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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 14, 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.

### \*\*\*\*\* ANALYSIS ADDENDUM – SUSPENSE FILE \*\*\*\*\*

The following information is revised to reflect amendments  
adopted by the committee on May 14, 2026

#### **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 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.

**Author Amendments:**

- Specify restitution orders against a person engaged in unfair claims settlement practices are limited to an identifiable claimant and must be based on evidence of actual harm. Further specify that restitution may be ordered only after notice and an opportunity for a hearing.
- Strike provisions related to the timely payment of replacement cost limits and actual cost value for primary and other structures.
- Strike the provision mandating additional living expense (ALE) coverage following a declared disaster.
- Prohibit 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. Specify this offer must clearly state the additional premium cost to the consumer.
- Strike the provision regarding claimant notification requirements when requesting claims-related documents.
- Strike the provision mandating extended replacement cost coverage for losses related to a declared state of emergency.
- Revert provisions regarding personal property inventory requirements to existing law.
- Make other technical and conforming changes.
- Add a coauthor.

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