

Governor opposes \$11B PG&E insurance settlement

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Gov. Gavin Newsom and the committee representing Northern California wildfire plaintiffs have teamed up in opposition of the Pacific Gas and Electric Corp.'s \$11 billion settlement with insurance carriers.

The governor accused financial institutions that bought insurance claims at a substantial discount of "legal maneuvering" to assure they get paid in full before wildfire victims, urging U.S. Bankruptcy Judge [Dennis Montali](#) to hold off on approving the deal, according to court documents filed Saturday.

"Given the uncertainty related to the plan that will resolve these Chapter 11 cases, and the possibility that the state will need to pursue its own plan, the [settlement] may be an impediment to confirmation of a plan of reorganization," wrote Jacob T. Beiswenger of O'Melveny & Myers LLP, representing the governor. "It is simply too early to tell."

PG&E agreed in September to settle insurance claims for \$11 billion. The deal guarantees insurance carriers get fully paid in cash once PG&E emerges from bankruptcy.

Three of the top four investors in the utility own insurance claims, according to Baker & Hostetler LLP partner Robert A. Julian, who is representing wildfire plaintiffs. He argued financial institutions, including Baoupst Group LLC, which owns equity in PG&E and bought \$6 billion worth of claims at a substantial discount, "now stand to make billions of dollars in profit on its purchases."

"These tactics may be commonplace in bankruptcy proceedings, but they are unacceptable in these Chapter 11 cases, which are causing ongoing harm to California, its residents and economy," Beiswenger wrote.

The committee representing insurance carriers has maintained it is settling for less than the amount members are owed. In re: PG&E Corp., 19-30088 (N.D. Cal., filed Jan. 31, 2019).

PG&E attorneys did not respond immediately to requests for comment Monday.

It's premature for PG&E to be settling claims by insurance carriers because it doesn't know if it has the assets to fully pay wildfire claimants yet, given it doesn't know the extent of its liability, according to Newsom's office.

Julian argued there's no proof PG&E will have the cash or liquidity to satisfy wildfire claims given the utility's mounting debts. He said the settlement "is a collusive agreement between

equity to benefit equity" and grants "preferential and superior treatment" to insurance carriers in court filings.

PG&E faces roughly 70,000 claims by 2017 and 2018 individual wildfire plaintiffs, \$8.4 billion in claims from governmental entities, claims arising from the 2019 Kincadee fire and fines from state regulators.

"It is time to call this settlement what it is: a mistake," Julian wrote. "The debtors have given away all their cash and placed the wildfire victims in a position of full risk in this case."

Montali will consider the issue at a Nov. 13 hearing.