrator's claims review processes are consistent with the Legislature's goals in creating the Fund, the Administrator's development of these Procedures is guided by a set of principles approved by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*. The principles that apply broadly to claims administration and the development of these Procedures are as follows:

- Procedures for the presentation and resolution of Wildfire Fund claims will be designed to lead to the efficient and timely resolution of claims for payment from the Fund.
- Stakeholder input is an important part of the development of claims administration procedures and the Administrator will attempt to balance potentially competing stakeholder interests and opinions as appropriate in the Administrator's discretion.
- Procedures will aim to balance the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.
- Procedures will maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances that cannot yet be predicted, and to account for changes in legal and other standards, while remaining consistent with the legislative intent expressed in the creation of the Fund.
- The Fund will be managed judiciously to assure that payments of Fund benefits are appropriate and that the Fund remains economically viable for the payment of future wildfire claims.

According to section 3284(g) of the Public Utilities Code, the Procedures may be revised from time to time by the Administrator with the approval of the Council. They may also include processes to facilitate and expedite the review and approval of settled Eligible Claims, including guidelines for, or preapproval of, settlement levels. They must also provide for the reimbursement of Eligible Claims within 45 days of the date the

Administrator approves the reimbursement amount for any Eligible Claim unless that timing is not practicable.

In particular, section 3292 of the Public Utilities Code directs the Administrator to review and approve any settlement of an Eligible Claim as being in the Reasonable Business Judgment of the Participating Utility as a prerequisite to releasing funds for payment. The Reasonable Business Judgment standard, as employed in these Procedures, primarily emphasizes the evaluation of the process by which a Participating Utility has settled claims while also allowing for the evaluation of specific claim resolutions as warranted by these Procedures. The Administrator's review of claims focuses on determining whether the process by which the settlement was reached was appropriate and consistent with Reasonable Business Judgment.

In essence, the claims review processes set forth in these Procedures comprise a "due diligence" review to assure that the Participating Utility's settlement decisions are based on the types of documentation and other evidence typically considered appropriate by reliable subject-matter experts when reaching a decision as to how much to pay in settlement. Given the catastrophic nature of wildfires, the Procedures acknowledge the potential for the destruction or corruption of evidence that might be relied upon to determine a claim settlement. The concept of Reasonable Business Judgment acknowledges that a pragmatic approach on the part of the Participating Utility will be appropriate in cases where evidence has been so destroyed or corrupted. In these cases, the pragmatic approach may involve consideration of the Participating Utility's prior or current experience with valuing similar claims in lieu of other evidence.

B. DEFINITIONS

The following definitions have been reviewed and approved by the Council and provide further clarification of the guidance provided on claims administration in Public Utilities Code sections 3280 – 3297, as amended from time to time.

Administrator – The administrator of the Wildfire Fund appointed by the Council pursuant to section 8899.72 of the Government Code. The California Earthquake Authority was appointed by the Council to serve as the Administrator on April 23, 2020. "Administrator" also includes any third-party claims review services provider and vendors that the California Earthquake Authority retains to review and process claims.

Council – The California Catastrophe Response Council created pursuant to section 8899.70 of the Government Code.

Coverage Year – For any Participating Utility, an annual period of exactly twelve months that commences as of a certain date and time, as declared by the Participating Utility to the Administrator.

Covered Wildfire – As described in section 1701.8(a)(1) of the Public Utilities Code, as amended from time to time, a wildfire that ignited on or after July 12, 2019, and for which either of the following is satisfied: (A) The governmental agency responsible for determining causation or a court of competent jurisdiction determines the wildfire was caused by a Participating Utility. (B) Asserted to have been caused by a Participating Utility and results in a court-approved dismissal resulting from the settlement of third-party damage claims. This includes a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff. It also includes a landslide, mudslide, mudflow, or debris flow that is the result of a Covered Wildfire.

Determining Governmental Entity – As described in section 1701.8 of the Public Utilities Code, as amended from time to time, an entity, agency, or subdivision of the government of the United States of America, State of California, or California county or municipality that is legally charged with the responsibility for determining, and does in fact make a final determination of, the cause of ignition of a wildfire. This includes a determination by a federal or California court of competent jurisdiction that a wildfire, ignited on or after July 12, 2019, was caused by a Participating Utility, or a court-approved dismissal following the settlement of third-party damage claims asserted to have resulted from a wildfire caused by a Participating Utility.

Eligible Claim(s) – As described in section 3280(f) of the Public Utilities Code, as amended from time to time, Third-Party Claims for damages resulting from Covered Wildfires and presented by a Participating Utility for reimbursement from the Fund. “Eligible Claims” include amounts for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the settlement of a settled or Finally Adjudicated claim of a third-party claiming damages caused by a Covered Wildfire.

Final Determination of Eligibility – The Administrator’s final determination of whether the Participating Utility has demonstrated that it has met the Threshold Amount through the payment of Third-Party Claims for damages resulting from Covered Wildfires in the Participating Utility’s exercise of Reasonable Business Judgment.

Final Determination of Eligible Claims - The Administrator’s final determination that the Participating Utility exercised Reasonable Business Judgment in the payment of Eligible Claims and will reimburse the Participating Utility.

Finally Adjudicated – A claim is Finally Adjudicated when a neutral judicial or quasi-judicial third party, such as a court or arbitrator, has issued a final decision on the merits that is binding on the parties and may no longer be appealed. Settlements, consent judgments, and other dispositions that are the result of a voluntary agreement or are not a binding decision by a third party are not Finally Adjudicated claims.

Participating Utility – An electrical corporation that has met all the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.

Preliminary Determination of Eligibility – The Administrator’s initial determination regarding the extent to which a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the payment of Third-Party Claims exceeding the Threshold Amount.

Preliminary Determination of Eligible Claims – The Administrator’s determination that it is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment with respect to one or more claims submitted for reimbursement. The Participating Utility will be requested to provide additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the Third-Party Claims can be further considered for reimbursement.

Reasonable Business Judgment – The judgment by the Participating Utility of the validity and value of a claim that is based on the process employed by the Participating Utility and the types of information and documentation generally relied upon by the Participating Utility to reach a fair evaluation of the Participating Utility’s liability for, and amount of, the claim. Under section 3292(f) of the Public Utilities Code, only claims settled in the “Reasonable Business Judgment” of a Participating Utility are reimbursable by the Fund.

Subject Matter Experts (SMEs) – Individuals advising the Participating Utilities and/or the Administrator with expertise for the valuation and assessment of specific types of damage caused by wildfires.

Subrogation Claim(s) – Claims paid, as a result of a Covered Wildfire, to insurers for recovery of policy benefits paid to their insureds and claimants and based on the insurers’ contractual rights of subrogation of their policyholders’ rights of recovery, or to other persons or entities holding a contractual or equitable right to be reimbursed for payments that person or entity was legally required to make to a third party.

Third-Party Claim(s) – Claims for damages or losses, or other associated expenses, presented to a Participating Utility by any person or entity, including those claiming a right by subrogation and governmental entities, claiming damages resulting from a Covered Wildfire. “Third-Party Claims” do not include losses or damages sustained directly by the Participating Utility.

Third-Party Claimant - A person or entity that files a Third-Party Claim.

Threshold Amount – Claims paid by a Participating Utility as a result of one or more Covered Wildfires that, in the aggregate, exceed the greater of the following for a

Coverage Year: (1) one billion dollars (\$1,000,000,000), or (2) the amount of the insurance coverage required to be in place for the Participating Utility pursuant to section 3293 of the Public Utilities Code.

Wildfire – A accidental and unintentional, uncontrolled fire that (1) is listed on a list of wildfire incidents compiled by the California Department of Forestry and Fire Protection ("CAL FIRE"), or, (2) if not so listed on the CAL FIRE list of wildfire incidents, is determined by the Administrator, in the Administrator's sole discretion, to be of the nature and sort of fire that should enable a Participating Utility to apply for and receive reimbursement for Eligible Claims from the Wildfire Fund.

Wildfire Fund – The fund created in section 3284 of the Public Utilities Code.

C. ROLE AND RESPONSIBILITIES OF THE ADMINISTRATOR

The Administrator oversees the claims review and payment processes of Third-Party Claims submitted by Participating Utilities for reimbursement by the Fund.

The Administrator's role includes:

- Developing, maintaining, and revising the claims administration policies and procedures as needed to achieve an adequate level of performance, in the discretion of the Administrator, by claims review service providers, other vendors, and the Administrator staff.
- Seeking Council approval of revisions to the claims administration policies and procedures, and advising claims review service providers and Participating Utilities of any changes as they occur.
- Retaining the necessary claims review service providers and Subject Matter Experts (SMEs) to satisfactorily evaluate Threshold and Eligible Claims, and to provide for accurate and timely payment of Eligible Claims.
- Receiving and reviewing claims review service provider and vendor reports concerning evaluations of claims and eligibility for payment by the Fund.
- Preparing the reports on Preliminary and Final Determinations of Eligibility of claims, and conveying them to the Participating Utility and the Council.
- Managing the establishment and execution of quality control and audit functions for the overall claims administration processes.
- Implementing and managing a dispute resolution mechanism.
- Overseeing the processing for payment issuance within 45 days of the approval of the reimbursement amount.
- Maintaining records of paid and expected reimbursements by the Fund on a current basis.

The Administrator also has responsibilities to liaise with Participating Utilities and retain claims review service providers and other vendors to assist with claims handling. These responsibilities are further defined in the following sections.

C.1. LIAISON WITH PARTICIPATING UTILITIES

The Administrator will appoint a staff member to serve as liaison to confer with Participating Utilities on matters related to claim administration and to conduct an annual review of the claim handling capabilities and processes of Participating Utilities. The Administrator's liaison is responsible for the following tasks, to the extent deemed appropriate by the Administrator:

1. Maintain communication with the liaisons of each Participating Utility regarding claim handling for wildfires, including the current and projected amounts of claims payments made, committed to be made, and/or anticipated to be paid for each Covered Wildfire.
2. Gain an understanding of each Participating Utility's wildfire claims handling organization, practices and procedures that includes information on, without limitation, the following:
 - a. Size and structure of the claims handling organization, experience levels and qualifications of personnel, and personnel staffing at each experience level
 - b. Training and development of personnel
 - c. Authority structure, both internal to the Participating Utility and by vendor, for claims reviews, settlements of claims, and audit and control mechanisms for those authorities
 - d. Procedures for handling large-loss claims and any exceptions to the procedures
 - e. Any claims procedures to resolve claims for reasons other than a reasonable estimation of liability and legally recoverable damages
 - f. Business continuity plans and capabilities to handle significant increases in claims submissions
 - g. Changes in the claim reporting requirements of the Participating Utility's insurance carriers
 - h. Claim support by vendors and the names of and contracts with any claims handling vendors, if used
 - i. Copies of any guidelines that vendors should follow in adjusting claims and how those adjustments are audited and reviewed, including any delegated authority that is provided
 - j. Information technology systems and security, and electronic data extraction and submission methods used to produce claim submissions to the Administrator, as indicated in the reporting requirements for losses
 - k. Data retention policies for all claims related data and documentation

- l. Procedures for identifying claims that are duplicative and/or that are included twice, for example, once in the context of a Subrogation Claim and again in the context of a non-Subrogation Claim made by the person or entity directly sustaining the claimed loss
 - m. Procedures for identifying and investigating potentially fraudulent claims
 - n. Procedures for confirming proof that the Third-Party Claim was actually paid or that the Participating Utility has an existing and legally enforceable obligation to pay that Third-Party Claim.
3. Conduct annual update meetings with each Participating Utility within the first half of each Coverage Year to secure the latest information, as described above, on the claims handling organization, its functioning, and reporting capabilities.
 4. Be available as requested to meet with each Participating Utility to address concerns arising from either the Participating Utility or the Administrator.

C.2. POLICIES AND PROCEDURES FOR USE OF CLAIMS REVIEW SERVICE PROVIDERS AND OTHER VENDORS

The Administrator may retain vendors to execute and comply with these Procedures for the review and approval of Threshold Amount claims and Eligible Claims submitted to the Fund, and the timely funding of Eligible Claims. In this way, vendors will be an integral part of the Administrator's claim handling process.

Vendors are expected to have qualified staff to conduct claim reviews as are deemed necessary by the Administrator. Vendors will be expected to have ready access to experts in loss evaluation for each of the damage types identified in the Procedures. When the Administrator requires the specific expertise during a claim review, the vendor will demonstrate that the expert has suitable credentials.

Vendors are required to review and agree with the Administrator as to the scope, resourcing, and timing of any claims review. Vendors must receive written approval from the Administrator before arranging to conduct detailed claim reviews.

Vendors must be timely in their review of claim submissions as well as be accurate in their evaluations. Reports to the Administrator must be timely and accurate as well.

Vendors must ensure that they identify for the Administrator two points-of-contact familiar with the handling of the Wildfire Fund account to ensure there is always efficient and timely communication with the Administrator.

Vendors are expected to maintain timely communications with the Participating Utility and/or the Administrator during the entire period of the pendency of a claim submission.

D. ROLE AND RESPONSIBILITIES OF THE PARTICIPATING UTILITIES

The Council has adopted guiding principles for the Administrator's development and implementation of the Claims Administration Procedures. Two of those principles that specifically relate to the roles and responsibilities of the Participating Utilities are:

- Participating Utilities must demonstrate reasonable standards when resolving wildfire claims.
- Each settlement for which Participating Utilities seek reimbursement from the Wildfire Fund must be a fully and finally settled claim.

The Participating Utilities are also expected to:

- Appoint a liaison to confer with the Administrator's liaison on all claims-related matters.
- Participate in the Administrator's annual review of the Participating Utilities' claim handling capabilities and processes within the first half of each Coverage Year.
- Be available as requested to meet with the Administrator to address concerns arising from either the Participating Utility or the Administrator.
- Provide the Administrator with information requested as part of pre-claims processes and for the submission of claims to the Fund. These responsibilities are further defined in the following sections D.1. and D.2.

As part of the annual review, it is the responsibility of each Participating Utility to provide the Administrator with a generalized understanding of Participating Utility claims processes and standards used in resolving wildfire claims, and to update the Administrator, at least annually, on any major changes that may materially affect the Administrator's understanding of these processes and standards.

Based upon interviews with the Participating Utilities, the Administrator has developed an initial generalized understanding of the Participating Utilities' claims processes. It is summarized here to provide a contextual and consistent basis for subsequent assessment by the Administrator. Following the intake and acknowledgement (if needed) of itemized claims data, Participating Utilities generally follow a three-part process to validate, value and settle claims:

- Claims validation – involves confirmation that the claim is in relation to a Covered Wildfire(s); if relevant, an initial review to determine the scope and applicability of insurance policy coverage or any applicable contract, and any deductible applied; a review of the itemized claim data supplied and requests for any missing items (as needed); a review of the evidence to support the existence/description of items included in the claim and evidence that can reasonably be provided; and a determination of non-duplication.

- Claims valuation – involves use of valuation standards, tools, and services;; review of any supporting experts’ reports, such as adjusters, engineers, accountants, medical experts; consideration of salvage and value of salvage; confirmation that the claim submitted to the subrogating insurer was covered and paid consistent with the subrogating insurer’s policy or any other applicable contract; calculate the settlement value based on what is recoverable at law, considering injury, actual cash value (ACV), replacement cost value (RCV), market value, and other relevant factors; and confirm final settlement value.
- Claims settlement – involves reaching agreement with the claimant, resolving the claim, and documenting payment.

D.1. PRE-CLAIM PROCESSES

These procedures apply before a Participating Utility presents Eligible Claims for reimbursement from the Fund. These procedures are necessary to expedite the processing of Eligible Claims.

1. The Administrator and each Participating Utility will determine in advance the Coverage Year to be used for the identification of Eligible Claims.
2. Each Participating Utility must develop procedures that capture all relevant details regarding Third-Party Claims that have been paid, or for which there are binding commitments to pay, in a form compatible with the requirements for seeking reimbursement of Eligible Claims from the Fund. This includes policies for claims data retention.
3. Each quarter, or at such other intervals as determined by the Administrator, the Participating Utility must report, in a standardized format specified by the Administrator, all the following to the Administrator with respect to actual or anticipated Eligible Claims:
 - a. The date, location and, if applicable, name of each Covered Wildfire.
 - b. A brief description of the status of efforts to resolve Third-Party Claims and an estimate of the timing of resolution of those claims.
 - c. The total amounts of payments made, or committed to be made, for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - d. To the extent publicly disclosed, the total estimated amount of additional payments anticipated for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - e. The status of the determination of causation by the Determining Governmental Entity as to each wildfire that the Participating Utility knows to be or reasonably expects to be determined to be a Covered Wildfire.

4. In addition to the periodic reports described above, each Participating Utility must report the information listed in section 3 above to the Administrator when any of the following occurs:
 - a. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, more than \$750,000,000, in the aggregate, for Third-Party Claims resulting from Covered Wildfires for a single Coverage Year;
 - b. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, any single Third-Party Claim exceeding \$25,000,000 resulting from a Covered Wildfire;
 - c. The Participating Utility has a reasonable belief that it may have Eligible Claims exceeding the Threshold Amount for a single Coverage Year; or,
 - d. Upon request of the Administrator.
5. The information identified in sections 3 and 4 above is not intended to replace the more detailed information required for the formal submission of Eligible Claims, but is intended to provide the Administrator with advance notice of potential Eligible Claims to help facilitate the processing and payment of Eligible Claims if or when they are submitted for reimbursement. The failure to provide the information identified in sections 3 and 4 above will not result in a denial of claims submitted by the Participating Utility, but may significantly delay the processing and reimbursement of such claims.
6. **Expedited Review for Eligible Claims Resulting from Direct Payments for Community Recovery Programs (Program) that Meet Specified Program Criteria.** A Participating Utility must formally attest that its Program meets the criteria specified below for eligible claims arising from the Program to be eligible for expedited review by the Administrator. Additionally, the Participating Utility shall also provide information on the methodologies for compensation based on damage type and severity used by the Participating Utility in its uniform compensation framework.

Program Criteria:

- Eligibility Standards: Clearly defined and publicly available criteria for determining who qualifies for the Program.
- Objective Damage Assessments: Use of standardized methods and tools to assess damages, including the application of reputable models and engagement with established modeling firms.
- Uniform Compensation Framework: Establishment of consistent methodologies for compensation based on damage type (real property; additional living expenses; personal property; non-economic; etc.) and severity. The framework should avoid arbitrary or ad hoc determinations of individual claims.

- Transparent Claims Process: Clear, written explanation of the claims process, documentation requirements, and deadlines.
- Fraud Measures: Implementation of procedures for identifying and investigating potentially fraudulent claims, including a process for eliminating duplicate damage claims between a claimant and the subrogated insurer for that claimant.
- Timely Processing: Defined timelines for claim review, decision, and payment issuance.
- Equity and Anti-Discrimination Measures: Protections against discrimination based on race, ethnicity, income, disability, or other protected characteristics. The Participating Utility should conduct special outreach efforts and provide assistance to potential eligible claimants to ensure equitable access to the Program.
- Auditability: The Participating Utility should maintain documentation of how it has handled claims consistent with the Program criteria.

D.2. SUBMISSION OF CLAIMS

The Participating Utility must provide, in a secure fashion and by means determined by agreement between the Administrator and the Participating Utility, the following information for each Third-Party Claim submitted to the Administrator for review and reimbursement by the Fund. The Administrator will supply Participating Utilities with an approved template for the provision of data and use secure file transfer protocols to receive the data.

1. For non-Subrogation Claims, the supplied data must include:
 - a. Name or a unique identifier of the Third-Party Claimant
 - b. Identification of the specific Covered Wildfire(s) giving rise to the claim
 - c. Specific location where damage or injury occurred
 - d. Legal interest of Third-Party Claimant in the property, if any, damaged
 - e. Amount, if any, recovered by the Third-Party Claimant from any other sources such as the claimant's insurer or governmental agencies
 - f. Itemization of amounts claimed by the Third-Party Claimant broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Personal Injury, Wrongful Death, Emotional Distress
 - viii. Fire Suppression Costs

- ix. Attorneys' fees recoverable by the Third-Party Claimant as an allowable part of damages
 - x. Other legally recoverable damages
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount
2. For Subrogation Claims, the supplied data must include:
- a. Name of insurer or other entity claiming right of subrogation
 - b. Identification of the specific Covered Wildfire(s) giving rise to the Subrogation Claims
 - c. If the subrogating entity is an insurer, name or other unique identifier for each of the subrogated insurer's policyholders under whom right of subrogation is claimed
 - d. If the subrogating entity is not an insurer, explanation of that entity's legal basis for asserting a right of subrogation
 - e. Specific location where each subrogated loss or injury occurred
 - f. Itemization of amounts claimed by the subrogating entity broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Other damages legally recoverable in subrogation
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount.

The Administrator may request additional information as deemed necessary in the judgment of the Administrator.

As explained in more detail in section II.F, the supplied information will also be used to test the claims review systems, operational documentation and Procedures. Testing will occur before the claims review process commences for new Third-Party Claims that are

submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

E. DATA CONFIDENTIALITY AND PRIVACY

The Administrator has developed the following procedures designed to protect from disclosure any confidential or proprietary documents or information that may be submitted by a Participating Utility to support claims payable from the Fund. Except as otherwise required by law, neither the Administrator nor the Council will divulge to any other person or entity that confidential or proprietary information absent the written consent of the Participating Utility. If the Administrator or the Council receives from any person or entity any valid and enforceable request or demand to divulge a Participating Utility's confidential or proprietary information, the Administrator will notify the Participating Utility of the demand or request as promptly as reasonably practicable and will provide reasonable assistance and will provide reasonable non-monetary assistance in protecting confidential or proprietary information from disclosure.

The following procedures specifically apply to information submitted to the California Earthquake Authority (CEA), in its capacity as Administrator, or to the Council, on or after the date these Procedures are approved by the Council.

E.1. SUBMISSION OF INFORMATION CLAIMED TO BE CONFIDENTIAL

The information submitter is responsible for documenting the reasons why the Administrator, or the Council, should withhold any information, or any portion thereof, from the public. To request confidential treatment of information submitted to the Administrator, or the Council, an information submitter must satisfy all the following requirements:

1. If confidential treatment is sought for any portion of information, the information submitter must designate each page, section, or field, or any portion thereof, as confidential. If only a certain portion of information is claimed to be confidential, then only that portion rather than the entire submission should be designated as confidential.
2. Specify the basis for the Administrator, or the Council, to provide confidential treatment with specific citation to an applicable provision of the California Public Records Act.
3. Provide a declaration in support of the legal authority cited above of the California Public Records Act signed by an officer of the information submitter or by an employee or agent designated by an officer. The officer delegating signing authority to an employee or agent must be identified in the declaration.
4. Provide a name and email address of the person for the Administrator, or the Council, to contact regarding the potential release of information by the

Administrator, or the Council. An information submitter may designate as many as three people by name and email address for all document submissions to the Administrator, or the Council. Failure of the information submitter to monitor and respond to Administrator or Council, communications by any specified deadlines in such communications, to the designated email address(es) does not preclude release of information per section E.2. below. There is no requirement for the Administrator staff to contact each name provided. To designate or change the designated email address and contact name, an information submitter shall send an email to the CEA's Legal & Compliance Department at records@calquake.com.

If an information submitter satisfies the requirements in this section, then the Administrator, or the Council, will segregate such information in its records. If the Administrator, or the Council, receives a request, whether through the California Public Records Act or otherwise, requiring the production of claimed confidential information, it will evaluate the legal authority for the Administrator, or the Council, to withhold the document from the public and follow the process established in section E.2. below.

E.2. PROCESSING OF CALIFORNIA PUBLIC RECORDS ACT REQUESTS THAT IMPLICATE INFORMATION CLAIMED TO BE CONFIDENTIAL

This section applies if an information submitter has satisfied section E.1. above.

1. Before releasing information in response to a California Public Records Act request, or in any other context, the CEA's Legal & Compliance Department will determine, based on the information it has, whether the information submitter has established a lawful basis of confidentiality. If CEA Legal & Compliance requires additional information, it may notify the information submitter of the California Public Records Act request and ask the information submitter to provide further information.
2. If CEA Legal & Compliance concludes the information submitter has established a lawful basis for confidential treatment, it will not release the information and will notify the California Public Records Act requester of its decision to deny the request partially or completely.
3. If CEA Legal & Compliance concludes the information submitter has failed to establish a lawful basis for confidential treatment, it will notify the information submitter of this determination, and provide the information submitter a reasonable amount of time, subject to applicable timing limitations, if any, set forth in the California Public Records Act, to seek a court order protecting the information submitter's allegedly confidential information.
4. The Administrator, and the Council, will follow all required deadlines and requirements of the California Public Records Act in responding to California

Public Records Act requests. These procedures are not intended to contradict or circumvent those requirements in any way.

II. ADMINISTRATOR'S CLAIMS REVIEW PROCESS

The primary purpose of the Administrator's claims review process is to determine if a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the valuation and payment of Third-Party Claims. The Administrator's review of Third-Party Claims has two distinct parts: a Threshold Claims review and an Eligible Claims review. Each is described in greater detail in the following sections.

While the Administrator will review Threshold Claims separately from Eligible Claims, the processes and standards described herein will apply to each of those evaluations. In a Threshold Claims review, the Administrator will evaluate Third-Party Claims that a Participating Utility has paid, or made binding commitments to pay, that, in the aggregate, meet the Participating Utility's Threshold Amount for a particular Coverage Year. If the Administrator determines that the total amount paid or committed to be paid by the Participating Utility was consistent with the exercise of Reasonable Business Judgment, then the Participating Utility may seek reimbursement from the Fund for payment of Eligible Claims for the applicable Coverage Year.

The Administrator's review of Eligible Claims will then determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the following statutory standards of claim review set forth in section 3292.f. of the Public Utilities Code:

"Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the administrator shall be paid unless the administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of such business judgment. To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.

The administrator shall approve a settlement of an eligible claim that is a subrogation claim if the settlement exceeds 40 percent of the total asserted claim value, as determined by the administrator, and includes a full release of the balance of the asserted claim so long as the administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms.

A subrogation claim that is finally adjudicated shall be paid in the full judgment amount.”

Also, the Administrator will pay the full adjudicated amount of all Eligible Claims, including Subrogation Claims, that are Finally Adjudicated as defined herein.

The following sections provide additional detail on the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

A. REASONABLE BUSINESS JUDGMENT STANDARD FOR CLAIMS REVIEW

As provided in the Definitions section, Reasonable Business Judgment is a judgment of the value of a claim that is based on consideration of the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim. The key point is that Reasonable Business Judgment focuses on the process employed by the Participating Utility rather than the end result. Therefore, the Administrator’s review should focus on two questions:

- Did the Participating Utility rely on the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim?
- Was the Participating Utility’s process one that is generally relied upon to reach a fair evaluation of the amount of the claim?

In determining whether a Participating Utility exercised Reasonable Business Judgment in resolving wildfire claims under the guiding principles adopted by the Council, the Administrator will consider the following:

1. The Participating Utility’s general procedures for evaluating and paying claims.
2. Whether the amount paid is Finally Adjudicated as defined herein, and/or whether it resulted from a judgment, mediation, arbitration award or informal negotiation.
3. The extent to which the Participating Utility based its settlement decisions on documentation and other information appropriate for the types of damages and losses claimed.
4. The extent to which the Participating Utility based its settlement decisions on consultation with SME’s appropriate for the types of damages and losses claimed.
5. The costs and risks of further litigation with the Third-Party Claimants.
6. The extent to which the amount paid reflects legally recoverable damages.
7. For Subrogation Claims, claims paid at less than or equal to 40% of total asserted claim value will be assumed to reflect the exercise of Reasonable Business Judgment unless the Administrator finds that the facts and circumstances

surrounding a particular claim indicate a failure to exercise Reasonable Business Judgment.

8. For all claims, the relationship between the value of the amount claimed and the amount paid.
9. Finally Adjudicated claims, as defined herein, will be paid in the full judgment amount.
10. The Participating Utility's process for eliminating duplicate damage claims between a Third-Party Claimant and the subrogated insurer for that claimant.
11. Any other relevant and valid considerations.

Additional information on the documentation and information, including the use of SME's and the process, including the legal standards for valuation of typical wildfire damages, are provided in the following sections.

A.1. DOCUMENTATION AND INFORMATION - USE OF SUBJECT MATTER EXPERTS

The use of Subject Matter Experts (SMEs) to determine whether a Participating Utility exercised Reasonable Business Judgment in resolving claims is a key component of the claims review process. SMEs identify what types of documentation and other information are "generally relied upon to reach a fair evaluation of the amount of the claim," using the definition of Reasonable Business Judgment, within the specific area of expertise of an SME. SMEs may also identify whether the Participating Utility's process was one that is "generally relied upon" in valuing certain types of damages.

In drafting these Procedures, the Administrator consulted with SMEs with expertise valuing the damage types typically found in wildfire claims. These areas are:

- Real Property (Structures and Land)
- Loss of Use/Additional Living Expenses
- Personal Property/Business Personal Property
- Business Income Loss
- Crops
- Trees
- Personal Injury, Wrongful Death, Emotional Distress
- Fire Suppression Costs

The use of SMEs supports the key features of the claims review process in the following ways:

- Expedites claims review by identifying documentary support considered reliable among experts.
- Helps identify claims lacking in reliable support for which further inquiry may be needed.
- Helps identify claims that may require specific review.

A.2. PROCESS – LEGAL STANDARD FOR VALUATION OF TYPICAL WILDFIRE DAMAGES

In determining whether the Participating Utility's process in resolving a claim was consistent with Reasonable Business Judgment, the Administrator must consider whether the amount paid by the utility is recoverable under California law.

Below is an overview of the Administrator's current understanding of the legal measure of damages for the types of damages typically associated with wildfires. At the start of any claims review process, the Administrator will review and update, as necessary, the legal measure of damage for the typical wildfire damage categories.

1. Real Property (Structures and Land):
 - a. Baseline Measure: The lesser of either the cost to repair or the diminution in the fair market value of the property caused by the fire (plus loss of use during the time of repair, as discussed in section 2 below).
 - b. Exceptions: Repair costs that exceed diminution in value are recoverable if the property owner demonstrates that he or she has a "genuine desire" to repair or replace the property for personal reasons, and the costs of repair or replacement are reasonable given the damage to the property, its pre-fire value, and its value after repair.
2. Loss of Use/Additional Living Expenses
 - a. Baseline Measure: The reasonable cost to rent similar property for the reasonable length of time when the claimant could not use the property due to the damage.
 - b. Exceptions: None noted.
3. Personal Property, including Business Personal Property:
 - a. Baseline Measure: For destroyed personal property, the measure is the fair market value of the item before it was destroyed. For damaged personal property the measure is the lesser of diminution of value or cost to repair, plus loss of use during the time of repair and any residual loss in value because of the repair (e.g., if a repaired vehicle has a lower value because it had been previously damaged).
 - b. Exceptions: The measure for personal property that is so unique as to have no readily identifiable market (e.g., one-of-a-kind items) is an amount that is fair and reasonable under the circumstances.
4. Business Income Loss:
 - a. Baseline Measure: Businesses whose property is damaged resulting in income loss can claim net income loss during a reasonable repair time and until the business has recovered to its previous level. The loss is calculated by adding the actual past income loss during the repair period to any reasonably certain future income loss, if any. Due allowance will be made in the calculation for

- any savings in the costs of sales, employee wages or benefits, taxes, and any other variable expenses.
- b. Exceptions: None noted.
- 5. Crop Losses:
 - a. Baseline Measure: The expected market value of the crop before the damage, less the cost of producing and marketing the crop that would have been incurred.
 - b. Exceptions: For perennial crops, claimants can recover the difference between the rental value of the land with the crop and the land without the crop for the duration of time that it takes to restore the crop.
- 6. Trees:
 - a. Baseline Measure: Tree values are typically assessed by professional arborists who use various published standards for appraising trees.
 - b. Exceptions: Tree valuations should consider the extent to which the lost trees contributed to the fair market value of the property as a whole. Otherwise, the added value of trees may exceed the diminished fair market value of the property.
- 7. Personal Injury, Wrongful Death, Emotional Distress:
 - a. Baseline Measure for Personal Injury: Claimants who suffer personal injury caused by the fire can recover the reasonable cost of past and future medical care, emotional distress, and lost income/earning capacity if the injury prevents them from earning income.
 - b. Baseline Measure for Wrongful Death: Family members can claim a loss of financial support, gifts/benefits, and value of household services provided by decedent, as well as funeral/burial expenses and noneconomic damages such as the loss of love, comfort, and care.
 - c. Exceptions: None noted.
- 8. Fire Suppression Costs:
 - a. Baseline Measure: Reasonable cost of firefighting, as well as providing rescue or emergency medical services along with administrative costs.
 - b. Exceptions: None noted.

B. CLAIMS REVIEW METHODS

The review of individual claims is the principal method by which the Administrator will determine whether the Participating Utility exercised Reasonable Business Judgment when resolving claims. The Administrator may conduct statistical sampling in order to derive a representative set of claims for individual review. Individual claim reviews are more detailed evaluations of claims information and may involve more time and resources than statistical sampling, depending on the volume of claims submitted.

B.1. INDIVIDUAL CLAIM REVIEWS

In fulfilling the claims review requirements of section 3292 of the Public Utilities Code, four key steps have been defined for the review of individual claims submitted by the Participating Utilities for evaluation by the Administrator as part of the Threshold Claims and Eligible Claims reviews. The purpose and areas addressed in each step are as follows:

1. **Data review and validation.** The purpose of this step is to validate and establish the core data about each claim. This involves confirmation that the claimed damage was caused by a Covered Wildfire; if a Subrogation Claim, the identity of the insurer or other subrogating entity; and a review of the supporting documentation. Missing documentation will be requested and the amount of each type of claimed damage submitted to the Participating Utility will be reconciled with the amount paid by the Participating Utility.
2. **Claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value.** This step of the claims review focuses on Subrogation Claims paid at less than or equal to 40% of the total asserted claims value and that the Administrator determines have been settled consistent with Reasonable Business Judgment standard referenced in section 3292(f)(1) of the Public Utilities Code. The primary focus of review of these claims is confirming that the paid amount truly is less than or equal to 40% of the asserted claim value. This involves a review for any failure to use Reasonable Business Judgment by establishing the asserted values for each damage type and confirming that these values are supported by suitable documentation. The review at this step will also confirm that the asserted value represents no more than 40% of the claim submitted to the Participating Utility. Subrogation claims that are Finally Adjudicated as defined herein will be paid in full.
3. **Validation and valuation of other Subrogation and non-Subrogation Claims which require further detailed review.** This step involves a more detailed review of the basis supporting the Participating Utility's determination of the settlement amount, including identifying and considering the information and documentation relied upon by the Participating Utility. The Administrator conducts a detailed review of claims to determine the extent to which full supporting evidence was used and available. The Administrator's review of Subrogation Claim settlements exceeding 40% of the total asserted claim value will use the Reasonable Business Judgment standard referenced in section 3292(f)(2) of the Public Utilities Code and defined herein. This more detailed review involves itemizing the types of damage, claim amounts, the way in which the claims were validated in relation to the description and scope of the damage, and whether the use of an SME was warranted in this exercise and then deployed.

The review will consider the evidence used to support the claim and whether the Participating Utility exercised Reasonable Business Judgment in reaching the settlement amount. Documentation reviewed by the Participating Utility in this determination should be considered. This step also involves confirmation of the basis of resolution of the claim by the Participating Utility – negotiated settlement, judgment, mediation etc. Any errors in the calculation of this valuation are to be noted and recorded. Finally adjudicated claims as defined herein will be paid in full.

4. **Confirm Administrator allowable value.** This final step confirms the amount that is allowable by the Administrator for the Third-Party Claim. The review will include confirmation that there is adequate proof of payment by the Participating Utility and a final data check for consistency with claimed amounts before recommending an allowable and/or reimbursable sum by the Administrator.

B.2 STATISTICAL METHODS

Appropriate statistical methods may be employed for the review of Threshold Claims or Eligible Claims. A statistician may assist the Administrator in the claims review process by working with the data submitted by the Participating Utilities. This may involve creating statistically meaningful samples of the data to be used in the selection of random files for review, as well as analyzing the data, and extracting from the data particular information. To that end, the purpose and activities of statistical analyses in the claims review process are directed towards:

1. Expediting the claims review process by developing statistically significant random samples of claims for more detailed review.
2. Identifying duplicate claims.
3. Identifying common ranges of claim amounts in particular geographic areas, indicating certain claims that may warrant closer review.
4. Identifying common ratios between amounts of particular damage categories to identify outliers.
5. Suggesting any other areas of inquiry that the data reveals, and which may be relevant to an evaluation of Reasonable Business Judgment and of use in the claims review process.

The identification of “outliers” is an important function of statistical sampling. “Outliers” are claims with values outside the norm that may warrant individual claim review. The specific definition of an “outlier claim” will depend on what constitutes the norm in any given data set. Some examples of statistical analyses that may be performed to identify potential outliers and/or anomalies for further evaluation by an individual claim review are as follows:

- Determination and identification of any claim with a value in excess of \$10,000,000.
- Determine median loss amounts by damage types and identify those claims that are significantly higher than the median.
- Identify claims by specific location, by street for example, to determine the median value of a particular damage type and identify claims that far exceed the median. These addresses may then be identified for the Administrator to consider conducting a more detailed review of that claim.
- For real property claims, determine average ratio of total structure loss to total loss of use losses. Compare the average ratio to the particular claims and identify losses where the relationship of the loss of use total to structure loss is unusually high.
- For real property claims, identify structure loss amounts that may represent a loss that has reached the insurance policy limit. Compare structure loss amounts to contents losses and identify contents amounts exceeding 50% of structure loss amount.
- Analyze itemized claims data to determine if the Participating Utility received duplicate claims for the same losses from the subrogating insurer and its insured. Submit a listing of identified duplicates to the Administrator for further review.
- Identify any additional anomalies in the data, such as a large claim for Additional Living Expense but no claim for damage to a home, locations outside the area of a Covered Wildfire based upon ZIP Code, and loss dates outside the known dates of the Covered Wildfire.

The individual claim reviews determined by the identification of outliers and/or anomalies will be in addition to individual claim reviews determined by the statistically significant random file review.

B.3. CLAIMS REVIEW REPORTING

Results of the claims review process will be compiled into reports for both Threshold Claims and Eligible Claims. These reports will include an assessment of the Participating Utility's use of Reasonable Business Judgment and standard of practice in claims settlement. The report may contain summary information, including the name of the involved Participating Utility; name of the Covered Wildfire (if assigned) and the dates of the fire; the dates of the claim review and key personnel who participated in the review; the number of claims selected by the statistician; and the number of claims reviewed broken down by random sample claims and outlier claims. The summary may also comment on the sample size as compared to the total amount of claims submitted by the Participating Utility, and report and categorize any errors in the data or the process.

Claims review reports will summarize the evaluation of different aspects of the claim handling process of the Participating Utility. Each aspect will be reviewed against a system of ratings that considers the application of Reasonable Business Judgment. Specific sections of the report may include:

1. **Overall evaluation of results of claims review.** This section provides a brief explanation of the findings, including how they were determined, and the number of claims deemed to be within Reasonable Business Judgment and accepted by the Fund, and the number of claims that are deemed to be outside Reasonable Business Judgment and rejected by the Fund, as well as the number of claims per rating as described above.
2. **Specific results of review.** This section reports the results of the specific areas of individual claims review, with a summary of ratings for each specific area – data review and validation; claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value; and validation and valuation of other Subrogation and non-Subrogation Claims which required further detailed review. All Finally Adjudicated claims will be confirmed as meeting the definition of “Finally Adjudicated” contained in these Procedures before being paid in full.
3. **Confirm Administrator allowable value.** This section will state the number of claims accepted and the accepted dollar amount. It will list claims requiring additional information before being accepted and any claims and amounts that have been disallowed.
4. **Recommendations.** This section includes any claims handling guidance the Administrator may have for the Participating Utility. Insights as to why claims or portions of claims were disallowed will also be included.

In addition to the summary report, the Administrator will generate reports from the claims submission data, for example, regarding Subrogation Claims settled at or below 40% of claimed value, Subrogation Claims settled above 40%, and claims resolved on an adjudicated basis.

The Administrator may in its sole discretion share the details of the claims review results that it determines are reasonably necessary to communicate with and between the Participating Utilities in order to enhance the claims administration relationship between the Participating Utilities and the Administrator.

C. THRESHOLD AMOUNT CLAIMS REVIEW

To determine whether a Participating Utility has met the Threshold Amount for a particular Coverage Year and may submit claims to the Fund for reimbursement, the Administrator must determine that the Participating Utility exercised Reasonable

Business Judgment in resolving and paying, or making commitments to pay, the claims that comprise the Threshold Amount. The Participating Utility claiming to have met the Threshold Amount must provide the Administrator with specific information about the Threshold Amount claims as set forth in the agreed claims data template. This template is a consolidated spreadsheet setting out specific data fields to be provided within the schedule of claims that are submitted for Threshold Amount claims review.

After receipt of the claims data, the Administrator will first review the information to ensure that all Threshold Amount claims resulted from Covered Wildfires and have either been paid by the Participating Utility or there is a binding commitment to pay them. Claims not paid at the time of submission of the claims data to the Administrator will be excluded in the calculation of whether the Threshold Amount has been met unless proof of a commitment to pay is also submitted.

Claims that the Administrator determines were paid on Covered Wildfires will then be evaluated to determine whether the amounts paid to reach the Threshold Amount were paid consistent with the exercise of Reasonable Business Judgment. This review may include the evaluation of a statistically significant selection of representative claims or damage types, claim-by-claim analysis, or such other methods as the Administrator deems appropriate in the exercise of its sole discretion.

The Administrator may request additional information from the Participating Utility as appropriate in the Administrator's judgment.

The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

After completing the review of Third-Party Claims submitted by the Participating Utility, the Administrator will issue a Final Determination of Eligibility if it finds that the Threshold Amount has been met through the Participating Utility's exercise of Reasonable Business Judgment. Upon the issuance of a Final Determination of Eligibility, the Administrator will consider claims above the Threshold Amount for reimbursement.

If the Administrator finds that the Participating Utility has not met the Threshold Amount, it will issue a Preliminary Determination of Eligibility with one of the following findings:

1. A preliminary finding that the Participating Utility did not provide sufficient information or documentation demonstrating the exercise of Reasonable Business Judgment, and that no part of the Threshold Amount will have been satisfied and no Third-Party Claims will be further considered for reimbursement.

2. A preliminary finding that a certain percentage or amount of the Threshold Amount has been satisfied but that the remainder is not supported by proof of the exercise of Reasonable Business Judgment, and that no Third-Party Claims will be considered for reimbursement until the balance of the Threshold Amount has been met.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligibility, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility shall submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving claims within the Threshold Amount.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligibility, the Administrator will issue a Final Determination of Eligibility.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

The purpose of the Threshold Amount claims review is to determine whether the Participating Utility has exercised Reasonable Business Judgment in the payment of Third-Party claims and if claims paid on Covered Wildfires in aggregate exceed the Threshold Amount in any coverage year. The primary method for this determination is an individual claims assessment. However, depending on the volume of claims submitted, the Administrator may use statistical sampling to derive a representative sample of claims for individual review.

Figure 2 illustrates the specific steps in the Threshold Amount claims review process, which are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an agreed format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and that any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate by the Administrator.

- **Individual claims review.** This involves the use of a structured claims review procedure to conduct a due diligence assessment of the application of reasonable business judgment on a claim-by-claim basis. This specific procedure is described in more detail in the “Individual Claims Review” section B.1. above.
- **Threshold Claims report.** This report, which is described in the “Claims Review Reporting” section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of settled claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator’s determination of eligibility.** This involves the review and approval of the Threshold Amount claims report and a report on findings (preliminary or final) with the Participating Utility. In the event that a finding is preliminary, the Administrator requests, receives and reviews any additional information provided by the Participating Utility and revises findings as needed. Once the finding is final, the Administrator issues a Threshold Amount determination and may begin reimbursing submitted Eligible Claims. The Administrator will report its final determinations of eligibility to the Council.

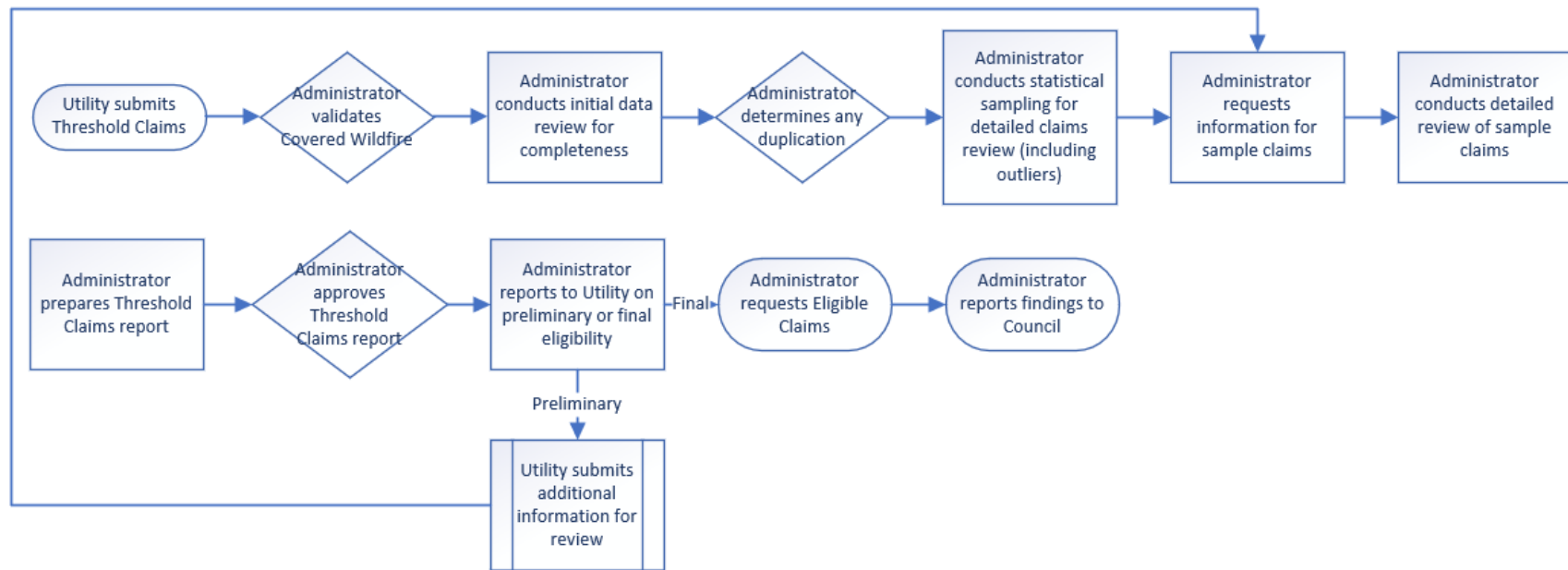


Figure 2. Illustration of the Threshold Amount Claims Review Process

D. ELIGIBLE CLAIMS REVIEW

When the Administrator determines the Participating Utility has met or exceeded the Threshold Amount, the Participating Utility may request reimbursement from the Fund for payment of Eligible Claims arising from Covered Wildfires occurring during the applicable Coverage Year. The Administrator's review of Eligible Claims will determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the statutory standards of claim review set forth in section 3292 of the Public Utilities Code. Participating Utilities are entitled to reimbursement for only those amounts that the Administrator determines were paid consistent with the exercise of Reasonable Business Judgment.

For each Eligible Claim submitted for reimbursement, the Participating Utility must provide the Administrator with the information set out in an approved format to be provided by the Administrator. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

Eligible Claims submissions will be reviewed either on an individual claims basis or using a statistically significant random sample to determine the extent to which the claims are entitled to reimbursement. The purpose of the Eligible Claims review, like that of the Threshold Amount claims review, is to determine whether the Participating Utility exercised Reasonable Business Judgment in its decision to pay the settlement amount.

After completing the review of Eligible Claims submissions, the Administrator will issue a Final Determination of Eligible Claims if it finds that the Participating Utility exercised Reasonable Business Judgment in its claims settlement. Upon the issuance of a Final Determination of Eligible Claims, the Administrator will reimburse the Participating Utility. If the Administrator is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment, it will issue a Preliminary Determination of Eligible Claims with a request for additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the claims can be further considered for reimbursement.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligible Claims, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility must submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving the claims.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligible Claims, the Administrator will issue a Final Determination of Eligible Claims.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

Figure 3 illustrates the specific steps involved in the Eligible Claims review process and are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an approved format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate.
- **Individual claims review.** This involves the use of a structured claims review procedure to assess the application of Reasonable Business Judgment on a claim-by-claim basis. This specific procedure is described in more detail in the "Individual Claims Review" B.1. section above.
- **Eligible claims report.** This report, which is described in "Claims Review Reporting" section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category, with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of the asserted claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value for reimbursement and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator's determination of eligibility.** This involves the review and approval of the Eligible Claims report and a report on findings (preliminary or final) to the Participating Utility. If the finding is preliminary, the Administrator will request, receive, and review any additional information provided by the Participating Utility, and will revise the finding as needed. Once the finding is final, the Administrator will issue an Eligible Claims determination and reimburse Eligible Claims. The Administrator will report its findings to the Council.

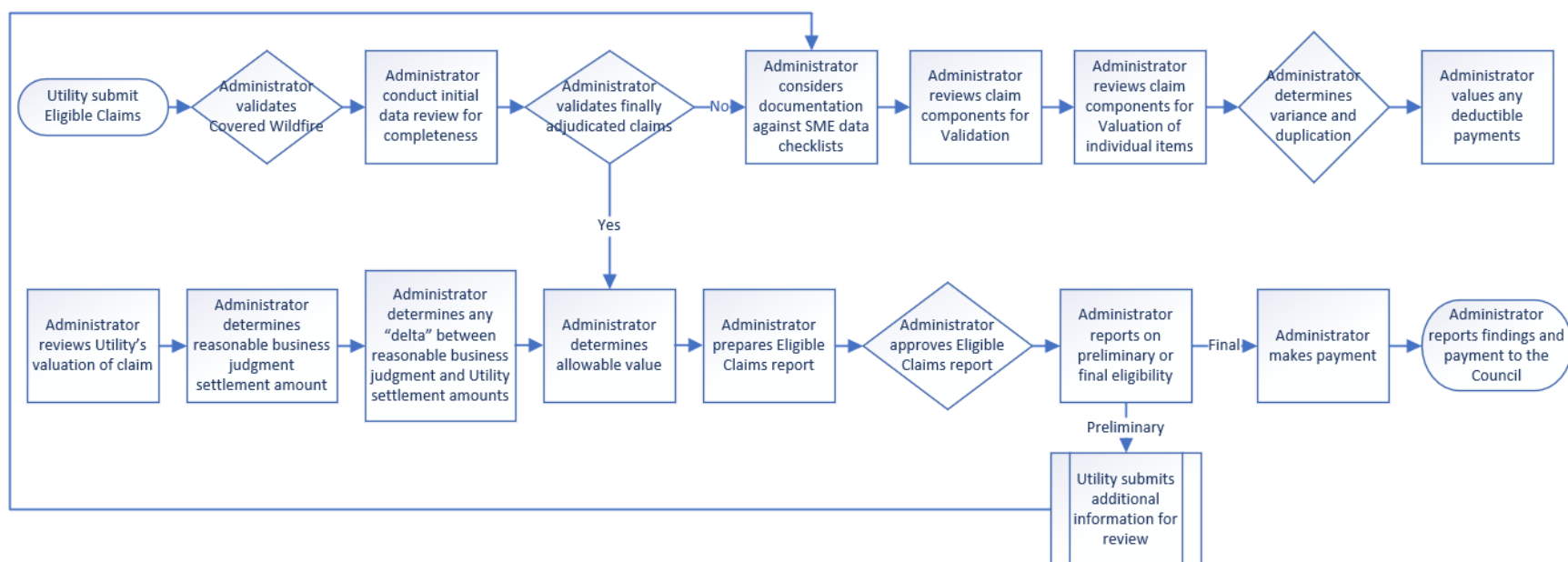


Figure 3. Illustration of the Eligible Claims Review Process

E. CLAIM PAYMENT PROCESS

Following the completion of the Eligible Claims report and the Administrator's determination of final eligibility, the Administrator will reimburse the Participating Utility for the amount that the Administrator determines to be reimbursable. Policies and procedures for the claim payment process are as follows:

1. The Administrator will create one or more controlled disbursements accounts for purposes of making claim payments from the Fund. Participating Utilities will be required to provide payment instructions to the Administrator.
2. The Administrator will reimburse Eligible Claims within 45 days after the date the Administrator approves the confirmed reimbursement amount, unless that timing is not practicable under the circumstances.
3. When the Administrator has determined that the Threshold Amount has been met for a particular Coverage Year, the Administrator will have the right, but not the obligation, to provide payment to the Participating Utility for Eligible Claims after the amount of those Eligible Claims incurred by the Participating Utility are finally determined but before those Eligible Claims are actually paid by, or on behalf of, the Participating Utility.
4. While the Wildfire Fund is under no obligation to advance funds to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, the Administrator reserves the right to advance payments in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
5. The Administrator may, at its discretion, establish and implement a Liquidity Support Program for a Participating Utility if the Administrator determines that doing so would benefit ratepayers and promote the financial stability of the Participating Utility. Such support may include advances or other mechanisms deemed appropriate under the circumstances. The Administrator shall determine the terms and conditions of any such support and shall report the establishment and status of any Liquidity Support Program to the Council at the Council's next public meeting, and provide updates on the Program at all subsequent public meetings of the Council for the duration of the Program's existence.
- 5.6. The Administrator reserves the right to recall claim payments from the Participating Utility in the event of over-payment or the Participating Utility's recovery of Eligible Claims from other parties.
- 6.7. If at any point in time the Administrator makes the determination contemplated under Public Utilities Code section 3292(i)(2), the Administrator will notify all Participating Utilities of such determination and, to the extent necessary, describe

the Administrator's plan for the equitable apportionment and distribution of remaining funds to any Participating Utilities with unpaid Eligible Claims.

Once a Participating Utility has received any payment from the Wildfire Fund for Eligible Claims, the Participating Utility must comply with the laws and regulations related to a Catastrophic Wildfire Proceeding as defined in section 1701.8.(b) of the Public Utilities Code. The Participating Utility must file an application to the California Public Utilities Commission (the "Commission") to commence a Catastrophic Wildfire Proceeding. Based on the Commission's decision in a Catastrophic Wildfire Proceeding, a Participating Utility may be required to reimburse the Wildfire Fund.

F. TESTING

The Administrator will develop and implement a plan to periodically test the claims review systems, operational documentation, and Procedures used by the Administrator for the claims review process. Testing will be conducted before any claims review services provider starts reviewing Third-Party Claims submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

The claims review systems and operational documentation may be revised and updated to improve the claims handling. The Administrator will seek Council review and approval for any amendments or updates that materially affect the Procedures.

G. QUALITY CONTROL

The Administrator will have a quality control process in order to ensure that the Procedures are implemented and adhered to. Quality control processes will be operated by the Administrator and any claims review service provider that the Administrator may retain. Agreed reporting levels for quality control between any claims review service provider and the Administrator will be negotiated and implemented.

H. INDEPENDENT AUDITOR

The Administrator reserves the right to appoint an Independent Auditor to review the Administrator's claims handling processes. The Independent Auditor will be responsible for auditing the claims review, reporting and quality control as situations demand. The Independent Auditor will provide a report in writing to the Administrator. The Independent Auditor will be independent of and unrelated to any vendor providing claims review services for the Administrator and its quality control processes. The Independent Auditor will be accountable solely to the Administrator.

I. DISPUTE RESOLUTION

In the event any Participating Utility claims to be aggrieved by any action or failure to act by the Administrator, the Participating Utility and Administrator shall first, in good faith, attempt to resolve the dispute between themselves. If the Participating Utility and the Administrator fail to resolve the dispute between themselves, the Council will, upon written demand by the Participating Utility that specifies the details of the Administrator's action or failure to act, allow the Participating Utility an opportunity to make its complaint during a Council meeting. The Council may, but is not required to, choose to set a special meeting to hear the Participating Utility's complaint, or it may choose to do so as an agenda item at a regularly scheduled meeting, or both. The Council shall exercise its oversight pursuant to Public Utilities Code section 3281(d) and may fashion appropriate resolutions of the dispute.

J. REPORTING TO THE COUNCIL

The Administrator will provide a quarterly Claims Administration report to the Council on the implementation of these Procedures and status of any claim submissions and reviews underway. The quarterly reports will include the following:

- Liaison activities with Participating Utilities.
- Status of Covered Wildfires for each Participating Utility by Coverage Year, including information on the status of settlements and incurred losses for Third-Party Claims.
- Status of claim submissions to the Fund, tracking the submission and review status for both Threshold Amount claims and Eligible Claims submissions made by each Participating Utility by Coverage Year, including the Administrator's determinations of eligibility of both Threshold Amount claims and Eligible Claims, and the Administrator's confirmed allowable values for the Threshold Amount or reimbursement of Eligible Claims.
- Status of paid and expected reimbursements by the Fund on a current basis, including any payments to the Participating Utility for Eligible Claims for which the settlements are finally determined but have not yet been actually paid by, or on behalf of, the Participating Utility, and any other advance payments that the Administrator has made to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
- Status of quality control and independent auditing processes that may be underway.
- Status of any dispute resolution efforts that may be underway.
- Status of operational documentation and any modifications that may have been made to the documentation.

- Status of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments.

The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.



CLAIMS ADMINISTRATION PROCEDURES

WILDFIRE FUND ADMINISTRATOR

APPROVED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
JULY 22, 2021

AMENDED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
May 4, 2023

AMENDED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
OCTOBER 30, 2025

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PREFACE

These Claims Administration Procedures ("Procedures") provide a plan of operations for the Administrator of the Wildfire Fund ("Fund") to fulfill its claims review, approval, and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code, as these sections may be amended, subject to the approval and oversight by the California Catastrophe Response Council ("Council"). They have been drafted prior to any claims submission to the Fund and thus reflect a current view of the process for review and approval of claims as well as the Administrator's efficient operation and management of the Fund. The Administrator, Council, and Participating Utilities have a common interest in cooperating with each other, to the extent permitted by law, in order to share information protected by the attorney-client privilege and by the attorney work product doctrine with respect to claims administration, protection of claimant privacy, and maintaining the durability of the Fund.

Operational documentation will provide more detailed implementation direction for the Procedures and particularly for the Administrator's claims review process. The operational documentation may be updated as claims handling experience is gained. The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.

The Administrator will promptly notify the Council of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments. Upon request from a Council member, the Administrator will place a matter on the agenda for the next public meeting of the Council to allow for discussion and comment on the required changes.

OVERVIEW

The State of California has found that catastrophic wildfires pose an immediate threat to communities and properties throughout the state. The State of California also found that, when the equipment of an electrical corporation is implicated in the cause of wildfires, there is a significant risk of increased costs to ratepayers and decreased funding available for the electrical corporation to improve the safety and reliability of the state's electrical infrastructure.

In 2019, the California Legislature addressed these concerns with its adoption of Assembly Bill (AB) 1054 and signed into law by the California Governor on July 12, 2019. That bill contained several measures, including the creation of a Wildfire Fund (the "Fund") to be funded by participating electrical corporations ("Participating Utilities," as defined below) with additional contributions derived from a ratepayer charge that was approved by the California Public Utilities Commission.

The Legislature's intent in creating the Fund was to provide a mechanism for Participating Utilities to pay wildfire claims which provides mutual benefits to ratepayers and Participating Utilities. Fund benefits are available only under specific, limited conditions as defined by the Legislature. Monies will be paid from the Fund only to the extent that a Participating Utility demonstrates that its payment of claims reflects the exercise of Reasonable Business Judgment as defined herein.

To accomplish those goals, the Legislature vested discretion in an Administrator of the Wildfire Fund (the "Administrator," as defined below) to establish procedures for the review, approval, and timely funding of Eligible Claims to the Fund, consistent with the legislative goals of the bill and as approved by the California Catastrophe Response Council (the "Council," as defined below). The California Earthquake Authority ("CEA") was appointed as the Administrator on April 23, 2020.

The Fund reimburses Participating Utilities for Eligible Claims arising from a Covered Wildfire, that ignited on or after July 12, 2019, and that a Determining Governmental Entity has found was caused by a Participating Utility, as described in section 1701.8(a)(1) of the Public Utilities Code. Only Eligible Claims shall be made against or paid by the Fund. To access the Fund, Participating Utilities must have an aggregation of wildfire losses in a Coverage Year that exceeds an annual aggregated Threshold Amount.

The Legislature did not substitute the Administrator's judgment for that of the Participating Utility in settling claims made against a Participating Utility after a Covered Wildfire(s). However, Participating Utilities must develop and demonstrate reasonable standards when resolving wildfire claims. The fundamental principle is that the

Participating Utility will have made a determination of legally recoverable damages and will not have included settlement items that are not recoverable at law.

The purpose of these Claims Administration Procedures (“Procedures”) is to guide the Administrator, through its own internal staff and any vendors that it retains, in fulfilling its claims review, approval and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code. Figure 1 provides an illustration of the entire process of claims arising from Covered Wildfires, how claims are filed and reimbursed by Participating Utilities, and the submission of claims by Participating Utilities for reimbursement by the Fund. These Procedures primarily address the submission of claims by Participating Utilities for reimbursement by the Fund—steps 5 and 6 in Figure 1. Liability and the responsibility for claims handling and direct interaction with claimants—steps 1 through 4 in Figure 1—remain with the Participating Utilities and its claimants. Any responsibilities of the Administrator for potential reimbursement to the Fund associated with a Catastrophic Wildfire Proceeding—defined in section 1701.8.(b) of the Public Utilities Code, and step 7 in Figure 1—are not part of these Procedures and will be handled separately.

The Procedures also reflect the policy direction and guidance provided by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*, approved by the Council on October 22, 2020, and the *Claims Administration: Expanded Summary of Procedures* approved by the Council on January 28, 2021. The Council’s adoption of the *Expanded Summary of Procedures* and the *Provisional Policy Statement and Summary of Procedures* are in keeping with the *Articles of Governance* in which the Administrator is authorized to operate the Fund within the framework established by law and in accordance with claims administration procedures approved by the Council.

These Procedures are organized into two parts:

- I. **General Claims Administration Information** – outlines the principles and defines key terminology used in the Administrator’s claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.
- II. **Administrator’s Claims Review Process** – describes the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

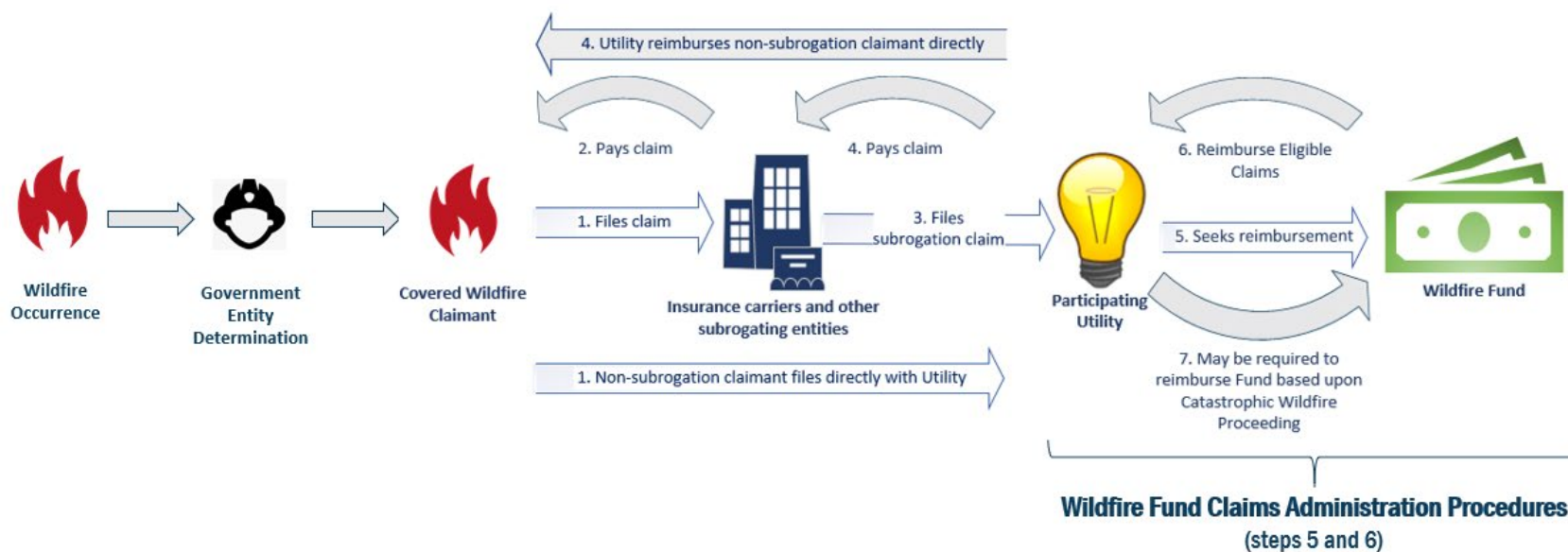


Figure 1. Illustration of the process of handling claims arising from Covered Wildfires

I. GENERAL CLAIMS ADMINISTRATION INFORMATION

This part of the Procedures outlines the principles and defines key terminology used in the Administrator's claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.

A. PRINCIPLES OF CLAIMS ADMINISTRATION

To assure that the Administrator's claims review processes are consistent with the Legislature's goals in creating the Fund, the Administrator's development of these Procedures is guided by a set of principles approved by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*. The principles that apply broadly to claims administration and the development of these Procedures are as follows:

- Procedures for the presentation and resolution of Wildfire Fund claims will be designed to lead to the efficient and timely resolution of claims for payment from the Fund.
- Stakeholder input is an important part of the development of claims administration procedures and the Administrator will attempt to balance potentially competing stakeholder interests and opinions as appropriate in the Administrator's discretion.
- Procedures will aim to balance the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.
- Procedures will maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances that cannot yet be predicted, and to account for changes in legal and other standards, while remaining consistent with the legislative intent expressed in the creation of the Fund.
- The Fund will be managed judiciously to assure that payments of Fund benefits are appropriate and that the Fund remains economically viable for the payment of future wildfire claims.

According to section 3284(g) of the Public Utilities Code, the Procedures may be revised from time to time by the Administrator with the approval of the Council. They may also include processes to facilitate and expedite the review and approval of settled Eligible Claims, including guidelines for, or preapproval of, settlement levels. They must also provide for the reimbursement of Eligible Claims within 45 days of the date the

Administrator approves the reimbursement amount for any Eligible Claim unless that timing is not practicable.

In particular, section 3292 of the Public Utilities Code directs the Administrator to review and approve any settlement of an Eligible Claim as being in the Reasonable Business Judgment of the Participating Utility as a prerequisite to releasing funds for payment. The Reasonable Business Judgment standard, as employed in these Procedures, primarily emphasizes the evaluation of the process by which a Participating Utility has settled claims while also allowing for the evaluation of specific claim resolutions as warranted by these Procedures. The Administrator's review of claims focuses on determining whether the process by which the settlement was reached was appropriate and consistent with Reasonable Business Judgment.

In essence, the claims review processes set forth in these Procedures comprise a "due diligence" review to assure that the Participating Utility's settlement decisions are based on the types of documentation and other evidence typically considered appropriate by reliable subject-matter experts when reaching a decision as to how much to pay in settlement. Given the catastrophic nature of wildfires, the Procedures acknowledge the potential for the destruction or corruption of evidence that might be relied upon to determine a claim settlement. The concept of Reasonable Business Judgment acknowledges that a pragmatic approach on the part of the Participating Utility will be appropriate in cases where evidence has been so destroyed or corrupted. In these cases, the pragmatic approach may involve consideration of the Participating Utility's prior or current experience with valuing similar claims in lieu of other evidence.

B. DEFINITIONS

The following definitions have been reviewed and approved by the Council and provide further clarification of the guidance provided on claims administration in Public Utilities Code sections 3280 – 3297, as amended from time to time.

Administrator – The administrator of the Wildfire Fund appointed by the Council pursuant to section 8899.72 of the Government Code. The California Earthquake Authority was appointed by the Council to serve as the Administrator on April 23, 2020. "Administrator" also includes any third-party claims review services provider and vendors that the California Earthquake Authority retains to review and process claims.

Council – The California Catastrophe Response Council created pursuant to section 8899.70 of the Government Code.

Coverage Year – For any Participating Utility, an annual period of exactly twelve months that commences as of a certain date and time, as declared by the Participating Utility to the Administrator.

Covered Wildfire – As described in section 1701.8(a)(1) of the Public Utilities Code, as amended from time to time, a wildfire that ignited on or after July 12, 2019, and for which either of the following is satisfied: (A) The governmental agency responsible for determining causation or a court of competent jurisdiction determines the wildfire was caused by a Participating Utility. (B) Asserted to have been caused by a Participating Utility and results in a court-approved dismissal resulting from the settlement of third-party damage claims. This includes a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff. It also includes a landslide, mudslide, mudflow, or debris flow that is the result of a Covered Wildfire.

Determining Governmental Entity – As described in section 1701.8 of the Public Utilities Code, as amended from time to time, an entity, agency, or subdivision of the government of the United States of America, State of California, or California county or municipality that is legally charged with the responsibility for determining, and does in fact make a final determination of, the cause of ignition of a wildfire. This includes a determination by a federal or California court of competent jurisdiction that a wildfire, ignited on or after July 12, 2019, was caused by a Participating Utility, or a court-approved dismissal following the settlement of third-party damage claims asserted to have resulted from a wildfire caused by a Participating Utility.

Eligible Claim(s) – As described in section 3280(f) of the Public Utilities Code, as amended from time to time, Third-Party Claims for damages resulting from Covered Wildfires and presented by a Participating Utility for reimbursement from the Fund. “Eligible Claims” include amounts for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the settlement of a settled or Finally Adjudicated claim of a third-party claiming damages caused by a Covered Wildfire.

Final Determination of Eligibility – The Administrator’s final determination of whether the Participating Utility has demonstrated that it has met the Threshold Amount through the payment of Third-Party Claims for damages resulting from Covered Wildfires in the Participating Utility’s exercise of Reasonable Business Judgment.

Final Determination of Eligible Claims - The Administrator’s final determination that the Participating Utility exercised Reasonable Business Judgment in the payment of Eligible Claims and will reimburse the Participating Utility.

Finally Adjudicated – A claim is Finally Adjudicated when a neutral judicial or quasi-judicial third party, such as a court or arbitrator, has issued a final decision on the merits that is binding on the parties and may no longer be appealed. Settlements, consent judgments, and other dispositions that are the result of a voluntary agreement or are not a binding decision by a third party are not Finally Adjudicated claims.

Participating Utility – An electrical corporation that has met all the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.

Preliminary Determination of Eligibility – The Administrator’s initial determination regarding the extent to which a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the payment of Third-Party Claims exceeding the Threshold Amount.

Preliminary Determination of Eligible Claims – The Administrator’s determination that it is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment with respect to one or more claims submitted for reimbursement. The Participating Utility will be requested to provide additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the Third-Party Claims can be further considered for reimbursement.

Reasonable Business Judgment – The judgment by the Participating Utility of the validity and value of a claim that is based on the process employed by the Participating Utility and the types of information and documentation generally relied upon by the Participating Utility to reach a fair evaluation of the Participating Utility’s liability for, and amount of, the claim. Under section 3292(f) of the Public Utilities Code, only claims settled in the “Reasonable Business Judgment” of a Participating Utility are reimbursable by the Fund.

Subject Matter Experts (SMEs) – Individuals advising the Participating Utilities and/or the Administrator with expertise for the valuation and assessment of specific types of damage caused by wildfires.

Subrogation Claim(s) – Claims paid, as a result of a Covered Wildfire, to insurers for recovery of policy benefits paid to their insureds and claimants and based on the insurers’ contractual rights of subrogation of their policyholders’ rights of recovery, or to other persons or entities holding a contractual or equitable right to be reimbursed for payments that person or entity was legally required to make to a third party.

Third-Party Claim(s) – Claims for damages or losses, or other associated expenses, presented to a Participating Utility by any person or entity, including those claiming a right by subrogation and governmental entities, claiming damages resulting from a Covered Wildfire. “Third-Party Claims” do not include losses or damages sustained directly by the Participating Utility.

Third-Party Claimant - A person or entity that files a Third-Party Claim.

Threshold Amount – Claims paid by a Participating Utility as a result of one or more Covered Wildfires that, in the aggregate, exceed the greater of the following for a

Coverage Year: (1) one billion dollars (\$1,000,000,000), or (2) the amount of the insurance coverage required to be in place for the Participating Utility pursuant to section 3293 of the Public Utilities Code.

Wildfire – A accidental and unintentional, uncontrolled fire that (1) is listed on a list of wildfire incidents compiled by the California Department of Forestry and Fire Protection (“CAL FIRE”), or, (2) if not so listed on the CAL FIRE list of wildfire incidents, is determined by the Administrator, in the Administrator’s sole discretion, to be of the nature and sort of fire that should enable a Participating Utility to apply for and receive reimbursement for Eligible Claims from the Wildfire Fund.

Wildfire Fund – The fund created in section 3284 of the Public Utilities Code.

C. ROLE AND RESPONSIBILITIES OF THE ADMINISTRATOR

The Administrator oversees the claims review and payment processes of Third-Party Claims submitted by Participating Utilities for reimbursement by the Fund.

The Administrator’s role includes:

- Developing, maintaining, and revising the claims administration policies and procedures as needed to achieve an adequate level of performance, in the discretion of the Administrator, by claims review service providers, other vendors, and the Administrator staff.
- Seeking Council approval of revisions to the claims administration policies and procedures, and advising claims review service providers and Participating Utilities of any changes as they occur.
- Retaining the necessary claims review service providers and Subject Matter Experts (SMEs) to satisfactorily evaluate Threshold and Eligible Claims, and to provide for accurate and timely payment of Eligible Claims.
- Receiving and reviewing claims review service provider and vendor reports concerning evaluations of claims and eligibility for payment by the Fund.
- Preparing the reports on Preliminary and Final Determinations of Eligibility of claims, and conveying them to the Participating Utility and the Council.
- Managing the establishment and execution of quality control and audit functions for the overall claims administration processes.
- Implementing and managing a dispute resolution mechanism.
- Overseeing the processing for payment issuance within 45 days of the approval of the reimbursement amount.
- Maintaining records of paid and expected reimbursements by the Fund on a current basis.

The Administrator also has responsibilities to liaise with Participating Utilities and retain claims review service providers and other vendors to assist with claims handling. These responsibilities are further defined in the following sections.

C.1. LIAISON WITH PARTICIPATING UTILITIES

The Administrator will appoint a staff member to serve as liaison to confer with Participating Utilities on matters related to claim administration and to conduct an annual review of the claim handling capabilities and processes of Participating Utilities. The Administrator's liaison is responsible for the following tasks, to the extent deemed appropriate by the Administrator:

1. Maintain communication with the liaisons of each Participating Utility regarding claim handling for wildfires, including the current and projected amounts of claims payments made, committed to be made, and/or anticipated to be paid for each Covered Wildfire.
2. Gain an understanding of each Participating Utility's wildfire claims handling organization, practices and procedures that includes information on, without limitation, the following:
 - a. Size and structure of the claims handling organization, experience levels and qualifications of personnel, and personnel staffing at each experience level
 - b. Training and development of personnel
 - c. Authority structure, both internal to the Participating Utility and by vendor, for claims reviews, settlements of claims, and audit and control mechanisms for those authorities
 - d. Procedures for handling large-loss claims and any exceptions to the procedures
 - e. Any claims procedures to resolve claims for reasons other than a reasonable estimation of liability and legally recoverable damages
 - f. Business continuity plans and capabilities to handle significant increases in claims submissions
 - g. Changes in the claim reporting requirements of the Participating Utility's insurance carriers
 - h. Claim support by vendors and the names of and contracts with any claims handling vendors, if used
 - i. Copies of any guidelines that vendors should follow in adjusting claims and how those adjustments are audited and reviewed, including any delegated authority that is provided
 - j. Information technology systems and security, and electronic data extraction and submission methods used to produce claim submissions to the Administrator, as indicated in the reporting requirements for losses
 - k. Data retention policies for all claims related data and documentation

- l. Procedures for identifying claims that are duplicative and/or that are included twice, for example, once in the context of a Subrogation Claim and again in the context of a non-Subrogation Claim made by the person or entity directly sustaining the claimed loss
 - m. Procedures for identifying and investigating potentially fraudulent claims
 - n. Procedures for confirming proof that the Third-Party Claim was actually paid or that the Participating Utility has an existing and legally enforceable obligation to pay that Third-Party Claim.
3. Conduct annual update meetings with each Participating Utility within the first half of each Coverage Year to secure the latest information, as described above, on the claims handling organization, its functioning, and reporting capabilities.
 4. Be available as requested to meet with each Participating Utility to address concerns arising from either the Participating Utility or the Administrator.

C.2. POLICIES AND PROCEDURES FOR USE OF CLAIMS REVIEW SERVICE PROVIDERS AND OTHER VENDORS

The Administrator may retain vendors to execute and comply with these Procedures for the review and approval of Threshold Amount claims and Eligible Claims submitted to the Fund, and the timely funding of Eligible Claims. In this way, vendors will be an integral part of the Administrator's claim handling process.

Vendors are expected to have qualified staff to conduct claim reviews as are deemed necessary by the Administrator. Vendors will be expected to have ready access to experts in loss evaluation for each of the damage types identified in the Procedures. When the Administrator requires the specific expertise during a claim review, the vendor will demonstrate that the expert has suitable credentials.

Vendors are required to review and agree with the Administrator as to the scope, resourcing, and timing of any claims review. Vendors must receive written approval from the Administrator before arranging to conduct detailed claim reviews.

Vendors must be timely in their review of claim submissions as well as be accurate in their evaluations. Reports to the Administrator must be timely and accurate as well.

Vendors must ensure that they identify for the Administrator two points-of-contact familiar with the handling of the Wildfire Fund account to ensure there is always efficient and timely communication with the Administrator.

Vendors are expected to maintain timely communications with the Participating Utility and/or the Administrator during the entire period of the pendency of a claim submission.

D. ROLE AND RESPONSIBILITIES OF THE PARTICIPATING UTILITIES

The Council has adopted guiding principles for the Administrator's development and implementation of the Claims Administration Procedures. Two of those principles that specifically relate to the roles and responsibilities of the Participating Utilities are:

- Participating Utilities must demonstrate reasonable standards when resolving wildfire claims.
- Each settlement for which Participating Utilities seek reimbursement from the Wildfire Fund must be a fully and finally settled claim.

The Participating Utilities are also expected to:

- Appoint a liaison to confer with the Administrator's liaison on all claims-related matters.
- Participate in the Administrator's annual review of the Participating Utilities' claim handling capabilities and processes within the first half of each Coverage Year.
- Be available as requested to meet with the Administrator to address concerns arising from either the Participating Utility or the Administrator.
- Provide the Administrator with information requested as part of pre-claims processes and for the submission of claims to the Fund. These responsibilities are further defined in the following sections D.1. and D.2.

As part of the annual review, it is the responsibility of each Participating Utility to provide the Administrator with a generalized understanding of Participating Utility claims processes and standards used in resolving wildfire claims, and to update the Administrator, at least annually, on any major changes that may materially affect the Administrator's understanding of these processes and standards.

Based upon interviews with the Participating Utilities, the Administrator has developed an initial generalized understanding of the Participating Utilities' claims processes. It is summarized here to provide a contextual and consistent basis for subsequent assessment by the Administrator. Following the intake and acknowledgement (if needed) of itemized claims data, Participating Utilities generally follow a three-part process to validate, value and settle claims:

- Claims validation – involves confirmation that the claim is in relation to a Covered Wildfire(s); if relevant, an initial review to determine the scope and applicability of insurance policy coverage or any applicable contract, and any deductible applied; a review of the itemized claim data supplied and requests for any missing items (as needed); a review of the evidence to support the existence/description of items included in the claim and evidence that can reasonably be provided; and a determination of non-duplication.

- Claims valuation – involves use of valuation standards, tools, and services;; review of any supporting experts’ reports, such as adjusters, engineers, accountants, medical experts; consideration of salvage and value of salvage; confirmation that the claim submitted to the subrogating insurer was covered and paid consistent with the subrogating insurer’s policy or any other applicable contract; calculate the settlement value based on what is recoverable at law, considering injury, actual cash value (ACV), replacement cost value (RCV), market value, and other relevant factors; and confirm final settlement value.
- Claims settlement – involves reaching agreement with the claimant, resolving the claim, and documenting payment.

D.1. PRE-CLAIM PROCESSES

These procedures apply before a Participating Utility presents Eligible Claims for reimbursement from the Fund. These procedures are necessary to expedite the processing of Eligible Claims.

1. The Administrator and each Participating Utility will determine in advance the Coverage Year to be used for the identification of Eligible Claims.
2. Each Participating Utility must develop procedures that capture all relevant details regarding Third-Party Claims that have been paid, or for which there are binding commitments to pay, in a form compatible with the requirements for seeking reimbursement of Eligible Claims from the Fund. This includes policies for claims data retention.
3. Each quarter, or at such other intervals as determined by the Administrator, the Participating Utility must report, in a standardized format specified by the Administrator, all the following to the Administrator with respect to actual or anticipated Eligible Claims:
 - a. The date, location and, if applicable, name of each Covered Wildfire.
 - b. A brief description of the status of efforts to resolve Third-Party Claims and an estimate of the timing of resolution of those claims.
 - c. The total amounts of payments made, or committed to be made, for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - d. To the extent publicly disclosed, the total estimated amount of additional payments anticipated for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - e. The status of the determination of causation by the Determining Governmental Entity as to each wildfire that the Participating Utility knows to be or reasonably expects to be determined to be a Covered Wildfire.

4. In addition to the periodic reports described above, each Participating Utility must report the information listed in section 3 above to the Administrator when any of the following occurs:
 - a. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, more than \$750,000,000, in the aggregate, for Third-Party Claims resulting from Covered Wildfires for a single Coverage Year;
 - b. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, any single Third-Party Claim exceeding \$25,000,000 resulting from a Covered Wildfire;
 - c. The Participating Utility has a reasonable belief that it may have Eligible Claims exceeding the Threshold Amount for a single Coverage Year; or,
 - d. Upon request of the Administrator.
5. The information identified in sections 3 and 4 above is not intended to replace the more detailed information required for the formal submission of Eligible Claims, but is intended to provide the Administrator with advance notice of potential Eligible Claims to help facilitate the processing and payment of Eligible Claims if or when they are submitted for reimbursement. The failure to provide the information identified in sections 3 and 4 above will not result in a denial of claims submitted by the Participating Utility, but may significantly delay the processing and reimbursement of such claims.
6. **Expedited Review for Eligible Claims Resulting from Direct Payments for Community Recovery Programs (Program) that Meet Specified Program Criteria.** A Participating Utility must formally attest that its Program meets the criteria specified below for eligible claims arising from the Program to be eligible for expedited review by the Administrator. Additionally, the Participating Utility shall also provide information on the methodologies for compensation based on damage type and severity used by the Participating Utility in its uniform compensation framework.

Program Criteria:

- *Eligibility Standards:* Clearly defined and publicly available criteria for determining who qualifies for the Program.
- *Objective Damage Assessments:* Use of standardized methods and tools to assess damages, including the application of reputable models and engagement with established modeling firms.
- *Uniform Compensation Framework:* Establishment of consistent methodologies for compensation based on damage type (real property; additional living expenses; personal property; non-economic; etc.) and severity. The framework should avoid arbitrary or ad hoc determinations of individual claims.

- *Transparent Claims Process*: Clear, written explanation of the claims process, documentation requirements, and deadlines.
- *Fraud Measures*: Implementation of procedures for identifying and investigating potentially fraudulent claims, including a process for eliminating duplicate damage claims between a claimant and the subrogated insurer for that claimant.
- *Timely Processing*: Defined timelines for claim review, decision, and payment issuance.
- *Equity and Anti-Discrimination Measures*: Protections against discrimination based on race, ethnicity, income, disability, or other protected characteristics. The Participating Utility should conduct special outreach efforts and provide assistance to potential eligible claimants to ensure equitable access to the Program.
- *Auditability*: The Participating Utility should maintain documentation of how it has handled claims consistent with the Program criteria.

D.2. SUBMISSION OF CLAIMS

The Participating Utility must provide, in a secure fashion and by means determined by agreement between the Administrator and the Participating Utility, the following information for each Third-Party Claim submitted to the Administrator for review and reimbursement by the Fund. The Administrator will supply Participating Utilities with an approved template for the provision of data and use secure file transfer protocols to receive the data.

1. For non-Subrogation Claims, the supplied data must include:
 - a. Name or a unique identifier of the Third-Party Claimant
 - b. Identification of the specific Covered Wildfire(s) giving rise to the claim
 - c. Specific location where damage or injury occurred
 - d. Legal interest of Third-Party Claimant in the property, if any, damaged
 - e. Amount, if any, recovered by the Third-Party Claimant from any other sources such as the claimant's insurer or governmental agencies
 - f. Itemization of amounts claimed by the Third-Party Claimant broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Personal Injury, Wrongful Death, Emotional Distress
 - viii. Fire Suppression Costs

- ix. Attorneys' fees recoverable by the Third-Party Claimant as an allowable part of damages
 - x. Other legally recoverable damages
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount
2. For Subrogation Claims, the supplied data must include:
- a. Name of insurer or other entity claiming right of subrogation
 - b. Identification of the specific Covered Wildfire(s) giving rise to the Subrogation Claims
 - c. If the subrogating entity is an insurer, name or other unique identifier for each of the subrogated insurer's policyholders under whom right of subrogation is claimed
 - d. If the subrogating entity is not an insurer, explanation of that entity's legal basis for asserting a right of subrogation
 - e. Specific location where each subrogated loss or injury occurred
 - f. Itemization of amounts claimed by the subrogating entity broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Other damages legally recoverable in subrogation
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount.

The Administrator may request additional information as deemed necessary in the judgment of the Administrator.

As explained in more detail in section II.F, the supplied information will also be used to test the claims review systems, operational documentation and Procedures. Testing will occur before the claims review process commences for new Third-Party Claims that are

submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

E. DATA CONFIDENTIALITY AND PRIVACY

The Administrator has developed the following procedures designed to protect from disclosure any confidential or proprietary documents or information that may be submitted by a Participating Utility to support claims payable from the Fund. Except as otherwise required by law, neither the Administrator nor the Council will divulge to any other person or entity that confidential or proprietary information absent the written consent of the Participating Utility. If the Administrator or the Council receives from any person or entity any valid and enforceable request or demand to divulge a Participating Utility's confidential or proprietary information, the Administrator will notify the Participating Utility of the demand or request as promptly as reasonably practicable and will provide reasonable assistance and will provide reasonable non-monetary assistance in protecting confidential or proprietary information from disclosure.

The following procedures specifically apply to information submitted to the California Earthquake Authority (CEA), in its capacity as Administrator, or to the Council, on or after the date these Procedures are approved by the Council.

E.1. SUBMISSION OF INFORMATION CLAIMED TO BE CONFIDENTIAL

The information submitter is responsible for documenting the reasons why the Administrator, or the Council, should withhold any information, or any portion thereof, from the public. To request confidential treatment of information submitted to the Administrator, or the Council, an information submitter must satisfy all the following requirements:

1. If confidential treatment is sought for any portion of information, the information submitter must designate each page, section, or field, or any portion thereof, as confidential. If only a certain portion of information is claimed to be confidential, then only that portion rather than the entire submission should be designated as confidential.
2. Specify the basis for the Administrator, or the Council, to provide confidential treatment with specific citation to an applicable provision of the California Public Records Act.
3. Provide a declaration in support of the legal authority cited above of the California Public Records Act signed by an officer of the information submitter or by an employee or agent designated by an officer. The officer delegating signing authority to an employee or agent must be identified in the declaration.
4. Provide a name and email address of the person for the Administrator, or the Council, to contact regarding the potential release of information by the

Administrator, or the Council. An information submitter may designate as many as three people by name and email address for all document submissions to the Administrator, or the Council. Failure of the information submitter to monitor and respond to Administrator or Council, communications by any specified deadlines in such communications, to the designated email address(es) does not preclude release of information per section E.2. below. There is no requirement for the Administrator staff to contact each name provided. To designate or change the designated email address and contact name, an information submitter shall send an email to the CEA's Legal & Compliance Department at records@calquake.com.

If an information submitter satisfies the requirements in this section, then the Administrator, or the Council, will segregate such information in its records. If the Administrator, or the Council, receives a request, whether through the California Public Records Act or otherwise, requiring the production of claimed confidential information, it will evaluate the legal authority for the Administrator, or the Council, to withhold the document from the public and follow the process established in section E.2. below.

E.2. PROCESSING OF CALIFORNIA PUBLIC RECORDS ACT REQUESTS THAT IMPLICATE INFORMATION CLAIMED TO BE CONFIDENTIAL

This section applies if an information submitter has satisfied section E.1. above.

1. Before releasing information in response to a California Public Records Act request, or in any other context, the CEA's Legal & Compliance Department will determine, based on the information it has, whether the information submitter has established a lawful basis of confidentiality. If CEA Legal & Compliance requires additional information, it may notify the information submitter of the California Public Records Act request and ask the information submitter to provide further information.
2. If CEA Legal & Compliance concludes the information submitter has established a lawful basis for confidential treatment, it will not release the information and will notify the California Public Records Act requester of its decision to deny the request partially or completely.
3. If CEA Legal & Compliance concludes the information submitter has failed to establish a lawful basis for confidential treatment, it will notify the information submitter of this determination, and provide the information submitter a reasonable amount of time, subject to applicable timing limitations, if any, set forth in the California Public Records Act, to seek a court order protecting the information submitter's allegedly confidential information.
4. The Administrator, and the Council, will follow all required deadlines and requirements of the California Public Records Act in responding to California

Public Records Act requests. These procedures are not intended to contradict or circumvent those requirements in any way.

II. ADMINISTRATOR'S CLAIMS REVIEW PROCESS

The primary purpose of the Administrator's claims review process is to determine if a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the valuation and payment of Third-Party Claims. The Administrator's review of Third-Party Claims has two distinct parts: a Threshold Claims review and an Eligible Claims review. Each is described in greater detail in the following sections.

While the Administrator will review Threshold Claims separately from Eligible Claims, the processes and standards described herein will apply to each of those evaluations. In a Threshold Claims review, the Administrator will evaluate Third-Party Claims that a Participating Utility has paid, or made binding commitments to pay, that, in the aggregate, meet the Participating Utility's Threshold Amount for a particular Coverage Year. If the Administrator determines that the total amount paid or committed to be paid by the Participating Utility was consistent with the exercise of Reasonable Business Judgment, then the Participating Utility may seek reimbursement from the Fund for payment of Eligible Claims for the applicable Coverage Year.

The Administrator's review of Eligible Claims will then determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the following statutory standards of claim review set forth in section 3292.f. of the Public Utilities Code:

"Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the administrator shall be paid unless the administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of such business judgment. To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.

The administrator shall approve a settlement of an eligible claim that is a subrogation claim if the settlement exceeds 40 percent of the total asserted claim value, as determined by the administrator, and includes a full release of the balance of the asserted claim so long as the administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms.

A subrogation claim that is finally adjudicated shall be paid in the full judgment amount.”

Also, the Administrator will pay the full adjudicated amount of all Eligible Claims, including Subrogation Claims, that are Finally Adjudicated as defined herein.

The following sections provide additional detail on the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

A. REASONABLE BUSINESS JUDGMENT STANDARD FOR CLAIMS REVIEW

As provided in the Definitions section, Reasonable Business Judgment is a judgment of the value of a claim that is based on consideration of the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim. The key point is that Reasonable Business Judgment focuses on the process employed by the Participating Utility rather than the end result. Therefore, the Administrator’s review should focus on two questions:

- Did the Participating Utility rely on the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim?
- Was the Participating Utility’s process one that is generally relied upon to reach a fair evaluation of the amount of the claim?

In determining whether a Participating Utility exercised Reasonable Business Judgment in resolving wildfire claims under the guiding principles adopted by the Council, the Administrator will consider the following:

1. The Participating Utility’s general procedures for evaluating and paying claims.
2. Whether the amount paid is Finally Adjudicated as defined herein, and/or whether it resulted from a judgment, mediation, arbitration award or informal negotiation.
3. The extent to which the Participating Utility based its settlement decisions on documentation and other information appropriate for the types of damages and losses claimed.
4. The extent to which the Participating Utility based its settlement decisions on consultation with SME’s appropriate for the types of damages and losses claimed.
5. The costs and risks of further litigation with the Third-Party Claimants.
6. The extent to which the amount paid reflects legally recoverable damages.
7. For Subrogation Claims, claims paid at less than or equal to 40% of total asserted claim value will be assumed to reflect the exercise of Reasonable Business Judgment unless the Administrator finds that the facts and circumstances

surrounding a particular claim indicate a failure to exercise Reasonable Business Judgment.

8. For all claims, the relationship between the value of the amount claimed and the amount paid.
9. Finally Adjudicated claims, as defined herein, will be paid in the full judgment amount.
10. The Participating Utility's process for eliminating duplicate damage claims between a Third-Party Claimant and the subrogated insurer for that claimant.
11. Any other relevant and valid considerations.

Additional information on the documentation and information, including the use of SME's and the process, including the legal standards for valuation of typical wildfire damages, are provided in the following sections.

A.1. DOCUMENTATION AND INFORMATION - USE OF SUBJECT MATTER EXPERTS

The use of Subject Matter Experts (SMEs) to determine whether a Participating Utility exercised Reasonable Business Judgment in resolving claims is a key component of the claims review process. SMEs identify what types of documentation and other information are "generally relied upon to reach a fair evaluation of the amount of the claim," using the definition of Reasonable Business Judgment, within the specific area of expertise of an SME. SMEs may also identify whether the Participating Utility's process was one that is "generally relied upon" in valuing certain types of damages.

In drafting these Procedures, the Administrator consulted with SMEs with expertise valuing the damage types typically found in wildfire claims. These areas are:

- Real Property (Structures and Land)
- Loss of Use/Additional Living Expenses
- Personal Property/Business Personal Property
- Business Income Loss
- Crops
- Trees
- Personal Injury, Wrongful Death, Emotional Distress
- Fire Suppression Costs

The use of SMEs supports the key features of the claims review process in the following ways:

- Expedites claims review by identifying documentary support considered reliable among experts.
- Helps identify claims lacking in reliable support for which further inquiry may be needed.
- Helps identify claims that may require specific review.

A.2. PROCESS – LEGAL STANDARD FOR VALUATION OF TYPICAL WILDFIRE DAMAGES

In determining whether the Participating Utility's process in resolving a claim was consistent with Reasonable Business Judgment, the Administrator must consider whether the amount paid by the utility is recoverable under California law.

Below is an overview of the Administrator's current understanding of the legal measure of damages for the types of damages typically associated with wildfires. At the start of any claims review process, the Administrator will review and update, as necessary, the legal measure of damage for the typical wildfire damage categories.

1. Real Property (Structures and Land):
 - a. Baseline Measure: The lesser of either the cost to repair or the diminution in the fair market value of the property caused by the fire (plus loss of use during the time of repair, as discussed in section 2 below).
 - b. Exceptions: Repair costs that exceed diminution in value are recoverable if the property owner demonstrates that he or she has a "genuine desire" to repair or replace the property for personal reasons, and the costs of repair or replacement are reasonable given the damage to the property, its pre-fire value, and its value after repair.
2. Loss of Use/Additional Living Expenses
 - a. Baseline Measure: The reasonable cost to rent similar property for the reasonable length of time when the claimant could not use the property due to the damage.
 - b. Exceptions: None noted.
3. Personal Property, including Business Personal Property:
 - a. Baseline Measure: For destroyed personal property, the measure is the fair market value of the item before it was destroyed. For damaged personal property the measure is the lesser of diminution of value or cost to repair, plus loss of use during the time of repair and any residual loss in value because of the repair (e.g., if a repaired vehicle has a lower value because it had been previously damaged).
 - b. Exceptions: The measure for personal property that is so unique as to have no readily identifiable market (e.g., one-of-a-kind items) is an amount that is fair and reasonable under the circumstances.
4. Business Income Loss:
 - a. Baseline Measure: Businesses whose property is damaged resulting in income loss can claim net income loss during a reasonable repair time and until the business has recovered to its previous level. The loss is calculated by adding the actual past income loss during the repair period to any reasonably certain future income loss, if any. Due allowance will be made in the calculation for

- any savings in the costs of sales, employee wages or benefits, taxes, and any other variable expenses.
- b. Exceptions: None noted.
- 5. Crop Losses:
 - a. Baseline Measure: The expected market value of the crop before the damage, less the cost of producing and marketing the crop that would have been incurred.
 - b. Exceptions: For perennial crops, claimants can recover the difference between the rental value of the land with the crop and the land without the crop for the duration of time that it takes to restore the crop.
- 6. Trees:
 - a. Baseline Measure: Tree values are typically assessed by professional arborists who use various published standards for appraising trees.
 - b. Exceptions: Tree valuations should consider the extent to which the lost trees contributed to the fair market value of the property as a whole. Otherwise, the added value of trees may exceed the diminished fair market value of the property.
- 7. Personal Injury, Wrongful Death, Emotional Distress:
 - a. Baseline Measure for Personal Injury: Claimants who suffer personal injury caused by the fire can recover the reasonable cost of past and future medical care, emotional distress, and lost income/earning capacity if the injury prevents them from earning income.
 - b. Baseline Measure for Wrongful Death: Family members can claim a loss of financial support, gifts/benefits, and value of household services provided by decedent, as well as funeral/burial expenses and noneconomic damages such as the loss of love, comfort, and care.
 - c. Exceptions: None noted.
- 8. Fire Suppression Costs:
 - a. Baseline Measure: Reasonable cost of firefighting, as well as providing rescue or emergency medical services along with administrative costs.
 - b. Exceptions: None noted.

B. CLAIMS REVIEW METHODS

The review of individual claims is the principal method by which the Administrator will determine whether the Participating Utility exercised Reasonable Business Judgment when resolving claims. The Administrator may conduct statistical sampling in order to derive a representative set of claims for individual review. Individual claim reviews are more detailed evaluations of claims information and may involve more time and resources than statistical sampling, depending on the volume of claims submitted.

B.1. INDIVIDUAL CLAIM REVIEWS

In fulfilling the claims review requirements of section 3292 of the Public Utilities Code, four key steps have been defined for the review of individual claims submitted by the Participating Utilities for evaluation by the Administrator as part of the Threshold Claims and Eligible Claims reviews. The purpose and areas addressed in each step are as follows:

1. **Data review and validation.** The purpose of this step is to validate and establish the core data about each claim. This involves confirmation that the claimed damage was caused by a Covered Wildfire; if a Subrogation Claim, the identity of the insurer or other subrogating entity; and a review of the supporting documentation. Missing documentation will be requested and the amount of each type of claimed damage submitted to the Participating Utility will be reconciled with the amount paid by the Participating Utility.
2. **Claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value.** This step of the claims review focuses on Subrogation Claims paid at less than or equal to 40% of the total asserted claims value and that the Administrator determines have been settled consistent with Reasonable Business Judgment standard referenced in section 3292(f)(1) of the Public Utilities Code. The primary focus of review of these claims is confirming that the paid amount truly is less than or equal to 40% of the asserted claim value. This involves a review for any failure to use Reasonable Business Judgment by establishing the asserted values for each damage type and confirming that these values are supported by suitable documentation. The review at this step will also confirm that the asserted value represents no more than 40% of the claim submitted to the Participating Utility. Subrogation claims that are Finally Adjudicated as defined herein will be paid in full.
3. **Validation and valuation of other Subrogation and non-Subrogation Claims which require further detailed review.** This step involves a more detailed review of the basis supporting the Participating Utility's determination of the settlement amount, including identifying and considering the information and documentation relied upon by the Participating Utility. The Administrator conducts a detailed review of claims to determine the extent to which full supporting evidence was used and available. The Administrator's review of Subrogation Claim settlements exceeding 40% of the total asserted claim value will use the Reasonable Business Judgment standard referenced in section 3292(f)(2) of the Public Utilities Code and defined herein. This more detailed review involves itemizing the types of damage, claim amounts, the way in which the claims were validated in relation to the description and scope of the damage, and whether the use of an SME was warranted in this exercise and then deployed.

The review will consider the evidence used to support the claim and whether the Participating Utility exercised Reasonable Business Judgment in reaching the settlement amount. Documentation reviewed by the Participating Utility in this determination should be considered. This step also involves confirmation of the basis of resolution of the claim by the Participating Utility – negotiated settlement, judgment, mediation etc. Any errors in the calculation of this valuation are to be noted and recorded. Finally adjudicated claims as defined herein will be paid in full.

4. **Confirm Administrator allowable value.** This final step confirms the amount that is allowable by the Administrator for the Third-Party Claim. The review will include confirmation that there is adequate proof of payment by the Participating Utility and a final data check for consistency with claimed amounts before recommending an allowable and/or reimbursable sum by the Administrator.

B.2 STATISTICAL METHODS

Appropriate statistical methods may be employed for the review of Threshold Claims or Eligible Claims. A statistician may assist the Administrator in the claims review process by working with the data submitted by the Participating Utilities. This may involve creating statistically meaningful samples of the data to be used in the selection of random files for review, as well as analyzing the data, and extracting from the data particular information. To that end, the purpose and activities of statistical analyses in the claims review process are directed towards:

1. Expediting the claims review process by developing statistically significant random samples of claims for more detailed review.
2. Identifying duplicate claims.
3. Identifying common ranges of claim amounts in particular geographic areas, indicating certain claims that may warrant closer review.
4. Identifying common ratios between amounts of particular damage categories to identify outliers.
5. Suggesting any other areas of inquiry that the data reveals, and which may be relevant to an evaluation of Reasonable Business Judgment and of use in the claims review process.

The identification of “outliers” is an important function of statistical sampling. “Outliers” are claims with values outside the norm that may warrant individual claim review. The specific definition of an “outlier claim” will depend on what constitutes the norm in any given data set. Some examples of statistical analyses that may be performed to identify potential outliers and/or anomalies for further evaluation by an individual claim review are as follows:

- Determination and identification of any claim with a value in excess of \$10,000,000.
- Determine median loss amounts by damage types and identify those claims that are significantly higher than the median.
- Identify claims by specific location, by street for example, to determine the median value of a particular damage type and identify claims that far exceed the median. These addresses may then be identified for the Administrator to consider conducting a more detailed review of that claim.
- For real property claims, determine average ratio of total structure loss to total loss of use losses. Compare the average ratio to the particular claims and identify losses where the relationship of the loss of use total to structure loss is unusually high.
- For real property claims, identify structure loss amounts that may represent a loss that has reached the insurance policy limit. Compare structure loss amounts to contents losses and identify contents amounts exceeding 50% of structure loss amount.
- Analyze itemized claims data to determine if the Participating Utility received duplicate claims for the same losses from the subrogating insurer and its insured. Submit a listing of identified duplicates to the Administrator for further review.
- Identify any additional anomalies in the data, such as a large claim for Additional Living Expense but no claim for damage to a home, locations outside the area of a Covered Wildfire based upon ZIP Code, and loss dates outside the known dates of the Covered Wildfire.

The individual claim reviews determined by the identification of outliers and/or anomalies will be in addition to individual claim reviews determined by the statistically significant random file review.

B.3. CLAIMS REVIEW REPORTING

Results of the claims review process will be compiled into reports for both Threshold Claims and Eligible Claims. These reports will include an assessment of the Participating Utility's use of Reasonable Business Judgment and standard of practice in claims settlement. The report may contain summary information, including the name of the involved Participating Utility; name of the Covered Wildfire (if assigned) and the dates of the fire; the dates of the claim review and key personnel who participated in the review; the number of claims selected by the statistician; and the number of claims reviewed broken down by random sample claims and outlier claims. The summary may also comment on the sample size as compared to the total amount of claims submitted by the Participating Utility, and report and categorize any errors in the data or the process.

Claims review reports will summarize the evaluation of different aspects of the claim handling process of the Participating Utility. Each aspect will be reviewed against a system of ratings that considers the application of Reasonable Business Judgment. Specific sections of the report may include:

1. **Overall evaluation of results of claims review.** This section provides a brief explanation of the findings, including how they were determined, and the number of claims deemed to be within Reasonable Business Judgment and accepted by the Fund, and the number of claims that are deemed to be outside Reasonable Business Judgment and rejected by the Fund, as well as the number of claims per rating as described above.
2. **Specific results of review.** This section reports the results of the specific areas of individual claims review, with a summary of ratings for each specific area – data review and validation; claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value; and validation and valuation of other Subrogation and non-Subrogation Claims which required further detailed review. All Finally Adjudicated claims will be confirmed as meeting the definition of “Finally Adjudicated” contained in these Procedures before being paid in full.
3. **Confirm Administrator allowable value.** This section will state the number of claims accepted and the accepted dollar amount. It will list claims requiring additional information before being accepted and any claims and amounts that have been disallowed.
4. **Recommendations.** This section includes any claims handling guidance the Administrator may have for the Participating Utility. Insights as to why claims or portions of claims were disallowed will also be included.

In addition to the summary report, the Administrator will generate reports from the claims submission data, for example, regarding Subrogation Claims settled at or below 40% of claimed value, Subrogation Claims settled above 40%, and claims resolved on an adjudicated basis.

The Administrator may in its sole discretion share the details of the claims review results that it determines are reasonably necessary to communicate with and between the Participating Utilities in order to enhance the claims administration relationship between the Participating Utilities and the Administrator.

C. THRESHOLD AMOUNT CLAIMS REVIEW

To determine whether a Participating Utility has met the Threshold Amount for a particular Coverage Year and may submit claims to the Fund for reimbursement, the Administrator must determine that the Participating Utility exercised Reasonable

Business Judgment in resolving and paying, or making commitments to pay, the claims that comprise the Threshold Amount. The Participating Utility claiming to have met the Threshold Amount must provide the Administrator with specific information about the Threshold Amount claims as set forth in the agreed claims data template. This template is a consolidated spreadsheet setting out specific data fields to be provided within the schedule of claims that are submitted for Threshold Amount claims review.

After receipt of the claims data, the Administrator will first review the information to ensure that all Threshold Amount claims resulted from Covered Wildfires and have either been paid by the Participating Utility or there is a binding commitment to pay them. Claims not paid at the time of submission of the claims data to the Administrator will be excluded in the calculation of whether the Threshold Amount has been met unless proof of a commitment to pay is also submitted.

Claims that the Administrator determines were paid on Covered Wildfires will then be evaluated to determine whether the amounts paid to reach the Threshold Amount were paid consistent with the exercise of Reasonable Business Judgment. This review may include the evaluation of a statistically significant selection of representative claims or damage types, claim-by-claim analysis, or such other methods as the Administrator deems appropriate in the exercise of its sole discretion.

The Administrator may request additional information from the Participating Utility as appropriate in the Administrator's judgment.

The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

After completing the review of Third-Party Claims submitted by the Participating Utility, the Administrator will issue a Final Determination of Eligibility if it finds that the Threshold Amount has been met through the Participating Utility's exercise of Reasonable Business Judgment. Upon the issuance of a Final Determination of Eligibility, the Administrator will consider claims above the Threshold Amount for reimbursement.

If the Administrator finds that the Participating Utility has not met the Threshold Amount, it will issue a Preliminary Determination of Eligibility with one of the following findings:

1. A preliminary finding that the Participating Utility did not provide sufficient information or documentation demonstrating the exercise of Reasonable Business Judgment, and that no part of the Threshold Amount will have been satisfied and no Third-Party Claims will be further considered for reimbursement.

2. A preliminary finding that a certain percentage or amount of the Threshold Amount has been satisfied but that the remainder is not supported by proof of the exercise of Reasonable Business Judgment, and that no Third-Party Claims will be considered for reimbursement until the balance of the Threshold Amount has been met.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligibility, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility shall submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving claims within the Threshold Amount.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligibility, the Administrator will issue a Final Determination of Eligibility.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

The purpose of the Threshold Amount claims review is to determine whether the Participating Utility has exercised Reasonable Business Judgment in the payment of Third-Party claims and if claims paid on Covered Wildfires in aggregate exceed the Threshold Amount in any coverage year. The primary method for this determination is an individual claims assessment. However, depending on the volume of claims submitted, the Administrator may use statistical sampling to derive a representative sample of claims for individual review.

Figure 2 illustrates the specific steps in the Threshold Amount claims review process, which are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an agreed format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and that any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate by the Administrator.

- **Individual claims review.** This involves the use of a structured claims review procedure to conduct a due diligence assessment of the application of reasonable business judgment on a claim-by-claim basis. This specific procedure is described in more detail in the “Individual Claims Review” section B.1. above.
- **Threshold Claims report.** This report, which is described in the “Claims Review Reporting” section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of settled claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator’s determination of eligibility.** This involves the review and approval of the Threshold Amount claims report and a report on findings (preliminary or final) with the Participating Utility. In the event that a finding is preliminary, the Administrator requests, receives and reviews any additional information provided by the Participating Utility and revises findings as needed. Once the finding is final, the Administrator issues a Threshold Amount determination and may begin reimbursing submitted Eligible Claims. The Administrator will report its final determinations of eligibility to the Council.

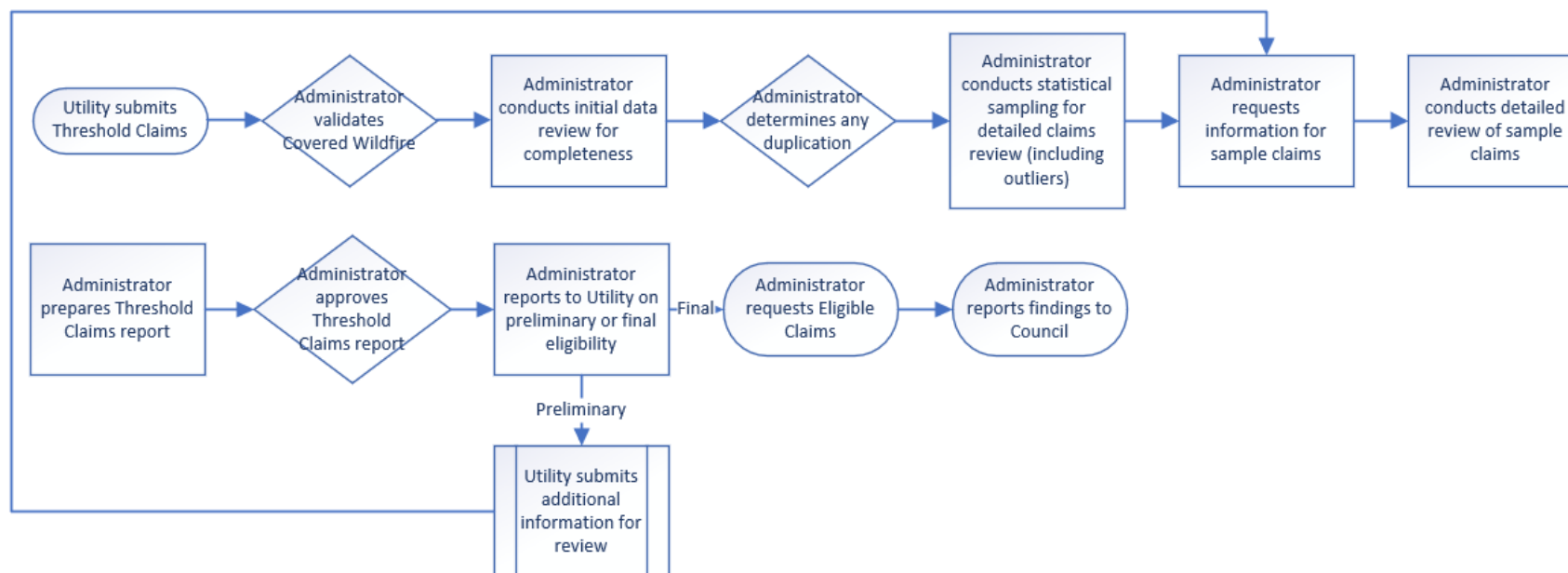


Figure 2. Illustration of the Threshold Amount Claims Review Process

D. ELIGIBLE CLAIMS REVIEW

When the Administrator determines the Participating Utility has met or exceeded the Threshold Amount, the Participating Utility may request reimbursement from the Fund for payment of Eligible Claims arising from Covered Wildfires occurring during the applicable Coverage Year. The Administrator's review of Eligible Claims will determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the statutory standards of claim review set forth in section 3292 of the Public Utilities Code. Participating Utilities are entitled to reimbursement for only those amounts that the Administrator determines were paid consistent with the exercise of Reasonable Business Judgment.

For each Eligible Claim submitted for reimbursement, the Participating Utility must provide the Administrator with the information set out in an approved format to be provided by the Administrator. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

Eligible Claims submissions will be reviewed either on an individual claims basis or using a statistically significant random sample to determine the extent to which the claims are entitled to reimbursement. The purpose of the Eligible Claims review, like that of the Threshold Amount claims review, is to determine whether the Participating Utility exercised Reasonable Business Judgment in its decision to pay the settlement amount.

After completing the review of Eligible Claims submissions, the Administrator will issue a Final Determination of Eligible Claims if it finds that the Participating Utility exercised Reasonable Business Judgment in its claims settlement. Upon the issuance of a Final Determination of Eligible Claims, the Administrator will reimburse the Participating Utility. If the Administrator is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment, it will issue a Preliminary Determination of Eligible Claims with a request for additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the claims can be further considered for reimbursement.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligible Claims, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility must submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving the claims.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligible Claims, the Administrator will issue a Final Determination of Eligible Claims.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

Figure 3 illustrates the specific steps involved in the Eligible Claims review process and are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an approved format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate.
- **Individual claims review.** This involves the use of a structured claims review procedure to assess the application of Reasonable Business Judgment on a claim-by-claim basis. This specific procedure is described in more detail in the "Individual Claims Review" B.1. section above.
- **Eligible claims report.** This report, which is described in "Claims Review Reporting" section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category, with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of the asserted claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value for reimbursement and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator's determination of eligibility.** This involves the review and approval of the Eligible Claims report and a report on findings (preliminary or final) to the Participating Utility. If the finding is preliminary, the Administrator will request, receive, and review any additional information provided by the Participating Utility, and will revise the finding as needed. Once the finding is final, the Administrator will issue an Eligible Claims determination and reimburse Eligible Claims. The Administrator will report its findings to the Council.

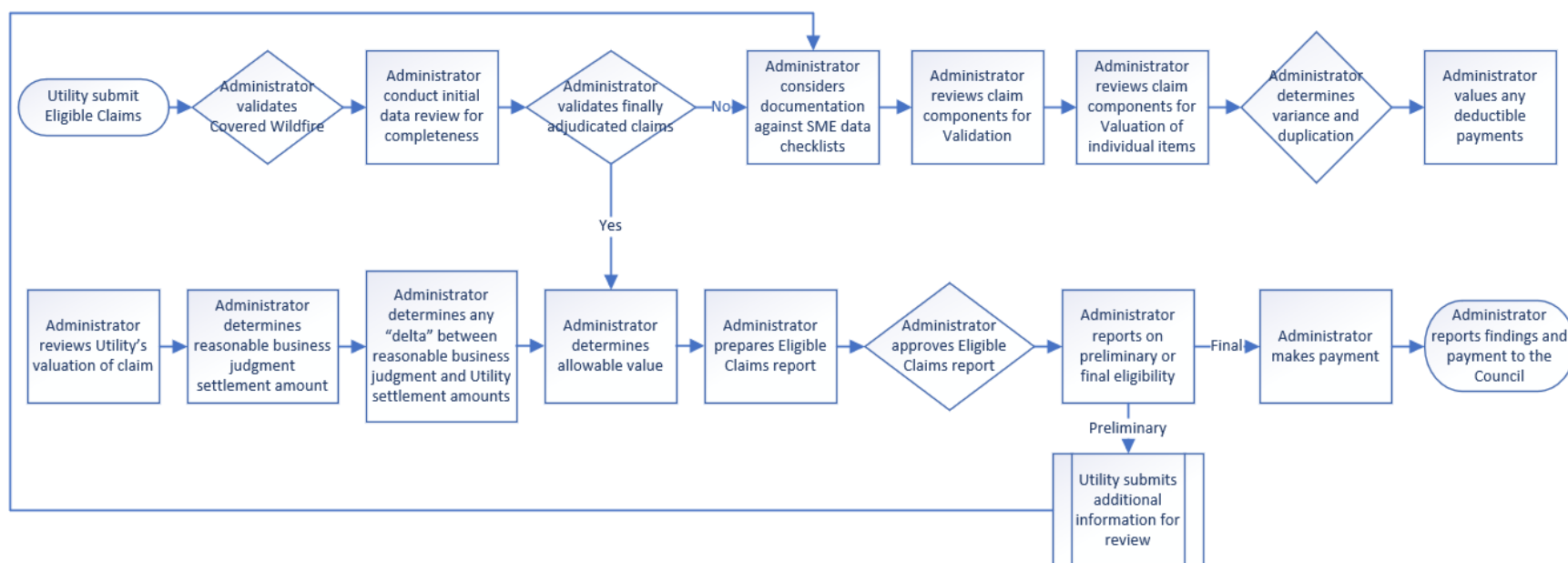


Figure 3. Illustration of the Eligible Claims Review Process



California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 6: Financial Report

Recommended Action: Information only

CEA Chief Financial Officer Tom Hanzel will provide the California Response Council with a financial report on the Wildfire Fund as of September 30, 2025, and 2024.



FINANCIAL REPORT

September 30, 2025

Financial Report Table of Contents

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	September 30, 2025	September 30, 2024
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 7,038,588,876	\$ 206,130,852
Investments	<u>6,702,944,725</u>	<u>12,390,921,954</u>
Total cash and investments	13,741,533,601	12,597,052,806
Interest receivable	37,288,549	77,945,833
Securities receivable	<u>-</u>	<u>-</u>
Total assets	\$ 13,778,822,150	\$ 12,674,998,639
Liabilities and Net Position		
Loss and loss adjustment expense reserves	\$ 531,146,718	\$ 560,741,846
Securities payable	104,360,740	13,832,361
Accounts payable and accrued expenses	1,814,539	1,304,190
Related party payable - CEA	<u>258,740</u>	<u>242,605</u>
Total liabilities	<u>637,580,737</u>	<u>576,121,002</u>
Net position:		
Restricted for CWF	<u>13,141,241,413</u>	<u>12,098,877,637</u>
Total net position	<u>13,141,241,413</u>	<u>12,098,877,637</u>
Total liabilities and net position	<u><u>\$ 13,778,822,150</u></u>	<u><u>\$ 12,674,998,639</u></u>

California Wildfire Fund
Statements of Revenues, Expenses and Changes in Net Position

UNAUDITED

	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Additions to fund assets:		
Rate payer monthly NBCs	\$ 664,056,396	\$ 640,135,962
Total contributions	664,056,396	640,135,962
Investment income & expenses	321,431,184	237,556,230
Change in unrealized gain/(loss)	327,714,654	319,165,551
Net investment income/(loss)	649,145,838	556,721,781
Total additions to fund assets	1,313,202,234	1,196,857,743
Deductions to fund assets:		
Loss and loss adjustment expenses	330,000,000	-
General and administrative expenses	6,417,808	1,699,755
Personnel expenses	668,704	258,865
Total deductions to fund assets	337,086,512	1,958,620
Increase/(decrease) in net position	976,115,722	1,194,899,123
Net position, beginning of year	12,165,125,691	10,903,978,514
Net position, end of period	\$ 13,141,241,413	\$ 12,098,877,637

California Wildfire Fund
Cost Allocation Methodology and Calculation for the Nine Months Ended September 30, 2025 and 2024
09/30/2025

Note 1: Cost Allocation Approach

CEA's Cost Allocation Plan is based on the Direct Allocation Method. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

The general approach of the CEA in allocating costs to the CWF is as follows:

- A. All direct costs that are incurred directly by the CWF.
- B. All other general and administrative costs (costs that benefit both Funds and cannot be identified to a specific Fund) are allocated to each Fund using a base that results in an equitable distribution. Costs that benefit more than one Fund will be allocated to each Fund based on the ratio of each Fund's salaries/benefits to the total of such salaries/benefits

Essentially, CWF cannot operate without administrative functions and these areas touch every aspect of the business and this is the justification for allocation. A continuing review of cost allocation will be a policy and more importantly, it will not be a standard and may change from time to time.

Note 2: Direct and Indirect Costs

Starting in July 2019, the CEA, acting as the interim administrator of the CWF, started tracking employees who were working directly on the CWF. These hours were tracked in a time tracking software that is on CEA's SharePoint intranet site.

The following hours were captured and the CEA applied each employees hourly rate + the predetermined burden rate to come up with the direct labor charge for the CWF for the Nine Months Ended September 30, 2025 and 2024.

Department	Nine Months Ended Sept'25		Nine Months Ended Sept'24		CWF Salary & Benefit costs = CEA Salary & Benefit costs =	Sept'25	Sept'24
	Hours	Salaries & Benefits	Hours	Salaries & Benefits		597,966 A	241,426
1. Comms	605.5	50,055	157.5	13,092			
2. Exec	1,117.1	158,390	98.3	26,569		18,583,367 B	19,880,426
3. Finance	871.5	157,153	807.8	90,570		19,181,333 C	20,121,852
4. IT	-	-	-	-			
5. Internal Ops	68.3	7,028	112.5	10,486	Allocation % =	3.12% = A/C	1.20%
6. Insurance Ops	190.3	42,643	163.3	32,504			
7. Legal	754.4	182,697	576.3	68,205			
Total Direct Hours/Costs	3,607.0	597,966	1,915.5	241,426			

All other indirect costs, except for Clearwater charges, were allocated to the CWF based on the 3.12% and 1.20% allocations noted above. The Direct Investment Technology Support line item below consists of Clearwater (investment accounting and compliance software) charges that are allocated to the CWF based upon CWF's share of total assets under management of the CEA and CWF combined. The remaining indirect expenses noted below were charged to the CWF using the allocation percentages noted above.

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	7,280	8,020
Rent-Office Equip/Furniture	86450-16	390	159
Building Maintenance and Repairs	86475-16	130	26
Furniture/Equipment <\$5000	86500-16	263	-
EDP Hardware <5000	86505-16	3,574	3,121
EDP Software <5000	86506-16	51,227	22,147
Office Supplies	86510-16	721	130
Postage	86530-16	113	22
HR and IT staff allocation	85101-16	70,738	17,439
Telecommunications	86550-16	6,495	3,388
Insurance Expense	86600-16	15,834	6,383
Other Administration Services	88175-16	1,187	439
Direct Investment Technology Support	89805-16	407,927	372,435
Total Indirect Costs		565,879	433,709
Total Costs		1,163,845	675,135

Contributions & NBCs Received

**California Wildfire Fund
Contributions & NBCs Received
As of September 30, 2025**

Description	Date Received	Amount
1. SDG&E initial capital contribution	9/9/2019	322,500,000
2. SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
3. SDG&E 2019 annual contribution	12/19/2019	12,900,000
4. SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
5. PG&E initial capital contribution	7/1/2020	4,815,000,000
6. PG&E 2019 annual contribution	7/1/2020	192,600,000
7. IOUs 2020 annual contributions	December-20	300,000,000
8. IOUs 2021 annual contributions	December-21	300,000,000
9. IOUs 2022 annual contributions	December-22	300,000,000
10. IOUs 2023 annual contributions	December-23	300,000,000
11. IOUs 2024 annual contributions	December-24	300,000,000
Total IOU Contributions		9,300,000,000
1. SMIF Loan Proceeds	8/15/2019	2,000,000,000 *
2. SMIF Loan Principal Payments	4/25/2023	(2,000,000,000) ↓
3. 2021 NBC funds received	12-months of 2021	875,076,565
4. 2022 NBC funds received	12-months of 2022	1,116,593,213
5. 2023 NBC funds received	12-months of 2023	888,460,672
6. 2024 NBC funds received	12-months of 2024	889,304,019
7. 2025 NBC funds received	9-months of 2025	664,056,396 **
Total SMIF Loan Activity & NBCs Received		4,433,490,865
Total Funds Received & Reimbursed		<u>\$ 13,733,490,865</u>

* - The legislation required that the CWF be initially capitalized in the form of a short-term \$2 billion loan from the Treasurer's Surplus Money Investment Fund (SMIF). Starting in December 2020, the CWF started making monthly principal payments of \$70 million, with the final payment occurring in April 2023. Additionally, the loan carried an interest rate of 2.35% which was paid on outstanding balances.

** - NBC funds received by CWF are net of DWR administrative and operating expenses (A&O). For the first nine months of fiscal year 2025, the DWR incurred \$2.5mm of A&O expenses and retained \$1.7mm of funds in the DWR Charge Fund to pay future A&O expenses.

Investment Analysis

California Wildfire Fund
CWF Portfolio Overview
9/30/2025

September 30, 2025

The CWF's total portfolio market value for September 2025 was \$13.74 billion with an average duration of 1.50 years and average credit ratings of "AA".

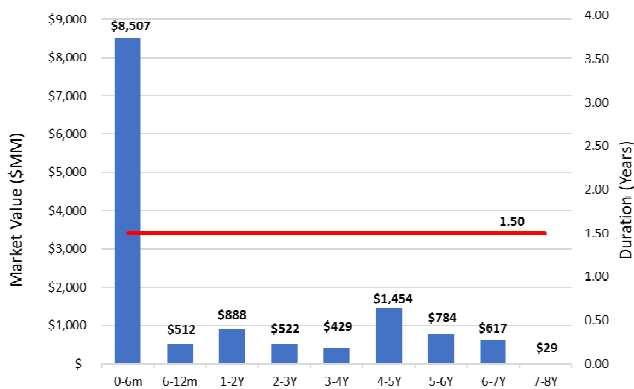
CWF Investment Portfolio as of September 30, 2025				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 9,753	71.0%	AA+	1.06
U.S. Agency & Supranational	510	3.7%	AA+	2.95
Corporates	2,859	20.8%	A+	2.98
U.S. TSY MMF	620	4.5%	AAA	0.00
Total	\$ 13,742	100.0%	AA	1.50

September 30, 2024

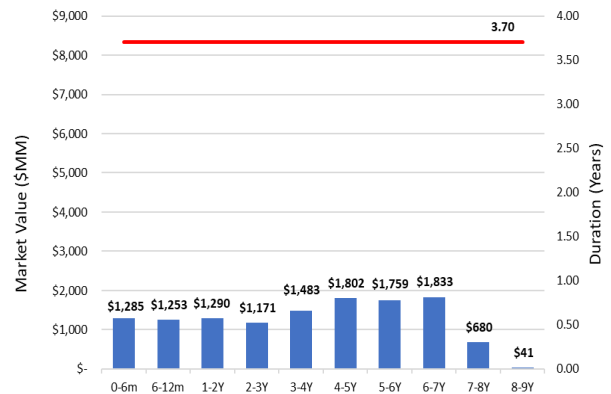
The CWF's total portfolio market value for September 2024 was \$12.60 billion with an average duration of 3.70 years and average credit ratings of "AA".

CWF Investment Portfolio as of September 30, 2024				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 7,125	56.6%	AA+	3.80
U.S. Agency & Supranational	1,168	9.3%	AA+	2.62
Corporates	4,228	33.6%	A+	3.88
U.S. TSY MMF	76	0.5%	AAA	0.00
Total	\$ 12,597	100.0%	AA	3.70

CWF Maturity Distribution: September 30, 2025



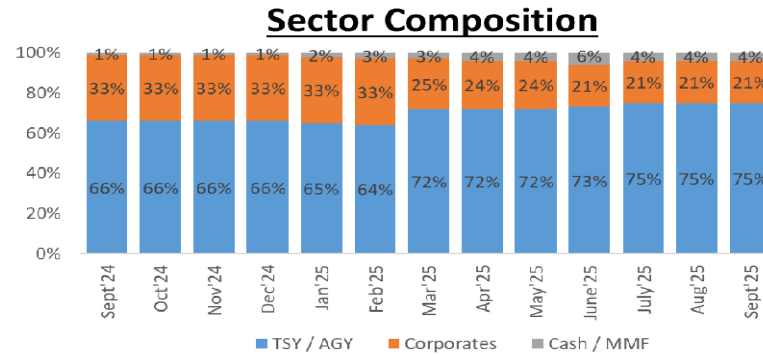
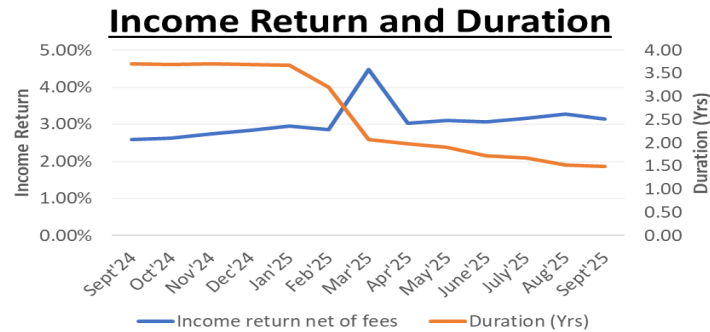
CWF Maturity Distribution: September 30, 2024



**California Wildfire Fund
CWF Portfolio 12-Month History
September 30, 2025**

CWF Investment Portfolio Overview													
	Sept'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25	Mar'25	Apr'25	May'25	June'25	July'25	Aug'25	Sept'25
Total Portfolio													
Market Value - Cash & Investments (\$MM)	\$12,597	\$12,497	\$12,550	\$12,858	\$12,835	\$12,742	\$13,205	\$13,371	\$13,311	\$13,452	\$13,573	\$13,623	\$13,742
Investment income (\$MM) *	27.23	27.88	29.12	30.72	32.07	30.9	48.85	33.80	34.75	34.68	36.10	37.61	36.21
Change in unrealized gain/(loss) (\$MM)	100.49	(230.33)	51.25	(114.58)	41.77	148.61	6.3	57.59	(34.08)	50.67	(17.35)	63.90	10.34
Investment management fees and bank fees (\$MM)	0.41	0.41	0.41	0.39	0.39	0.38	0.39	0.40	0.40	0.41	0.39	0.40	0.40
fees as a % of average AUM	0.0033%	0.0033%	0.0033%	0.0032%	0.0030%	0.0030%	0.0030%	0.0030%	0.0030%	0.0031%	0.0029%	0.0029%	0.0029%
Income return gross of fees	2.62%	2.67%	2.79%	2.88%	3.00%	2.90%	4.52%	3.06%	3.14%	3.11%	3.21%	3.32%	3.18%
Income return net of fees	2.59%	2.63%	2.75%	2.84%	2.96%	2.86%	4.48%	3.03%	3.10%	3.07%	3.17%	3.28%	3.14%
Yield to Maturity	3.93%	4.39%	4.31%	4.56%	4.43%	4.09%	4.07%	4.05%	3.92%	3.99%	4.19%	3.65%	3.91%
Duration (Yrs)	3.70	3.69	3.71	3.69	3.68	3.21	2.07	1.98	1.91	1.72	1.67	1.53	1.5
Portfolio Composition (%)													
TSY / AGY	66%	66%	66%	66%	65%	64%	72%	72%	72%	73%	75%	75%	75%
Corporates	33%	33%	33%	33%	33%	33%	25%	24%	24%	21%	21%	21%	21%
Cash / MMF	1%	1%	1%	1%	2%	3%	3%	4%	4%	6%	4%	4%	4%

* - Investment income does not include bank and investment manager fees. The amount includes the following: (1) interest income and interest purchased (2) Accretion - discount (3) Amortization - premium (4) Realized gain/(loss)



California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 7: 2025 Budget Revision

Recommended Action: Approve Revision of the 2025 Wildfire Fund Administration Budget

Background

During its February 13, 2025, meeting, the California Catastrophe Response Council approved staff's recommended 2025 budget for the administration of the California Wildfire Fund (CWF) and directed staff to operate CWF operations within the total approved budget amounts. Staff informed the Council that the budget was created *prior* to the January 2025 Southern California Wildfires, and that a revised budget would be presented to the Council during the May 1, 2025 meeting, if necessary.

Accordingly, during the May 1, 2025, meeting, CEA staff presented a revised CWF 2025 budget for the Council's consideration, which included revisions to support the Wildfire Fund Durability Initiatives, additional claims payments anticipated as a result of the formal notice from PG&E that it would submit claims arising from the 2019 Kincade Fire, and additional legal costs related to the Administrator's on-going work on a plan for winding up the Fund when the Administrator determines the Fund will be exhausted within the next three years. In aggregate, the reasonable and necessary revision of the 2025 budget to respond to these developments was approximately \$39 million, the majority of which arose from anticipated payments on PG&E claims from the Kincade fire.

On September 19, 2025, Governor Gavin Newsom signed Senate Bill 254 (SB 254), which among other things, requires the Administrator (CEA), on or before April 1, 2026, in consultation with the Public Utilities Commission, the Office of Energy Infrastructure Safety, the Department of Insurance, the Office of Emergency Services, and the Department of Forestry and Fire Protection, and with feedback solicited from various stakeholders, to prepare and submit to the Legislature, and to the Governor, a report that evaluates and sets forth recommendations on new models or approaches that

mitigate damage, accelerate recovery, and responsibility and equitably allocate the burdens from specified natural catastrophes across specified stakeholders, to complement or replace the Wildfire Fund.

SB 254 authorizes the Administrator to retain consultants, academic experts, and other professionals as may be necessary for the efficient preparation of the report and authorizes the Administrator to compensate those retained consultants, academic experts, and other professionals using Wildfire Fund assets or Continuation Account assets. Staff estimation of these expenses is still in progress, and they will update the CCRC upon completion of the expense estimation process.

The Wildfire Fund reimburses participating IOUs for utility-caused wildfire damage claims (i.e., eligible claims) after the utility has first paid claims of \$1 billion of such claims as their annual retention threshold. The staff of the CEA are currently working with Southern California Edison (Edison) to produce a streamlined approach to reimburse Edison in its efforts to quickly compensate eligible individuals and businesses impacted by the January 2025 Eaton Fire. The comprehensive claims program will provide direct payments and fast resolutions to eligible individuals and businesses. This includes owner and renter claims for total and partial structure loss, commercial property loss, business interruption, smoke and ash, physical injury, and fatalities (the full details of this program will be described by Edison at this meeting during Agenda Item 4).

CEA is also experiencing a significant uptick in reimbursements requests from PG&E related to eligible claims from the Dixie and Kincade fires. Kincade eligible claims are now being settled at a faster pace than initially projected by CEA.

The reasonable and necessary revision of the 2025 budget to respond to these recent developments is approximately \$139 million, all as described in detail in the revised budget (Attachment A).

Recommendation

Staff recommend the following Council actions:

- Approve the revised 2025 CWF budget; and
- Direct staff to operate CWF's business operations activities within the total revised budget amounts.

**California Wildfire Fund
2025 Budget Revision
As of September 30, 2025**

	A	B	C = A + B	D	E = D/C
	Approved 2025 Budget	Adjustments ^A	Adjusted 2025 Budget	Actual Amounts Q3 2025	Percentage Used of Adjusted 2025 Budget
Additions to fund assets:					
Rate payer monthly NBCs, net	\$ 920,615,301 *	\$ -	\$ 920,615,301	\$ 664,056,396	72.1%
Utility annual contributions	300,000,000	-	300,000,000	-	0.0%
Investment income (net of expenses)	414,690,648	-	414,690,648	321,431,184	77.5%
Total additions to fund assets	\$ 1,635,305,949	\$ -	\$ 1,635,305,949	\$ 985,487,580	60.3%
Deductions to fund assets:					
Wildfire paid claims	\$ 645,726,043 **	\$ 138,014,118	\$ 783,740,161	\$ 505,174,576	64.5%
Personnel expenses:					
Personnel expenses - allocated from CEA	863,000	325,000	1,188,000	668,704	56.3%
<i>Total personnel expenses</i>	863,000	325,000	1,188,000	668,704	56.3%
General and administrative expenses:					
Wildfire Fund durability initiatives	4,537,175	-	4,537,175	4,456,745	98.2%
SB 254 study	-	-	-	-	#DIV/0!
Other contracted services	1,040,000	555,300	1,595,300	925,300	58.0%
Direct legal services-general	127,500	-	127,500	97,238	76.3%
Financial services consulting	306,940	-	306,940	223,492	72.8%
Bank fees	299,763	-	299,763	214,524	71.6%
G&A expenses - allocated from CEA	630,614	-	630,614	495,141	78.5%
Travel	16,500	-	16,500	-	0.0%
Software and licenses	900	-	900	109	12.1%
Direct IT services	1,000	-	1,000	-	0.0%
Audit Fees	4,000	-	4,000	4,000	100.0%
Printing & stationary	500	-	500	-	0.0%
Governing board meeting expenses	3,750	-	3,750	1,259	33.6%
<i>Total general and administrative expenses</i>	6,968,642	555,300	7,523,942	6,417,808	85.3%
Total deductions to fund assets	\$ 653,557,685	\$ 138,894,418	\$ 792,452,103	\$ 512,261,088	64.6%
<i>Change in unrealized gain/(loss)</i>	- ***	-	-	327,714,654	NM
Increase/(decrease) in net position	\$ 981,748,264	\$ (138,894,418)	\$ 842,853,846	\$ 800,941,146	95.0%

^A Adjustments to revise 2025 CWF end of year projections.

* _ Budgeted NBC funds to be received by CWF in 2025 are net of \$5.4mm of DWR administrative and operating expenses.

** _ Based on PG&E reporting, CEA reserved a total loss amount of \$925mm related to the Dixie Fire and \$130mm related to the Kincaid Fire. Dependent on CEA internal analysis and information received from PG&E, CEA has revised the total amount of paid claims in 2025.

*** _ The change in unrealized gain/(loss) is not budgeted for CWF

California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 8: Enterprise Risk Management Program

Recommended Action: Information only

Risk Reporting

The scorecard for this reporting period is presented below and provides the status of each priority risk. The column named Residual Risk Score indicates the current risk status after controls have been applied.

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
Wildfire Modeling	Distorted or incorrect view of Wildfire Fund durability due to invalid, inaccurate, or outdated methods or assumptions in external or internal wildfire models	● High	● Strong	● Medium
Workforce	Adverse impacts to the administration of the Wildfire Fund that occur due to a workforce issue or constraint at CEA	● Medium	● Strong	● Low
Mitigation	Durability of the Wildfire Fund is dependent on successful mitigation activities which are outside the direct control of CEA as the Wildfire Fund Administrator but that must be monitored	● Medium	● Medium	● Medium
Risk Transfer	Reasonably priced risk transfer products for wildfire cover are not available when needed	● Medium	● Strong	● Low
Reputation	Public's loss of confidence in CEA as Administrator of the Wildfire Fund or loss of	● High	● Strong	● Medium

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
	confidence in the ability of the Wildfire Fund to meet its objectives			
Legislative/ Regulatory	Legislative, regulatory, or political actions that materially change the Wildfire Fund, the Administrator's or Council's roles and/or ability to fulfill its current obligations or mission	● High	● Strong	● Medium
Legal	Harm to the Wildfire Fund resulting from (a) disputes with third parties, (b) regulatory/legislative enforcement actions, and/or (c) compliance lapses	● Medium	● Strong	● Low
Investments	Losses to the Wildfire Fund due to failure to adhere to established investment guidelines and/or performance objectives not achieved	● Medium	● Strong	● Low
Information Security	Losses due to unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information and/or accessibility of IT systems	● Medium	● Strong	● Low
Financial Reporting	Inaccurate financial accounting or reporting or inadequate controls that result in a material error in published financial statements	● Medium	● Strong	● Low
Claims Management	Issues, conflicts, or delays arising from or associated with IOU claims management	● Medium	● Medium	● Medium
Business Continuity	Loss of business systems causing limited or delayed continuity of the California Wildfire Fund essential business functions	● Medium	● Medium	● Medium

SB 254 (2025)

As previously noted in the Executive Report, SB 254 (2025) creates a new \$18 billion continuation fund covering IOU-caused wildfires after September 19, 2025, if needed. The bill also tasks the Administrator with preparing and submitting a report that evaluates and sets forth recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes, including catastrophic wildfires, earthquakes, and other natural disasters, across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and local publicly owned electric utilities, to complement or replace the Wildfire Fund. The report is due April 1, 2026.

The key risks associated with the report mandated by SB 254 (2025) are execution risk and reputational risk. With regard to execution risk, the Administrator's ability to meet the tight timelines is bolstered by the Governor's Executive Order calling for a "whole-of-government approach", the Insurance Commissioner's support and progress on the Sustainable Insurance Strategy and contributions from experts at the California Public Utilities Commission, the Office of Energy Infrastructure Safety, the Office of Emergency Services and the Department of Forestry and Fire Protection. As noted in the Executive Report, the Administrator has established a team of experts and is aggressively engaging with stakeholders to meet the study requirements of SB 254 (2025).

With regard to reputational risk, the report mandated by SB 254 (2025) will have extraordinarily high visibility with input and interest from multiple stakeholders. Viewpoints are likely to vary. The Administrator will take care to faithfully present the varying viewpoints and not be seen as biased in the report presentation or recommendations contained therein. As an initial step the Administrator issued a call for contributions allowing stakeholders an opportunity to provide input. For transparency, submissions will be posted online as they are received.

Claims Management

There are currently no issues, conflicts or delays associated with IOU claims management for the three covered wildfires in process - October 2019 Kincade Fire, July 2021 Dixie Fire and January 2025 Eaton Fire. As noted earlier in the meeting materials, the Administrator has been working closely with SCE and Sedgwick to ensure that claims



from the Eaton Fire are processed in accordance with the *Wildfire Fund Claims Administration Procedures*.

Mitigation¹

In June, the Office of Energy Infrastructure Safety (Energy Safety) issued its annual report on compliance for San Diego Gas & Electric's 2023 Wildfire Mitigation Plan (WMP.) On June 27, Energy Safety issued a revision notice for PG&E's 2026-2028 Wildfire Mitigation Plan. The revision notice identified 12 critical issues with PG&E's WMP that must be satisfactorily addressed for the plan to be considered for approval. In July, Energy Safety issued its annual report on compliance for PG&E's 2023 WMP. In August, Energy Safety issued its revision notice for Southern California Edison's 2026-2028 WMP. The revision notice identified 10 critical issues with SCE's WMP that must be satisfactorily addressed for the plan to be considered for approval. Also in August, Energy Safety released its Draft 2027 Wildfire Mitigation Plan Update Guidelines and solicitation for public comment. In September, Energy Safety issued its annual report on compliance for Southern California Edison's WMP.

IT Systems and Data Security

CEA's annual recertification cycle to earn a SOC 2 Type II certification for the period of January 1 through December 31, 2025, is ongoing. Compliance testing thus far has indicated that CEA is on track to successfully earn the certification again for 2025. Results will be available in the first quarter of 2026.

Insurance Renewals

CEA successfully renewed its insurance policies for the 2025-2026 term. These policies are purchased to protect CEA business operations and reduce adverse financial impacts should a loss event occur. Overall program premium decreased by approximately 4%, as shown in the table below.

¹ Energy Safety information can be found on their website at [Energy Safety News and Updates](#)

Coverage	Expiring Premium	Renewal Premium	% Change
Businessowners	\$5,020	\$4,915	-2.09%
Directors & Officers/ Employment Practices Liability	\$105,087	\$100,000	-4.84%
Financial Institution Bond	\$30,917	\$30,917	0%
Cyber	\$537,513	\$514,700	-4.24%
Workers' Compensation*	\$28,540	\$28,028	-1.79%
TOTAL PREMIUM	\$707,077	\$678,560	-4.03%

*The Workers' Compensation premiums are estimates and subject to audit.

As can be seen in the above table the cyber insurance renewal is lower than last year. Additionally, it includes more favorable terms, most notably an increase in coverage for e-crime (e.g., social engineering loss, wire fraud transfer and computer crime resulting in funds transfer.) The favorable cyber insurance program renewal reflects the continued confidence that our cyber insurers have in CEA's Security Team who continue to enhance the CEA's data security with routine staff training and technical enhancements that increase data security and are responsive to our insurance carriers' underwriting criteria.

Risk and Compliance Committee

The Risk and Compliance Committee continues to provide strategic oversight of the Internal Audit function, ensuring its activities remain aligned with the organization's risk profile and regulatory responsibilities. In the current reporting period, the Committee has prioritized audit coverage of compliance with Form 700 filing obligations. This effort reflects the Committee's commitment to promoting transparency, ethical governance, and adherence to state-mandated financial disclosure requirements. Findings and recommendations from this audit will inform future compliance monitoring and training initiatives.



California Catastrophe Response Council Memorandum

October 30, 2025

Agenda Item 9: Proposed 2026 Meeting Schedule

Recommended Action: Discuss 2026 California Catastrophe Response Council Meeting Schedule

For planning purposes, CEA staff recommends that the California Catastrophe Response Council plan to hold regular quarterly meetings in 2026, starting at 2:00 p.m. on the following Thursdays:

- February 5, 2026
- May 7, 2026,
- August 6, 2026, and
- November 5, 2026.

Please note that these proposed dates are for planning purposes only. The final meeting dates may change due to unforeseen circumstances. All notices of Council meetings will be issued in compliance with the Bagley-Keene Open Meeting Act, and those public notices will constitute the legally required notice of meetings.

Calendar of Proposed 2026 Council Meeting Dates

January							February							March						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7	1	2	3	4	5	6	7
4	5	6	7	8	9	10	8	9	10	11	12	13	14	8	9	10	11	12	13	14
11	12	13	14	15	16	17	15	16	17	18	19	20	21	15	16	17	18	19	20	21
18	19	20	21	22	23	24	22	23	24	25	26	27	28	22	23	24	25	26	27	28
25	26	27	28	29	30	31								29	30	31				

April							May							June						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			1	2	3	4						1	2		1	2	3	4	5	6
5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13
12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20
19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27
26	27	28	29	30			24	25	26	27	28	29	30	28	29	30				
							31													

July							August							September						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			1	2	3	4							1			1	2	3	4	5
5	6	7	8	9	10	11	2	3	4	5	6	7	8	6	7	8	9	10	11	12
12	13	14	15	16	17	18	9	10	11	12	13	14	15	13	14	15	16	17	18	19
19	20	21	22	23	24	25	16	17	18	19	20	21	22	20	21	22	23	24	25	26
26	27	28	29	30	31		23	24	25	26	27	28	29	27	28	29	30			
							30	31												

October							November							December						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7			1	2	3	4	5
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
25	26	27	28	29	30	31	29	30						27	28	29	30	31		