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This is the worst possible time for a utility bailout

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By **BRANDON OKITA**
PUBLISHED: August 27, 2026 at 4:16 PM PDT

As an independent insurance agent in Southern California, I've spent the last decade watching catastrophic wildfire losses, many from fires started by utility equipment, push California's home insurance market into crisis. Following these wildfires, coverage grew scarce, non-renewals piled up and loyal clients landed on the FAIR Plan, the state's insurer of last resort, because there was nowhere else left to go. Just as California's insurance market is starting to improve, investor-owned utilities are backing a bailout to protect their profits, not California's consumers and businesses.

California's insurance market is finally starting to show fragile signs of improvement, thanks to years of work under California's Sustainable Insurance Strategy. Six of the state's 10 largest home insurance groups are committed to growing their California business again. FAIR Plan growth, the clearest sign of how many families can't find coverage anywhere else, has slowed from as many as 50,000 new policies a quarter to roughly 16,000 in the first quarter of this year. Rate increases have dropped to an average of around 6.9%, down from the frightening double-digit hikes we used to brace for. Every one of those stats represents a California family or business owner who found real coverage instead of a costly last resort.

Now a last-minute, end-of-session proposal in the Legislature threatens to undo that progress. It would limit or eliminate insurers' ability to recover the cost of wildfire claims from the investor-owned utility whose equipment started the fire. That right, known as subrogation, is the reason the at-fault party pays for the damage it causes instead of everyone else. Take it away, and the billions of dollars in wildfire losses insurers currently recover from at-fault utilities don't disappear – they get absorbed. And in an industry that prices risk for a living, absorbed costs become future rates.

The American Property Casualty Insurance Association estimates the bail out proposal could raise homeowners' insurance costs 10% to 20% statewide, with residents in high fire risk areas facing increases three to five times that amount. This will shift the burden from utility shareholders to the policyholders the proposal claims to protect.

Californians know what these fires do to a community. We have seen the images of neighborhoods reduced to ash and have heard the heartbreaking stories of families who lost homes they spent 30 years paying off in an afternoon. And rebuilding costs are up 49% since 2020, so every claim costs more than it would have five years ago. None of that goes away because a utility's liability does. It just moves the bill from the shareholders who were supposed to pay it to the homeowners, small businesses and taxpayers who weren't.

I understand utilities are under financial pressure. But the answer cannot be to quietly shift the bill onto everyone else and call it reform. That is a bailout that puts utility profits ahead of Californians: the family trying to rebuild, the small business trying to reopen, the community trying to recover.

Every day, agents and brokers sit across the table from Californians trying to protect what they've built. We have spent years helping them navigate a market in crisis and we are only now starting to see it stabilize. A bailout for at-fault utilities, at the exact moment that stability is taking hold, is the last thing the people we serve need.

Lawmakers have spent years rebuilding trust in California's insurance market. They should not trade that progress away in the final weeks of session for a proposal that shifts the cost of utility-caused wildfires onto the very Californians who did nothing to cause them.

Brandon Okita is an independent insurance agent with FIA Insurance Services

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