Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 876 (Padilla) – As Amended June 25, 2026

Policy Committee:	Insurance	Vote:	13 - 4
	Judiciary		9 - 3

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill makes various changes to fire and residential property insurance coverage to support policyholders after a covered loss and enhances the Insurance Commissioner's (IC's) ability to provide related oversight and enforcement.

Specifically, this bill, operative January 1, 2028:

1) Provides that a person who engages in unfair competition or a deceptive act in the business of insurance related to a state of emergency is liable for a civil penalty imposed by the IC of up to $10,000 for each act or $20,000 if the act was willful, and authorizes 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.

2) Revises an existing IC data call requirement to require an admitted insurer with written California premiums totaling $20 million or more to submit a report by April 1, 2028, and every two years thereafter, with certain residential property experience data for the previous three years, reported by individual policy.

3) Requires, if there is a total loss of the insured structure and the policyholder decides to rebuild at a new location or to purchase a built home, the amount of the building code upgrade cost payable under a policy to include all costs as if the insured structure is completely rebuilt at its original location.

4) Revises requirements related to additional living expenses coverage, authorizes the insurer to offer the policyholder the option to collect the monthly fair rental value of the dwelling in lieu of reimbursement for itemized expenses, and prohibits the issuance or renewal of a policy without offering extended additional living expenses coverage of at least 50% above the policy limit for such expenses.

5) Prohibits a policy from being issued or renewed unless the policyholder is offered extended replacement cost coverage of at least 50% above the policy limit for the primary dwelling and requires an insurer to record whether the policyholder declines the offer.

6) Extends existing law requiring an insurer that provides extended replacement cost coverage to provide a cost estimate for rebuilding or replacing a structure at certain intervals to all insurers, including the California FAIR Plan Association.

7) Requires an insurer to submit a detailed disaster response plan to the Department of Insurance (CDI) outlining how the insurer will handle claims arising from a disaster, including customer service continuity and adjuster training and deployment, by April 1, 2028, which must be updated every two years or upon the IC's request, and authorizes the IC to require post-disaster progress reports or a performance review of an insurer's plan.

8) Requires an insurer, for a covered loss relating to a state of emergency, to: (a) provide a claimant, within 15 days of receiving the claim notice, with an existing CDI notice describing key property insurance policy laws and a toll-free phone number the claimant may call for support, and (b) report to the IC, within 30 days from the state of emergency declaration, the losses, claims, and estimate of total incurred losses from which the IC must determine how often subsequent claims data should be updated and whether to publish data online.

9) Requires the IC to maintain a list of contact information for local officials and community-based organizations that may provide key information after a wildfire emergency event.

10) Requires an insurer, for a claim notice relating to a state of emergency, to assign the policyholder a primary point of contact ("adjuster") who is primarily responsible for the claim within 30 days of receiving the notice, and requires, if the insurer reassigns the claim to a different adjuster, the insurer to provide the policyholder with a written status report and a direct means of communication with the new adjuster within 15 days of the reassignment.

FISCAL EFFECT:

1) One-time costs of approximately $69,000 in fiscal year 2027-28 to CDI to review new filings submitted by insurers to amend policy forms to reflect coverage requirements that would go into effect on January 1, 2028 (Insurance Fund).

   However, it is possible for this bill to result in significant additional administrative and enforcement workload costs to CDI, in excess of $150,000, as this bill authorizes the IC to order new penalties and restitution, requires insurers to submit disaster response plans and other specified data to the IC for review, and requires the IC to develop post-wildfire community resources. Additionally, new mandates on insurers regarding building code upgrade costs, additional living expenses, extended replacement cost coverage, and adjuster assignments may lead to a higher volume of consumer service inquiries and subsequent complaint intake and enforcement actions (Insurance Fund).

2) By vesting significant new civil penalty and restitution authority in the IC, for which appeals are adjudicated in superior court, this bill may result in ongoing cost pressures to the courts in additional workload. The magnitude of such cost pressures is likely minor, but is ultimately dependent on the disposition of such enforcement actions (General Fund or Trial Court Trust Fund).

COMMENTS:

1) **Purpose.** According to the author:

> 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.** ***Role of the IC.*** Existing law authorizes the IC to impose penalties on a person who engages in unfair methods of competition or deceptive acts in the business of insurance and authorizes the IC to order a respondent to provide restitution for a loss arising from the respondent's conduct. This bill authorizes the IC to double the penalty amount if the unfair or deceptive act relates to a state of emergency and additionally order a person who engages in an unfair claims settlement practice to provide restitution for a loss arising from the person's conduct. This bill also requires insurers to submit disaster response plans, additional residential property experience data, and covered loss data relating to a state of emergency to the IC for review.

   Building Code Upgrade Coverage. A property that is rebuilt after a covered loss generally must be brought up to current building code standards, potentially necessitating new plumbing, electrical, or other work to pass building inspections. Building code upgrade coverage pays for some or all of the labor and materials required to improve the property to comply with current standards. In the case of a total loss, this bill requires the amount of building code upgrade costs payable under a policy to include all costs as if the insured structure is completely rebuilt at its original location, even if the policyholder decides to rebuild at a new location or purchase a built home.

   Extended Replacement Cost Coverage. After a disaster, there often are not enough contractors, materials, and related necessities to rebuild a property within a normal timeframe, with high demand causing inflation in rebuilding costs. Extended replacement cost coverage is a policy add-on that provides the option of extending coverage to repair or replace a property over the policy limit, up to a stated percentage or dollar amount. This bill prohibits a policy from being issued or renewed unless the policyholder is offered extended replacement cost coverage of at least 50% above the policy limit for the primary dwelling. Thus, if a policy limit is $500,000, this bill requires the insurer to offer extended replacement cost coverage that would pay at least $750,000 to account for unexpected rebuilding costs.

   Additional Living Expenses. Additional living expenses refer to the expenses covered by the insurer when a property is not safe to live in due to a covered peril. Such expenses may include food and housing costs, extra transportation costs to and from work or school, relocation and storage expenses, and furniture rental for a temporary residence. A policyholder may be required to itemize and account for any covered expenses. Existing law requires additional living expenses to be paid for at least 24 months, and up to 36 months with additional extensions for good cause, for a covered loss relating to state of emergency. This bill revises and adds various requirements related to additional living expenses coverage, including prohibiting the issuance or renewal of a policy without offering extended additional living expenses coverage of at least 50% above the policy limit for such expenses.

3) **Support and Opposition.** This bill is sponsored by IC Ricardo Lara, who argues this bill is "designed to reduce underinsurance, prevent delays, and support faster, more stable recovery

for disaster-impacted families and communities." This bill is also supported by local government entities, consumer groups, and an environmental group.

This bill was opposed by various insurer associations, which argued this bill would "increase the cost of homeowners' insurance for all Californians, reduce the availability and reliability of coverage, and further destabilize an already fragile insurance market." Amendments to this bill adopted by the Assembly Insurance Committee resulted in most, but not all, of these groups removing their opposition to the bill.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081