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**SENATE COMMITTEE ON INSURANCE**  
**Senator Stephen Padilla, Chair**  
**2025 - 2026 Regular**

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<b>Bill No:</b>	SB 876	<b>Hearing Date:</b>	April 8, 2026
<b>Author:</b>	Padilla		
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<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Brandon Seto		

**SUBJECT:** Fire and residential property insurance

**DIGEST:** Specifies timelines for insurers to pay actual cash value and replacement cost to a policyholder who has experienced a total loss of an insured structure. Expands coverage available for dwelling loss to comply with the cost of building code upgrades. Clarifies and expands options available to policyholders using additional living expenses after a dwelling loss. Provides greater disclosure requirements for certain policyholders and documents related to their claims. Requires insurers to assign and make available a primary claims adjuster when multiple adjusters are assigned to claims, and to provide a timely written status report.

Increases the requirements for insurers to offer and account for the provision of extended replacement cost coverage as well as guaranteed replacement cost coverage. Raises policy limits for residential property insurance policies for covered losses during a state of emergency. Requires regular updates to policyholders about the costs necessary to rebuild or replace their insured structures, and allows policyholders to combine coverages to do so. Requires insurers, during a state of emergency, to offer the coverage limit for lost personal property, without an itemized list. Requires insurers to develop, maintain, and submit to the California Department of Insurance, a detailed disaster response plan. Increases liability for penalties fixed by the Insurance Commissioner for unfair insurance practices, and expands the Insurance Commissioner's authority to order restitution by insurers or licensees for losses arising from their conduct.

**ANALYSIS:**

*Existing law:*

- 1) Establishes civil penalties, fixed by the Insurance Commissioner (Commissioner) within certain limits, for anyone who is deemed to engage in any unfair method of competition or any unfair or deceptive act or practice.
- 2) States that under a fire insurance policy, the measure of indemnity is the expense to the insured of replacing something in its condition at the time of the injury. Policies that require payment of actual cash value mean the amount it would cost the insured to repair, rebuild, or replace something, accounting for a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less.
- 3) States that under a policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or

replace the thing lost or injured, without a deduction for physical depreciation, or the policy limit, whichever is less.

- 4) Further states if such a policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer must pay the actual cash value of the damaged property in the meantime. Once complete, the insurer must pay the difference between the actual cash value payment and full replacement cost, up to the policy limits.
- 5) 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.
- 6) States that in the event of a loss under a homeowners' insurance policy when the insured has made a claim for additional living expenses (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.
- 7) Requires under the standard form of fire insurance policy, that insurers notify claimants that they may obtain, upon request and within 15 calendar days, copies of claim-related documents, which means all documents relating to the evaluation of damages, including, repair and replacement estimates and bids, appraisals, scopes of loss, drawings, plans, reports, third-party findings on the amount of loss, covered damages, and cost of repairs, and all other valuation, measurement, and loss adjustment calculations of the amount of loss, covered damage, and cost of repairs, as specified.
- 8) 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.
- 9) 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.
- 10) 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 percent may be available for that property, as specified. Such insurers must notify the California Department of Insurance (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.

- 11) 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.
- 12) 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.
- 13) Specifies that in the event of a covered total loss of a primary dwelling under a residential property insurance policy resulting from a state of emergency, if the residence was furnished at the time of the loss, the insurer must offer a payment under personal property coverage for at least 60 percent of the policy limit applicable to the personal property covered under the policy, up to a maximum of \$350,000, without requiring the insured to file an itemized claim.
- 14) Authorizes the Commissioner to require an unlicensed person subject to the Commissioner's jurisdiction to pay restitution for a loss arising from the unlicensed person's conduct, as specified.
- 15) 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.

*This bill:*

- 1) 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 Commissioner, 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 Commissioner to order such a person to provide restitution for a loss arising from the person's conduct.
- 2) States that under a fire insurance policy, if there is a total loss to the insured structure, the insurer must pay the actual cash value associated with the primary structure and other insured structures, within 30 calendar days from the date of loss, or accrue interest payable to the insured.
- 3) Stipulates that after such an actual cash value payment is made, the insurer must pay the undisputed amount of replacement cost associated with the primary structure and other insured structures, up to policy limits, within 30 calendar days of the insured either obtaining a contract with a licensed contractor to rebuild the insured structure at its original location or at another location, or the date when the insured enters into contract or escrow to purchase a replacement home at another location. If such payments are not made, interest will accrue payable to the insured.

- 4) 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 been completely rebuilt at its original location.
- 5) 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 additional living expenses.
- 6) Clarifies that additional living expense 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.
- 7) 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.
- 8) Specifies that under a covered total loss relating to a state of emergency, the policy limits for ALE are increased by 100 percent of the policy limits, and 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.
- 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, that insurers notify claimants that they may obtain, upon request and within 15 calendar days, copies of claim-related documents including loss adjustment calculations, whether preliminary or final, that in any way relate to the amount of loss, covered damage, and cost of repairs, as specified.
- 11) 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 five business 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.
- 12) 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.
- 13) States that under a policy of residential property insurance dealing with a loss related to a state of emergency, building code upgrade coverage must be provided at no less than 20 percent of the dwelling coverage policy limits.

- 14) Requires residential property insurance policies to offer, and disclose the premiums for, extended replacement cost coverage of no less than 50 percent 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 percent was offered and is being declined.
- 15) States that residential property insurance insurers must notify 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.
- 16) Stipulates that when residential property insurance policies are issued or renewed, the applicant must be offered guaranteed replacement cost coverage, and be made aware of the associated premiums charged for the primary dwelling and other structures.
- 17) States that under a covered loss relating to a state of emergency, a residential property insurance policy will have the policy limits increased by 50 percent for the primary dwelling and other structures. The 50-percent increase is in addition to any extended replacement cost coverage that may be included in the policy.
- 18) 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.
- 19) Allows an insured, during a state of emergency, under a residential property insurance policy to combine claims payments for losses up to the policy limits for the primary dwelling, other structures, and contents (personal property) for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the policy limits are insufficient to do so.
- 20) Requires in the event of a covered total loss of a dwelling resulting from a state of emergency, insurers to offer 100 percent of the personal property policy coverage limit without an itemized claim from the policyholder. Payment must be made within 30 days from the date the insured property is determined to be a total loss, with interest accrued and payable to the insured if this timeline is not met.
- 21) 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 Commissioner 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.

- 22) Specifies if there is a covered loss relating to a state of emergency, a residential property insurer must:
- a) Provide the claimant, within 15 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 Commissioner within 15 calendar days of a state of emergency being declared, the losses, claims, and estimated total incurred losses for review. The Commissioner 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.
- 23) 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.
- 24) Allows the Commissioner 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.
- 25) 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 responsible claims adjuster to the claim. If the insurer later assigns a subsequent adjuster to this task, the insurer, within five business 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 adjusters may be responsible for different coverages under the claim.
- 26) 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.

## Background

*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 accelerates payments after a total loss, expands building code upgrade coverage, and doubles living expense limits in declared disasters. To hold insurance companies accountable, the bill increases penalties and restitution for claims handling violations during emergencies, and improves adjuster continuity by mandating status updates when adjusters change.

Together, these reforms create a more reliable, accountable insurance system that better supports Californians throughout disaster recovery.”

### *Definitions*

*Additional Living Expenses:* Also known as Loss of Use or Fair Rental Value, ALE covers the additional costs when a property is not safe to live in due to a covered peril, such as a 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.

*Actual Cash Value Coverage:* For either a total or partial loss to the structure or its contents, this coverage pays the amount it would cost to repair, rebuild, or replace the thing lost or injured, with a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less.

*Replacement Cost Coverage:* Provides for the cost to repair or replace the 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. This coverage only pays for replacement costs up to the limits specified in a policy.

*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.

*Guaranteed Replacement Cost Coverage:* Provides for the cost to repair or replace the damaged or destroyed dwelling without a deduction for physical depreciation. Provides additional coverage above the dwelling limits without a certain dollar or percentage cap.

*Building Code Upgrade Cost Coverage:* Also called Ordinance and Law coverage, covers additional costs to repair or replace a dwelling to comply with the building codes and zoning laws in effect at the time of loss or rebuilding.

### **Suggested Amendment**

Delete the required offer of guaranteed replacement cost coverage when issuing or renewing residential property insurance, contained in Section 10103.2 of the bill:

~~(d) A residential property insurance policy shall not be issued or renewed in this state unless the applicant or policyholder is offered guaranteed replacement cost coverage, as defined in Section 10102, for the primary dwelling and other structures. The offer shall be accompanied by the premium charge for this additional coverage.~~

~~(e)~~ (d) If there is a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, a residential property insurance policy shall have the policy limits for the primary dwelling and other structures coverages increased by an amount equal to 50-percent of the policy limits for each of these coverages. The 50 percent additional amount of policy limits

described in this subdivision shall be in addition to any extended replacement cost coverage, as defined in Section 10102, that may be included in the policy.

### **Related/Prior Legislation**

*AB 2199 (Kehoe, Chapter 311, Statutes of 2004).* Specified that in the event of a loss relating to a declared state of emergency, no time limit of less than 24 months may be placed on the insured to collect the full replacement cost of the loss, subject to the policy limit. This bill also stated insurers are not prohibited from allowing the insured additional time to collect the full replacement cost.

*AB 1772 (Aguiar-Curry, Chapter 627, Statutes of 2018).* Extended the minimum time for homeowners to rebuild or replace their homes after a declared disaster from 24 to 36 months while still receiving full replacement cost coverage.

*SB 894 (Dodd, Chapter 618, Statutes of 2018).* After a total loss of a home in a declared disaster area, required an insurer to renew a residential insurance policy for at least two annual renewal periods or 24 months. Required an insurer to grant an additional 12-month extension for a total of 36 months for additional living expenses if an insured acting in good faith and with reasonable due diligence encounters a delay, subject to policy limits. Allowed an insured to combine payments for actual losses up to the policy limits for the primary dwelling, other structures and contents, limited to the amount necessary to rebuild or replace the home if the policy limits for the dwelling are insufficient. Specified that the payments for losses shall be full replacement value without requiring the replacement of the other structures or contents.

*SB 240 (Dodd, Chapter 502, Statutes of 2019).* Required CDI to publish a bulletin regarding significant California laws pertaining to property insurance policies and an insurance adjuster handbook. Required specified unlicensed independent insurance adjusters to read and understand those materials. Required insurers to provide a claimant with the contact information of an individual or team who will be familiar with the claim if the insurer assigns a third or subsequent adjuster to the claim within a six-month period.

*SB 872 (Dodd, Chapter 261, Statutes of 2020).* Expanded several consumer protections related to additional living expenses, time to collect replacement value, contents coverage, and relocation after a loss.

*SB 1040 (Rubio, Chapter 540, Statutes of 2022).* Authorized the Insurance Commissioner to require an unlicensed person subject to the Commissioner's jurisdiction to pay restitution for a loss arising from the unlicensed person's conduct.

*SB 877 (Pérez).* Expands requirements for loss-estimate transparency in residential property insurance claims including the disclosure of all versions of claim-related documents, changes made to them, the person responsible for the changes, and the reason why they were made.  
*Pending in Senate Insurance Committee.*

*SB 878 (Pérez).* Codifies regulations pertaining to an insurer's responsibility to respond to and pay claims. Imposes penalties for non-compliance with these timelines and requires insurers to submit data to CDI related to their compliance with these provisions. *Pending in Senate Insurance Committee.*

**Double Referral**

Should this bill pass out of this committee, it will be heard in Senate Judiciary Committee, which will analyze the issues in this bill under its purview.

**ARGUMENTS IN SUPPORT:**

*Insurance Commissioner Ricardo Lara, sponsor of the bill, states:*

“I write in strong support of your SB 876, which would strengthen consumer protections in residential property insurance by requiring regularly updated replacement cost estimates, access to meaningful coverage options, and timely claim payments after a wildfire or other covered disaster. SB 876 also requires insurers to offer extended and guaranteed replacement cost coverage, provide sufficient building code upgrade coverage, and follow clear timelines for issuing claims benefits. These reforms are designed to reduce underinsurance, prevent delays, and support faster, more stable recovery for disaster-impacted families and communities.

California’s wildfire season has become longer, more destructive, and more expensive, leaving thousands of families displaced each year. Many homeowners only discover after a total loss that their insurance coverage is far below the true cost to rebuild. Rising construction costs, and updated building codes have widened the gap between policy limits and actual rebuilding expenses. Survivors also frequently encounter delays in receiving claim payments, which prolongs displacement, increases financial strain, slows community recovery and deepens the long-term impacts of catastrophic events.

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 and guaranteed 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 establishes firm timelines for issuing actual cash value and replacement cost payments, improving transparency and consistency in claim handling. Together, these reforms reduce underinsurance, accelerate recovery, and support long-term community resilience.”

**ARGUMENTS IN OPPOSITION:**

*The insurance associations known as the “Trades” state:*

“SB 876 is an incredibly far-reaching measure that contains more than 20 different policy proposals, which impact insurers and policyholders in a variety of adverse ways. Among its most troubling provisions, it imposes costly mandates such as guaranteed replacement cost, higher additional living expense limits, and full contents payouts that will significantly raise premiums and further strain California’s insurance market. These mandates shift insurance from

indemnification to guaranteed benefits, increasing the price that Californians must pay for their insurance, regardless of their needs or choices. The trades support targeted, workable reforms that improve transparency, communication, and consumer protections following disasters—but those goals can be achieved without imposing increased costs and unlimited liability exposure that will further destabilize California’s homeowners’ insurance market and accelerate insurer withdrawals from high-risk regions.

SB 876 includes numerous provisions that are priceable but will result in major premium increases for all Californians. For example, imposing retroactive coverage expansions like mandatory additional 50% extended replacement cost and doubling additional living expense coverage after a disaster may sound beneficial to policyholders, but once the increased exposure from these coverage mandates are priced into every Californian’s homeowner’s insurance policy regardless of need or consumer choice, the “sticker shock” will be detrimental to residents across the state, including those who reside in low wildfire risk areas.

SB 876 also substantially expands administrative penalties and restitution authority in ways that raise serious due process and market stability concerns. The bill automatically escalates penalties for alleged unfair practices during a declared state of emergency, regardless of whether the conduct caused actual consumer harm, and authorizes restitution untethered from demonstrated financial loss.

At a time when the market is already unstable, the provisions of SB 876 significantly inflate claim severity, deplete cash reserves, reduce fraud controls, and impose outsized administrative penalties, breaking the connection between priced limits and actual exposure. By decoupling coverage from underwriting and rating—without any mechanism for expedited rate relief, the bill creates substantial retroactive exposure during catastrophes when capital is already strained. This risk is especially acute in wildfire prone regions, where demand surge is extreme, and reinsurance capacity is limited. Rising compliance costs and expanded liabilities will make it harder for insurers to continue writing new or renewal policies, especially in high-risk- areas, forcing more carriers to scale back or leave the state.”

**SUPPORT:**

Insurance Commissioner Ricardo Lara / California Department of Insurance (Sponsor)

AARP

California Environmental Voters

City of Los Alamitos

City of Laguna Beach

City of Los Angeles

United Policyholders

**OPPOSITION:**

American Property Casualty Insurance Association

California Building Industry Association

Civil Justice Association of California

National Association of Mutual Insurance Companies

Pacific Association of Domestic Insurance Companies

Personal Insurance Federation of California

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