

Date of Hearing: June 30, 2026

ASSEMBLY COMMITTEE ON JUDICIARY
Ash Kalra, Chair
SB 876 (Padilla) – As Amended June 25, 2026

SENATE VOTE: 30-9

SUBJECT: FIRE AND RESIDENTIAL PROPERTY INSURANCE

SYNOPSIS

On January 7, 2025, two massive wind-driven wildland fires became urban conflagrations in the greater Los Angeles area. By the time the sun rose over Los Angeles on January 8th, more than 11,000 homes were destroyed in the Eaton and Palisades Fires. Sadly, these fires were far from the first time in the last decade entire communities were destroyed by wildfire. From Paradise to Santa Rosa, communities across California are experiencing the devastating impact of wildfire and the long and arduous process to rebuild after disasters. Not only have these fires devastated communities, they have highlighted the inadequacy of California's existing insurance laws to guide the response to the catastrophic incidents.

This bill seeks to modernize California insurance law to better protect the victims of large-scale disasters. The bill requires insurers to develop recovery plans, addresses instances where there are multiple claims adjusters assigned to a claim, requires a mandatory offer of extended replacement coverage through additional living expenses, enhances the Insurance Commissioner's ability to seek restitution from bad actors, and increases penalties for violations of the law during declared emergencies. It should be noted that only the final two aspects of the bill fall within the jurisdiction of this Committee, and therefore these aspects of the measure will be the primary focus of this analysis.

This measure is sponsored by Insurance Commissioner Ricardo Lara and is supported by several local governments and groups representing senior citizens. The proponents note that recent wildfires demonstrate how vulnerable average Californians are after disasters and that existing laws governing the practices of insurers are inadequate to protect California residents. The bill is opposed by the insurance industry who contend this bill will only further increase the cost of insurance in the state and further destabilize an already unsteady insurance market. This bill was previously heard and approved by the Committee on Insurance by a vote of 13 to four.

SUMMARY: Authorizes the Insurance Commissioner to order a person who engages in an unfair method of competition or an unfair or deceptive act or practice to provide restitution and if the facts and equity permit, rescission for loss arising from their conduct. Specifically, **this bill:**

- 1) Provides that a person who engages in an unfair method of competition or an unfair or deceptive act or practice, as defined, relating to a state of emergency, is liable to the state for a civil penalty, to be fixed by the Insurance Commissioner, of no less than five thousand dollars (\$5,000) for each act, not to exceed ten thousand dollars (\$10,000) for each act, or, if the act or practice was willful, a civil penalty of no less than ten thousand dollars (\$10,000) for each act, not to exceed twenty thousand dollars (\$20,000) for each act.

- 2) Authorizes for the purposes of 1), the Insurance Commissioner to define what conduct constitutes an individual act, as specified.
- 3) Provides that the penalty imposed pursuant to 1) is to be imposed and determined by the Insurance Commissioner, but that the means of appealing an act of the Insurance Commissioner provided in existing law apply to the penalty.
- 4) Authorizes in addition to the civil penalties provided in 1) the Insurance Commissioner (IC) to seek a restitution order against a person who engages in an unfair claims settlement practice, as specified.
- 5) Provides that the restitution order issued pursuant to 4) is subject to a notice and opportunity for hearing conducted in accordance with the Administrative Procedure Act.
- 6) Clarifies that nothing in 1) through 5) authorizes a private right of action.
- 7) Requires, commencing April 1, 2028, and every two years thereafter, an admitted insurer with written California premiums totaling twenty million (\$20,000,000) or more to submit a report to the commissioner on its residential property experience data for the previous three years for policies written in California, reported by individual policy, as specified.
- 8) Prohibits, that if there is a total loss of an insured structure, a policy issued or delivered in this state from containing a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, the payment of the building code upgrade cost or full replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement.
- 9) Provides that, notwithstanding 8), the measure of indemnity is not to exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location, up to the limits stated in the policy.
- 10) Provides that if the insured has decided to rebuild at a new location or to purchase an already built home at a new location, the building code upgrade cost payable is to include all costs that would have been incurred if the insured structure had been completely rebuilt at its original location.
- 11) Requires additional living expense coverage under a homeowners' insurance policy to include reimbursement for all reasonable additional expenses incurred by the insured, over and above the expenses incurred before the loss, for the insured to maintain a comparable standard of living for the time the insured dwelling is not habitable due to a covered loss, up to the limits in the policy, if any, including temporary housing, furniture rental, food, transportation, storage, and boarding of pets.
- 12) Provides that under a homeowners' insurance policy for which the insured has made a claim for additional living expenses, the insured may choose to exercise the option, in lieu of seeking reimbursement for itemized expenses, to collect the monthly fair rental value of the dwelling for the time the insured dwelling is not habitable due to the covered loss, up to the limits of the policy, if any.

- 13) Clarifies that the additional living expenses provided pursuant to this bill is to be for the period of time that the insured premises is deemed uninhabitable and extend 15 calendar days beyond the date upon which the premises is deemed habitable for the insured to make the necessary arrangements to move back into the premises.
- 14) Provides that if an insurance company assigns a subsequent adjuster to be primarily responsible for a claim, the insurer, in a timely manner, must provide the insured with a written status report within 15 calendar days of the assignment, as specified.
- 15) 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, and 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.
- 16) Requires that residential property insurance insurers must notify the Department of Insurance 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.
- 17) Requires residential property insurers to submit a detailed disaster response plan to Department of Insurance 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 Insurance 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.
- 18) Provides that 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 Department of Insurance 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 Insurance Commissioner within 21 calendar days of a state of emergency being declared, the losses, claims, and estimated total incurred losses for review, upon which the Insurance Commissioner must 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 Department's website.
- 19) Specifies that during a state of emergency, if a licensee receives a written or oral inquiry from the Department of Insurance 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.

- 20) Allows the Insurance 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.
- 21) 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.
- 22) 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 the Department of Insurance, to be led by an independently elected Commissioner, to regulate specified insurers and insurance practices in this state. (Insurance Code Section 100 *et seq.*)
- 2) Requires any person who solicits, negotiates, or effects contracts of insurance in this state to hold a valid license issued by the Commissioner, except as provided. (Insurance Code Section 1631.)
- 3) Requires, in the event of a total loss covered by a homeowners’ insurance policy when the insured has made a claim for additional living expenses, the insurer to provide a list of items the insurer believes may be covered. (Insurance Code Section 2060.)
- 4) Provides that for a covered loss relating to a state of emergency, coverage for additional living expenses 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. (*Ibid.*)
- 5) Authorizes the Insurance Commissioner to order a respondent to provide for restitution arising from their conduct so long as the restitution order meets the following:
 - a) The respondent shall be subject to the commissioner’s jurisdiction;
 - b) The restitution order is ancillary to another proceeding authorized by the Insurance Code in which the Insurance Commissioner determines the respondent violated the Insurance Code, or applicable standards of conduct for the capacity in which they were acting, and

- the Insurance Commissioner issues an order imposing a cease and desist order, an order for a monetary penalty, or another sanction with respect to the respondent's conduct;
- c) The restitution order cites the factual basis for the order;
 - d) The restitution order states the persons or classes of person who suffered a loss; and
 - e) The restitution order states the amount to be paid or property returned as restitution. (Insurance Code Section 12928.7 (b).)
- 6) Provides that a restitution order issued pursuant to 5) is subject to judicial review in the same manner and at the same time as the order to which it is ancillary. (Insurance Code Section 12928.7 (c).)
 - 7) Provides that a restitution order issued pursuant to 5) may be judicially enforced in an action brought by the Insurance Commissioner, the Attorney General, a district attorney, a city attorney, or any person owed restitution pursuant to the order, and that a prevailing plaintiff may recover attorney's fees and costs. (Insurance Code Section 12928.7 (d).)
 - 8) Authorizes the Insurance Commissioner to bring an action in superior court in the name of the people to enjoin any person who the Insurance Commissioner believes is violating or is about to violate the Insurance Code, any order issued by the Insurance Commissioner, or any rule promulgated by the Insurance Commissioner. (Insurance Code Section 12928.6.)
 - 9) Provides that a person who engages in any method of unfair competition or unfair or deceptive acts or practices is liable for a civil penalty to be fixed by the Insurance Commissioner not to exceed \$5,000 for each act, or if the act or practice was willful, not to exceed \$10,000. (Insurance Code Section 790.035.)
 - 10) Provides that certain acts or practices in the business of insurance are 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. (Insurance Code 790.03.)
 - 11) Requires that a hearing to determine whether a right, authority, license, or privilege should be revoked, suspended, limited, or conditioned to be initiated by filing an accusation or District Statement of Reduction in Force, and that the accusations be a written statement of charges that shall set forth in ordinary and concise language the acts or omissions with which the respondent is charged, to the end that the respondent will be able to prepare their defense. (Government Code Section 11503.)
 - 12) Provides that the written statement of charges specified in 11) include the statutes and rules that the respondent is alleged to have violated, but not consist merely of charges phrased in the language of those statutes and rules, as specified. (*Ibid.*)
 - 13) Requires a hearing to determine whether a right, authority, license, or privilege should be granted, issued, or renewed to be initiated by filing a statement of issues. (Government Code Section 11504.)

- 14) Requires upon the filing of the statement of issues specified in 13), the respondent to be served a copy of the document, and if a hearing is requested by the respondent, the respondent to seek the hearing, in writing, within 15 days. (Government Code Section 11505 (a).)
- 15) Provides that every hearing in a contested matter arising out of a statement of issues to be overseen by an administrative law judge. (Government Code Section 11512.)
- 16) Provides that judicial review of an administrative law judge's decision may be had by filing a petition for a writ of mandate in accordance with the provisions of the Code of Civil Procedure, subject, however, to the statutes relating to the particular agency. (Government Code Section 11523.)

FISCAL EFFECT: As currently in print this bill is keyed fiscal.

COMMENTS: The Palisades and Eaton Fires that struck Los Angeles County in 2025, along with the litany of devastating urban configurations that have struck this state in the last decade, have demonstrated that California's existing insurance laws are no longer equipped to handle large scale wildfires and the lengthy rebuilding process associated with these disasters. This bill aims to update California's insurance laws to better address the aftermath of large-scale urban wildfires. In support of the bill the author states:

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.

Post-wildfire recovery is a multi-year process. Unfortunately, the Palisades Fire and the Eaton Fire were not California's first experience with massive urban configurations. Since 2015, California has seen some of the most destructive wildfires in the nation's history. A prime example guiding how rebuilding in Los Angeles County is likely to unfold can be found in Santa Rosa. In 2017, the Tubbs Fire destroyed more than 3,000 homes and large portions of several neighborhoods in the Sonoma County city. Although rebuilding took several years, the overwhelming majority of the properties lost in the Tubbs Fire have been rebuilt; city infrastructure has been restored; and the parks and schools damaged by the flames have also been restored. (Paulina Pineda, *Santa Rosa wrote the playbook for the long road to recovery after 2017 Tubbs Fire. These lessons could aid Los Angeles*, The Santa Rosa Press Democrat (Feb. 2, 2025) available at: <https://www.pressdemocrat.com/article/news/santa-rosa-fire-lessons-los-angeles/#:~:text=More%20than%20seven%20years%20since,risen%20in%20the%20burn%20area>.) In fact, a large-scale study of post-fire rebuilding efforts notes that nearly 60 percent of properties destroyed in wildfires were rebuilt within six years of the fire and that virtually all properties were restored within 20 years. (Kramer et al, *Post-wildfire rebuilding and new development in California indicates minimal adaptation to fire risk* (2021) 107 Land Use Policy 105502, available at:

<https://www.sciencedirect.com/science/article/abs/pii/S0264837721002258#:~:text=Rebuilding%20was%20common%3A%2058%25%20of,course%20of%2013%E2%80%9325%20yr.>)

Given the lengthy rebuilding process, displaced families will need to find temporary shelter and the ability to cover basic living expenses while trying to put their lives back together. Recognizing that whether one's home is rendered unoccupiable in a wildfire, a basic structure fire, or other calamity, many homeowner insurance policies contain additional living expenses riders permitting the insured party to seek reimbursement for the cost of rent, clothing, pet boarding and other expenses unrelated rebuilding to the damaged property. Typically, the term in which these additional expenses must be paid is guided by the terms of the insurance policy. However, as the experience of the Los Angeles County wildfire survivors is demonstrating, many of the existing insurance terms for additional living expenses are inadequate when entire neighborhoods are destroyed.

Beyond additional living expenses provisions of insurance contracts, the protracted rebuilding timelines faced by wildfire survivors is also highlighting issues with the current insurance laws related to changing insurance adjusters, as people are more likely to change jobs during a multi-year rebuilding process. Additionally, as unfortunately occurs during many major disasters, bad actors are trying to game the system, and the Insurance Commissioner appears to lack the tools to adequately seek redress for insureds.

This bill updates insurance laws to address post-disaster rebuilding. This bill seeks to modernize California's insurance laws to better address the aftermath of catastrophic wildfires and other large-scale natural disasters. The bill requires insurers to develop recovery plans, addresses instances where there are multiple claims adjusters assigned to a claim, requires a mandatory offer of extended replacement coverage through additional living expenses, enhances the Insurance Commissioner's ability to seek restitution from bad actors, and increases penalties for violations of the law during declared emergencies. Only the final two aspects of this bill fall within the jurisdiction of this Committee, and as such the remainder of the analysis will focus on those aspects of the bill. Those seeking a more detailed analysis of the other provisions of the bill are encouraged to read the Committee on Insurance's analysis of this measure. (Assem. Com. on Ins., Analysis of Sen. Bill No. 876 (2025-26 Reg. Session) as amended June 18, 2026.)

As it pertains to the jurisdiction of this Committee this bill advances two primary policy goals. First, the bill seeks to authorize the Insurance Commissioner to issue a restitution order or rescission against a licensee that is found to have engaged in certain unfair methods of competition or unfair or deceptive acts or practices in addition to any other penalties that can be assessed against a licensee. Secondly, the bill provides that a person who engages in certain unfair methods of competition, or unfair or deceptive acts or practices relating to a state of emergency, is subject to a civil penalty to be fixed by the Commissioner at no less than \$5,000 but not more than \$10,000 for each act, except that if the act is willful then the civil penalty can be no less than \$10,000 but no greater than \$20,000.

This bill provides the Insurance Commissioner new powers to penalize bad actors while preserving due process. This bill vests significant new civil penalty authority in the Insurance Commissioner, as well as the power to seek restitution. The bill contemplates all of these penalties and actions to be imposed administratively by the Insurance Commissioner. Anytime an agency is provided broad authority, due process concerns can arise. Unlike traditional civil penalties which a judge or jury renders as a final decision on liability, agency processes defer to

agency staff and administrative law judges. While the administrative law judge is a neutral third party, the role of agency staff can add bias concerns.

Although this bill defers to the administrative law process, it explicitly authorizes appeals to the superior court in conformity with existing law for agency decision making (see, Government Code Section 11523). Given that the bill clearly adopts the existing law's procedures for appealing an administrative decision to the appropriate superior court, this bill should not impede any due process rights of insurers.

ARGUMENTS IN SUPPORT: This bill is sponsored by Insurance Commissioner Ricardo Lara and is supported by several local governments and groups representing senior citizens. In support of the bill, the Insurance Commissioner writes:

SB 876 would strengthen consumer protections in residential property insurance by requiring regularly updated replacement cost estimates, access to meaningful coverage options, stronger enforcement mechanisms, and greater consistency in adjuster communications after a wildfire or other covered disaster. SB 876 also requires insurers to offer extended replacement cost coverage and provide sufficient building code upgrade coverage. 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.

Last year, a series of 14 destructive wildfires affected the Los Angeles and San Diego County Regions. Most of the damage occurred because of the Eaton Fire in Altadena and the Palisades Fire in Pacific Palisades, where more than 12,000 homes were destroyed or damaged. Unfortunately, although climate change has contributed to more severe wildfires and winter storms, decades-old insurance laws have not kept pace. A year later, wildfire survivors have continued to report on-going problems with accessing their insurance benefits with delays, denials, and miscommunication from insurance companies.

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.

ARGUMENTS IN OPPOSITION: This bill is opposed by organizations representing the largest insurance companies operating in the state. In opposition to the bill, the insurance industry coalition jointly writes:

SB 876 is an incredibly far-reaching measure that contains more than 18 different policy proposals, which impact insurers and policyholders in a variety of adverse ways. While we appreciate productive discussions with the author and recent amendments that address some major issues, we remain concerned that SB 876 will result in substantial cost increases for policyholders and added pressure for insurers to manage the increased catastrophe exposure, penalties, and litigation risk by restricting insurance availability.

Among its more troubling provisions, it imposes costly mandates such as the expansion of Building Code Upgrade (BCU) coverage to at least 20% regardless of the actual exposure presented by a particular property or jurisdiction. This approach is untethered from real-world code risk, which varies dramatically across California depending on local building requirements, wildfire standards, permitting practices, and reconstruction rules.

The bill also creates significant uncertainty by requiring BCU benefits to be paid based on rebuilding standards applicable at a new location rather than the insured location at the time of loss. If an insured relocates to a different jurisdiction following a total loss, insurers become responsible for unknown and potentially far more expensive local regulatory requirements over which they have no underwriting visibility or ability to price in advance.

Further, if BCU obligations are determined based on the codes in effect at the time of rebuild rather than the time of loss, the bill converts what should be a defined and measurable risk into an unknown moving target. Building codes frequently change following catastrophes, particularly in wildfire-prone regions where new defensible space, energy efficiency, and resiliency standards are regularly adopted. Tying insurer obligations to future regulatory decisions that may not exist at the time a policy is written fundamentally undermines actuarial predictability and the ability to accurately price coverage.

As a result, the proposal increases rate pressure statewide because insurers must price for expanded and highly variable exposure that cannot be consistently measured across jurisdictions. Properties in areas with relatively modest code requirements could bear the cost of a statewide mandate designed around worst-case regulatory environments.

These mandates shift insurance away from its core function of indemnification toward more standardized, enhanced 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 cost increases and expanded liability exposure that will further destabilize California's homeowners' insurance market. This impact will not be limited to high-risk areas; it will be felt statewide, including by residents in lower-risk regions. If the Legislature's goal is to improve affordability, these provisions will have the opposite effect.

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.

REGISTERED SUPPORT / OPPOSITION:

Support

Insurance Commissioner Ricardo Lara / California Department of Insurance (sponsor)
AARP
CDP Rural Caucus
City of Lake Forest

Opposition

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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