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# SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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## SB 876 (Padilla) - Fire and residential property insurance

**Version:** April 13, 2026

**Urgency:** No

**Hearing Date:** May 4, 2026

**Policy Vote:** INS. 5 - 2, JUD. 11 - 2

**Mandate:** Yes

**Consultant:** Janelle Miyashiro

**Bill Summary:** SB 876 establishes specific timelines for insurers to pay both actual cash value and replacement costs to policyholders who have experienced the total loss of an insured structure. To assist in the recovery process, the bill expands the coverage available for dwelling losses to include the costs of mandatory building code upgrades. It further clarifies and expands the options available to policyholders for using additional living expense coverage following a loss.

To ensure transparency throughout the claims process, the bill mandates greater disclosure requirements for certain policyholders and their claim-related documents. When multiple adjusters are assigned to a single case, insurers must assign and make available a primary claims adjuster and provide the policyholder with timely written status reports.

SB 876 increases requirements for insurers to offer and account for the provision of extended replacement cost coverage. During a declared state of emergency, the bill raises policy limits for residential property insurance for covered losses and requires insurers to offer the full coverage limit for lost personal property without requiring an itemized list. Additionally, insurers must provide regular updates to policyholders regarding the costs necessary to rebuild or replace insured structures and allow them to combine different coverages to complete the rebuilding process.

SB 876 requires insurers to develop, maintain, and submit a detailed disaster response plan to the California Department of Insurance (CDI). Finally, the bill increases liability for penalties fixed by the Insurance Commissioner for unfair insurance practices and expands the Commissioner's authority to order restitution by insurers or licensees for losses arising from their conduct.

### **Fiscal Impact:**

- CDI reports a fiscal impact of \$69,000 to review updated filings and California Standard Form Fire Insurance Policy (standard form) from insurers (Insurance Fund). CDI notes that because the bill requires insurers to comply by July 1, 2027, this would result in a one-time impact in Fiscal Year 2026-27.
- Staff notes there may be other potential increases in administrative and enforcement workload for CDI to monitor compliance with the bill's expanded regulatory framework, including the review of required disaster response plans. The broadened authority of the Insurance Commissioner to order restitution and penalties may also result in increased investigative and enforcement activities. New mandates regarding payment timelines and emergency coverage could lead to a higher volume of consumer service inquiries and subsequent complaint intake and enforcement

actions. Total administrative and enforcement costs to CDI are unknown, but may range from absorbable to the hundreds of thousands of dollars. Penalty revenue may offset workload impacts to CDI to some extent.

**Background:** *Additional Living Expenses (ALE):* 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 (ACV) 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.

### **Proposed Law:**

- Establishes civil penalties for unfair competition or deceptive acts or practices relating to a state of emergency: \$5,000 to \$10,000 per act, increasing to \$10,000 to \$20,000 per act if the act is willful.
  - Authorizes the commissioner to, in addition to other penalties, restitution for losses caused by such conduct.
- Requires insurers under an open fire policy to pay the ACV for the total loss of a primary structure and other insured structures within 30 calendar days from the date of the loss. If payment is not made within this timeframe, interest payable to the insured is accrued.

- Following ACV payment, requires an insurer to pay the undisputed replacement costs, up to the policy limits, within 30 calendar days from the occurrence of either:
  - The date the insured signs a valid contract with a licensed contractor to rebuild the insured structure at its original or another location.
  - The date the insured enters into contract or escrow to purchase a replacement home at another location.
- Provides that 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 the building code upgrade cost payable under a policy includes all costs as if the insured structure been completely rebuilt at its original location.
- Specifies an insurer must provide the list of items that it believes may be covered under the policy as ALEs in writing and authorizes this list to be transmitted electronically.
- Requires ALE coverage under a homeowner's insurance policy to reimburse all reasonable expenses incurred above the insured's pre-loss spending to maintain a comparable standard of living while a dwelling uninhabitable due to a covered loss. Subject to policy limits, these covered costs include temporary housing, furniture rental, food, transportation, storage, and boarding of pets.
- Authorizes an insured to choose to collect the monthly fair rental value for the time the insured dwelling is not habitable, rather than seek reimbursement for itemized expenses under a covered loss ALE claim.
  - Fair rental value is the amount the furnished insured dwelling could have been rented for at the time of the loss.
- Provides 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 is to 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.
- Expands the definition of "claim-related documents" under the standard form to include all documents that relate to the evaluation of damages, whether preliminary or final, that relate in any way to the amount of loss, covered damage, and cost of repairs.
- Mandates that if an insurer assigns multiple adjusters to a claim under the standard form, they must provide the insured with a written status report within five business days. This report must include the coverage amounts for structures or contents, the total dollar amount paid to date for each coverage category, and a list of all disputed or pending items.

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

- Specifies if there is a covered loss relating to a state of emergency, a residential property insurer must:
  - 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.
  - 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.
- 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.
- 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.
- 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.
- 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
- Makes technical and conforming changes.