
UNFINISHED BUSINESS

Bill No: SB 876
Author: Padilla (D), et al.
Amended: 8/20/26
Vote: 21

SENATE INSURANCE COMMITTEE: 5-2, 4/8/26
AYES: Padilla, Becker, Menjivar, Richardson, Rubio
NOES: Niello, Jones

SENATE JUDICIARY COMMITTEE: 11-2, 4/21/26
AYES: Umberg, Allen, Ashby, Caballero, Durazo, Laird, Reyes, Stern, Wahab, Weber Pierson, Wiener
NOES: Niello, Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

SENATE FLOOR: 30-9, 5/27/26
AYES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NOES: Alvarado-Gil, Choi, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Dahle

ASSEMBLY FLOOR: Passed, 8/31/26

SUBJECT: Fire and residential property insurance

SOURCE: Insurance Commissioner Ricardo Lara / California Department of Insurance

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DIGEST: This bill makes various changes to fire and residential property insurance coverage and notification requirements to support policyholders after a covered loss, and enhances the ability of the Insurance Commissioner (Commissioner) to provide related oversight and enforcement.

Assembly Amendments 1) Delete certain enhanced building code upgrade coverage requirements as well as the authorization for combined payment utilization regarding contents coverage. 2) Revise the requirements relating to a point of contact for claims information. 3) Revise reporting requirements for certain admitted insurers to report to the Commissioner specified information related to fire risk. 4) Clarify the responsibility of residential property insurers to offer extended replacement cost coverage. 4) Make this bill's provisions operative on January 1, 2028. 5) Expand coverage related to a total loss during a state of emergency to include loss of use, fair rental value, or similar coverage. 6) Extend certain cost estimate requirements to the California FAIR Plan Association, as specified. 7) Address chaptering issues with SB 877, SB 878, and SB 1206. 8) Make pertinent legislative findings.

ANALYSIS:

Existing law:

1) Establishes civil penalties, fixed by the 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) 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.

3) 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.

4) 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.

5) 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.

6) 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% 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.

7) 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.

8) 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.

9) 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) 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 Commissioner of up to $10,000 for each act or $20,000 if the act was willful, and authorizes the Commissioner 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 data call requirement to require an admitted insurer with written California premiums totaling $20 million or more to submit a report to the Commissioner 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 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 Commissioner's request,

and authorizes the Commissioner 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 provide a claimant, within 15 days of receiving the claim notice, with an existing CDI notice describing key property insurance policy laws and a phone number the claimant may call for support, as well as report to the Commissioner, within 30 days from the state of emergency declaration, the losses, claims, and estimate of total incurred losses for the Commissioner to determine how often subsequent claims data should be updated and whether to publish that data online.

9) Requires the Commissioner 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 who is 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.

Background

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.

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.

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.

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) of the current legislative session, would expand the definition of "claim-related documents" under the California Standard Form Fire Insurance Policy to include all documents that relate to the evaluation of damages, whether preliminary or final, that relate to the amount of loss, covered damage, and cost of repairs.

SB 878 (Pérez) of this legislative session, would establish timelines for insurers to acknowledge, investigate, and determine the status of residential property insurance claims, and require documented justifications for any delays. Also requires that certain payments be issued within 30 days of claim acceptance, the date of loss, as specified, with interest accruing on late payments.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Assembly Appropriations Committee:

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).

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).

SUPPORT: (Verified 8/25/26)

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

AARP
California Environmental Voters
CDP Rural Caucus
City of Los Alamitos
Lafayette; City of
Laguna Beach; City of
Lake Forest; City of
Lamorinda Legislative Coalition
Los Angeles; City of
Placer County Democratic Central Committee Legislation Committee
San Gabriel Valley Economic Partnership
United Policyholders

OPPOSITION: (Verified 8/25/26)

None received

ARGUMENTS IN SUPPORT:

According to Insurance Commissioner Ricardo Lara / California Department of Insurance:

"As a proud sponsor of this measure, I write in strong support of SB 876, authored by Senator Steve Padilla, which 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.

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."

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8/31/26 14:54:07

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