

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
SB 876 (Padilla) – As Amended June 18, 2026

SENATE VOTE: 30-9

SUBJECT: Fire and residential property insurance

SUMMARY: Establishes the Disaster Recovery Reform Act. Specifically, **this bill:**

- 1) Institutes a data call requiring admitted insurers, on or before April 1, 2028, and every 2 years thereafter, with California premiums totaling \$20,000,000 or more to submit a report on its residential property experience data for the previous 3 years for policies written in California.
- 2) Specifies that a person who engages in an unfair method of competition, or an unfair or deceptive act or practice in the business of insurance relating to a state of emergency, is liable for a civil penalty, fixed by the Insurance Commissioner (IC), of at least \$5,000 for each act, up to a \$10,000 limit, or, if the act or practice was willful, a civil penalty of at least \$10,000 for each act, up to a \$20,000 limit. Additionally allows the IC to order a person who engages in an unfair claims settlement practice to provide restitution for a loss arising from the person's conduct, as specified.
- 3) Requires in the case of a total loss, if the insured decides to rebuild at a new location or to purchase an already-built home at a new location, the amount of building code upgrade cost payable under a policy includes all costs as if the insured structure has been completely rebuilt at its original location.
- 4) States that if there is a loss under a homeowner's insurance policy for which the insured has made a claim for additional living expenses (ALE), the insurer must provide, either electronically or in hardcopy, a written list of items that the insurer believes may be covered under the policy as ALE.
- 5) Clarifies that ALE coverage under a homeowners' insurance policy includes reimbursement for all reasonable additional expenses incurred by the insured to maintain a comparable standard of living while the insured dwelling cannot be lived in, up to policy limits. These additional costs include temporary housing, furniture rental, food, transportation, storage, and boarding of pets.
- 6) Allows an insured to choose, under a covered loss ALE claim, to collect the monthly fair rental value for the time the insured dwelling is not habitable, rather than seek reimbursement for itemized expenses. Fair rental value is the amount the furnished insured dwelling could have been rented for at the time of the loss.
- 7) Specifies that ALE be provided both while the insured premises are uninhabitable, and also 15 calendar days beyond the time when the insured can return to the premises in order for them to make necessary arrangements to do so.

- 8) Prohibits the issuance or renewal of a homeowner's insurance policy unless the applicant is offered extended ALE coverage of at least 50 percent above the standard limit. This offer must clearly state the additional premium cost to the consumer.
- 9) States that the ALE provisions described above apply to homeowners' policies that describe these types of benefits, whether they are identified as ALE, loss of use, or fair rental value.
- 10) Requires under the standard form of fire insurance policy if an insurance company assigns more than one adjuster to a claim, the insurer must provide the insured with a written status report within fifteen calendar days. This status report must include, among other things, the amount of coverage for losses to structures or contents, the dollar amount of claims paid to date for each portion of coverage, and all items of dispute or pending.
- 11) Specifies that building code coverage includes costs to repair or replace a dwelling in compliance with the building codes and zoning laws in effect at the time of, or required for, rebuilding.
- 12) Requires residential property insurance policies to offer, and disclose the premiums for, extended replacement cost coverage of no less than 50% of coverage above the policy limits for the primary dwelling and other structures. If an applicant or policyholder declines this additional coverage, they must sign an agreement acknowledging that extended replacement cost coverage of at least 50% was offered and is being declined.
- 13) States that residential property insurance insurers must notify the California Department of Insurance (CDI) by February 1 of each year of the amount of extended replacement cost coverage they offered for each policy or product sold in California if the amount is different than what was reported in the previous year. This information will be updated annually on the Homeowners Coverage Comparison Tool on CDI's website.
- 14) Requires all residential property insurers that provide replacement cost coverage, including the California FAIR Plan, to provide an estimate to the policyholder of the cost necessary to rebuild or replace the insured structure. This estimate must be provided every other year at the time an offer to renew a policy of residential property insurance is made to the policyholder. Insurers that do not comply with this requirement will be liable for up to the full replacement cost of the insured property after a loss.
- 15) Requires residential property insurers to submit a detailed disaster response plan to CDI by April 1, 2027, and at least every two years thereafter, outlining how the insurer will handle claims arising from a disaster, including communication with policyholders, customer service continuity, adjuster training and deployment, ability to track disaster claims data, and overall operations staffing during disasters. The IC may require post-disaster progress reports or a performance review of an insurer's disaster response plan, issue guidance regarding the content of the plan, and require updates on disaster claims and loss data.
- 16) Specifies if there is a covered loss relating to a state of emergency, a residential property insurer must:

- a) Provide the claimant, within 30 calendar days of receiving the claim, a copy of the most recent annual notice CDI prepares and delivers to admitted insurers and licensed insurance adjusters describing the most significant state laws pertaining to property insurance policies, including those related to a state of emergency, as well as a telephone number that an affected claimant may call for answers to questions, including questions about the claim and coverage under the policy.
 - b) Report to the IC within 21 calendar days of a state of emergency being declared, the losses, claims, and estimated total incurred losses for review. The IC will then make a determination based on the initial information as to how often claims data should be updated and whether or not to publish aggregate data on CDI's website.
- 17) Specifies that during a state of emergency, if a licensee receives a written or oral inquiry from CDI concerning a claim, they must immediately, but no more than 15 calendar days of receipt of that inquiry, provide a complete written response based on the facts as then known, along with any documentation and claim or underwriting files requested.
- 18) Allows the IC to order licensed insurers, surplus lines brokers, and licensees to provide restitution for a loss arising from their conduct, or to order cancellation of contract.
- 19) Stipulates that if there is a loss-related claim involving one or more coverages under a policy of residential property insurance relating to a state of emergency, the insurer must assign a primary point of contact to the claim within 30 calendar days from the date of loss. If the insurer later assigns a subsequent point of contact to this task, the insurer, within 15 calendar days of the assignment, must provide the insured with a written status report, along with one or more direct means of communication with the primary point of contact, which must be assigned, even if multiple point of contacts may be responsible for different coverages under the claim.
- 20) Defines a "written status report" as a summary of decisions or actions that are substantially related to the disposition of a claim, including the amount of losses to structures or contents, the retention or consultation of design or construction professionals, the amount of coverage for losses to structures or contents, the dollar amount of claims paid to date for each portion of coverage, and all items of dispute or pending.

EXISTING LAW:

- 1) Establishes CDI which is headed by the IC to regulate specified insurers and insurance practices in this state. (Insurance (Ins.) Code, Sections 100 et. seq.)
- 2) Specifies that in the event of a total loss of an insured structure, policies cannot contain a provision that limits or denies payment of the building code upgrade cost or the replacement cost, because the insured decided to rebuild at a new location or to purchase an already-built home at a new location. (Ins. Code, Section 2051.5)
- 3) States that in the event of a loss under a homeowners' insurance policy when the insured has made a claim for ALE, the insurer must provide a list of items the insurer believes may be covered. For a covered loss relating to a state of emergency, coverage for ALE lasts for at

least 24 months from the loss, as specified, with a possible extension of up to 12 months, for a total of 36 months, if an insured encounters a delay in reconstruction because of circumstances beyond their control. (Ins. Code, Section 2060)

- 4) Requires under the standard form of fire insurance policy if within a six-month period, an insurance company assigns three or more adjusters to a claim that the insurer must provide the insured with a written status report in a timely manner. This status report must include a summary of any decisions or actions that are substantially related to the disposition of a claim, including, but not limited to, the amount of losses to structures or contents, the retention or consultation of design or construction professionals, the amount of coverage for losses to structures or contents, and all items of dispute. (Ins. Code, Section 2071)
- 5) States that a policy of residential property insurance must provide information on the declarations page explaining among other things, that under such a policy that provides replacement cost coverage, the policy provides building code upgrade coverage for the increased costs of repairing or replacing damage to the insured dwelling caused by a covered loss because of building ordinances or laws regulating the repair or replacement. The policy may note restrictions on coverage for compliance with applicable building codes that take effect after the date of loss, but before the issuance of required building permits. (Ins. Code, Section 10103)
- 6) Stipulates that in an offer of a policy of residential property insurance, a disclosure must be provided to the applicant stating policies offering extended replacement cost coverage of at least 50% may be available for that property, as specified. Such insurers must notify CDI of the amount of extended replacement cost coverage offered for each policy or product it sells in California if the amount is different than the previous year. (Ins. Code, Section 10102)
- 7) Requires an insurer that provides replacement cost coverage to provide an estimate every other year, of the cost necessary to rebuild or replace the insured structure, as specified, at the time an offer to renew a policy of residential property insurance is made to the policyholder. (Ins. Code, Section 10102.5)
- 8) In the event of a covered loss relating to a state of emergency, an insured under a residential property insurance policy can combine payments for claims for losses up to the policy limits for the primary dwelling and other structures, to rebuild or replace the damaged or destroyed dwelling, if the policy limits for coverage to rebuild or replace the primary dwelling are insufficient to do so. (Ins. Cod, 2051.5)
- 9) Authorizes the IC to require an unlicensed person subject to the IC's jurisdiction to pay restitution for a loss arising from the unlicensed person's conduct, as specified. (Ins. Code, Section 12921)
- 10) Requires an insurer to provide a homeowner submitting a disaster claim with a written status report and a primary point of contact if the adjuster assigned to the claim is changed three times in a six-month period. States that the primary point of contact be available to the homeowner and remain assigned to the claim until its completion and requires the primary point of contact to refer the homeowner to a supervisor upon request. (Ins. Code, Section 14047)

- 11) Requires a person who solicits, negotiates, or effects contracts of insurance in this state to hold a valid license issued by the IC, except as provided. (Ins. Code, Section 1631)
 - a) Exempts surplus lines brokers from licensing requirements and provides for separate regulation of surplus lines activities (Ins. Code, Section 1634, Sections 1760-1780, & Sections 1780.50-1780.67)
- 12) Defines certain acts or practices in the business of insurance as unfair methods of competition and unfair deceptive acts, including, among others, misrepresenting facts or insurance policy provisions relating to any coverage issue, failing to affirm or deny coverage of claims within a reasonable time after proof of loss, and failing to adopt and implement reasonable standards for the prompt investigation and processing of claims. (Ins. Code, Section 790.03.)

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Purpose of the bill:* According to the Author, “In the aftermath of a disaster, we should all be coming together to figure out, “How can we help?” SB 876 reforms California’s insurance claims process so families can recover quickly and fairly after a disaster. The bill expands building code, upgrade coverage and addresses insurer’s use of multiple and rotating adjusters. To hold insurance companies accountable, the bill increases penalties and restitution for claims-handling violations during emergencies and requires insurers to develop disaster plans. Together, these reforms create a more reliable, accountable insurance system that better supports Californians throughout disaster recovery.”
- 2) *Background:* The Palisades and Eaton wildfires highlighted a number of challenges faced by the survivors. This measure attempts to address numerous unique challenges brought to CDI’s attention by survivors following these fires. SB 876 attempts to address: underinsurance, ALE, rotating adjusters, increases penalties and requires restitution be paid to policyholders.

ALE, also known as loss of use or fair rental value, covers the additional costs when a property is not safe to live in due to a covered peril, such as wildfire. Policyholders may be required to itemize and account for any covered expenses. Additional living expenses include items such as food and housing costs, extra transportation costs to and from work or school, relocation and storage expenses, and furniture rental for a temporary residence. ALE coverage is a standard feature of homeowners’ insurance policies. It provides coverage for the expenses associated with obtaining alternative lodging while the destroyed home is being rebuilt. ALE must be paid for at least 24 months, up to 36 months with additional extensions for good cause.

Extended replacement cost coverage provides for the cost to repair or replace a damaged or destroyed dwelling without a deduction for physical depreciation. Many policies pay only the dwelling’s actual cash value until the insured has begun or completed repairs or reconstruction on the dwelling. Extended replacement cost provides additional coverage above the dwelling limits up to a stated percentage or specific dollar amount.

Demand surge also known as profiteering or price gouging are the terms many wildfire survivors might use. There are simply not enough contractors, carpenters, materials suppliers, building permit and code staff, etc., to respond in normal time frames. And this high demand causes tremendous inflation in rebuilding costs for those who can get the process started. Thus, even well-insured policyholders struggle to find ways to rebuild a home of like kind and quality to what was destroyed.

According to CDI, the sponsor of this measure, wildfire survivors have continued to submit complaints (over a year later) that include challenges accessing insurance benefits with delays, denials, and miscommunication from insurers. A Los Angeles Times article highlighted that 7 in 10 fire victims are still displaced, creating a “K-shaped recovery,” where the wealthiest advance while others wait. [After L.A. wildfires, complaints about insurers prompt a flurry of bills - Los Angeles Times](#)

SB 876 tackles quicker payouts, reduces delays, and improves transparency by:

- Requiring insurers have a disaster recovery plan.
- Increasing penalties during a declared emergency for violations for fair claims practices.
- Requires insurers to pay restitution to a policyholder.
- Addressing the multiple adjusters being assigned to a policyholder; and,
- Requiring a mandatory offer of extended replacement cost coverage and ALE coverage when writing a policy.

Catastrophic wildfires present several unique challenges for policyholders that do not arise in cases of one-off total losses. As shown below, a number of bills are moving through the process, and these measures should be considered in totality as they provide major reforms to California’s insurance market.

- 3) *Related Legislation*: SB 877 (Perez) Modifies the definition of “claims-related documents” within the standard fire insurance policy form to clarify loss adjustment calculations includes preliminary or final documents that relate to the amount of loss, covered damage, and cost of repairs. Pending before the Assembly Appropriations Committee.

SB 878 (Perez) Codifies regulations specifying timeframes for payment of a claim under a policy of residential property insurance and adds interest payable to the insured, if the timeframes are not met. Pending before the Assembly Appropriations Committee.

SB 1301 (Allen) Provides new processes that insurers must follow when an insurer refuses to renew a policy or imposes a reduction of limits or an elimination of coverage, among other provisions. Pending before the Assembly Insurance Committee.

AB 570 (Calderon) Reduces the time an insurer must provide a policyholder, after a covered loss, a copy of their homeowner’s policy to 15 calendar days rather than 30 calendar days, once requested by the policyholder. Pending before the Senate Appropriations Committee.

AB 1559 (Calderon) Beginning July 1, 2027, requires admitted insurers to notify residential property insurance policyholders in advance of taking aerial images of the insured property, and to provide access to those images upon request, and prohibits insurers from basing decisions to terminate coverage on aerial images older than 180 days. Provides policyholders who have been subject to a decision to terminate coverage based on an aerial image with the right to dispute the accuracy of the image, verify remediation, and request an in-person inspection. Pending before the Senate Privacy Committee.

AB 1642 (Harabedian) Establishes the Wildfire Environmental Safety and Testing Act (Act), which, among other things, requires, by July 1, 2027, the Department of Toxic Substances Control (DTSC) to adopt emergency regulations specifying science-informed, health-based standards to guide the adequate removal of lead and asbestos inside and outside of standing homes, schools, workplaces, and other structures after a wildland urban interface fire; requires, by July 1, 2028, DTSC to adopt non-emergency regulations specifying standards for additional contaminants. Pending before the Senate Environmental Quality Committee.

AB 1795 (Gipson) Requires that the California Environmental Protection Agency (CalEPA) develop, by June 30, 2027, health-based standards and requirements for minimum sampling, testing, and chemical screening levels for residential properties that have sustained smoke damage as a result of a wildland-urban interface (WUI) fire or urban conflagration; establishes a framework for the application and implementation of these standards, to include the development of training and certification requirements for insurance adjusters and persons who sample, test, or restore residential properties; requirements for insurers; and requirements pertaining to specified responsibilities for CDI. Pending before the Senate Insurance Committee.

AB 2038 (Harabedian) Requires an insurer to offer to their policyholders, when a disaster-related total loss of a primary residential property occurs, coverage for at least the next three annual renewal periods, but no less than 36 months of coverage from the date of the total loss. Additionally, prohibits an insurer from canceling or refusing to renew a policy of residential property insurance for a property located in any ZIP Code within or adjacent to a fire perimeter for two years after the declaration of a state of emergency. Pending before the Senate Appropriations Committee.

- 5) *Arguments in Support:* According to the Sponsor, California IC states in support, “Underinsurance has become widespread across California, leaving many families unable to rebuild after catastrophic loss. Replacement cost estimates are frequently outdated or inaccurate, and homeowners are not consistently offered coverage options that reflect real rebuilding costs. Building code upgrades required during reconstruction are often not fully covered, creating unexpected financial gaps. Survivors also face delays and fragmented claim payments that slow recovery, increase out-of-pocket expenses, and prolong displacement. These systemic issues undermine the stability of families and communities following disasters.

SB 876 addresses these challenges by requiring insurers to provide accurate and regularly updated replacement cost estimates and to offer extended replacement cost coverage options that better reflect actual rebuilding costs. This bill strengthens building code upgrade coverage to ensure that homeowners can rebuild safely and in compliance with modern standards. It also improves transparency and consistency in claim handling. Together, these

reforms reduce underinsurance, accelerate recovery, and support long-term community resilience.”

- 6) *Arguments in Opposition:* According to APCIA, PIFC, NAMIC, PADIC, the FAIR Plan and CJAC, “Among the many notable aspects of SB 876 is a proposal to change the rules, again, regarding insurers’ use of team-based adjusters to address massive workload increases. During catastrophes, insurers often receive years’ worth of claims volume in a matter of months. In these circumstances, reassignment of claims personnel is not a sign of neglect, but a necessary tool to surge capacity, bring in specialized expertise, and prevent claim backlogs. Penalizing reassignment or imposing rigid notice and reporting timelines during emergencies risks discouraging insurers from deploying additional resources when they are most needed. Ironically, these provisions could slow down claim resolution, reduce flexibility to respond to rapidly changing conditions, and ultimately harm the very consumers they are intended to protect.

At a time when the market is already unstable, the provisions of SB 876 inflate claim severity, deplete cash reserves, and impose outsized administrative penalties. This risk is especially acute in wildfire-prone regions, where demand surge is extreme and reinsurance capacity is limited. Rather than improving affordability or access, the bill would make coverage more expensive for all Californians and deepen the challenges facing the private market.

Sustainable Insurance Strategy: Let It Work”

- 7) *Double-Referral:* Should this measure receive sufficient votes, this measure will proceed to the Assembly Judiciary Committee.
- 8) *Recommended Committee Amendments:*

A mock- up is provided laying out the committee’s recommended amendments. (Changes are bold, black font, and underlined.)

- These amends address concerns raised regarding “fair rental value” applying to secondary/vacation homes and clarifies how fair rental value can be used.
- Clarifies the provision requiring an insurer obtain a signature from an applicant or policyholder acknowledging that they are declining extended replacement cost coverage.
- Clarifies that the data provided for the disaster response plans and progress reports are solely for CDI and not subject to disclosure to outside entities except as otherwise required by existing law.
- Clarifies the requirement that an insurer assign a primary point of contact within 30 calendar days from the “date of the loss” should be 30 calendar days from the “notice of claim.”
- In addition, not in the mock-up the committee recommends adding a delayed implementation of January 1, 2028.

REGISTERED SUPPORT / OPPOSITION:

Support

AARP
Cdp Rural Caucus
Insurance Commissioner Ricardo Lara / California Department of Insurance

Oppose

American Property Casualty Insurance Association
California Fair Plan Association
Civil Justice Association of California (CJAC)
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

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