

THIRD READING

Bill No: SB 877
Author: Pérez (D), et al.
Amended: 4/27/26
Vote: 21

SENATE INSURANCE COMMITTEE: 6-0, 4/22/26
AYES: Padilla, Niello, Becker, Menjivar, Richardson, Rubio
NO VOTE RECORDED: Jones

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Residential property insurance: loss estimate transparency

SOURCE: Consumer Watchdog / Every Fire Survivor's Network

DIGEST: This bill expands 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 in any way to the amount of loss, covered damage, and cost of repairs.

ANALYSIS:

Existing law provides the standard form for a fire insurance policy, which insurers use when providing a fire policy.

Existing regulations:

- 1) State that insurers must maintain claims data that is accessible, legible, and retrievable for examination, including the claim number, line of coverage, date of loss and date of payment of the claim, date of acceptance, denial or date closed without payment. This data must be available for all open and closed files for the current year and the four preceding years.

- 2) Specify that insurers record such a file the date the licensee received, date(s) the licensee processed and date the licensee transmitted or mailed every material and relevant document in the file.
- 3) Stipulate that insurers must maintain hard copy files or claims files that are accessible, legible and capable of duplication to hard copy files, for the current year and the preceding four years.
- 4) Specify that after receiving notice of claim, every insurer shall in no more than 15 calendar days acknowledge receipt to the claimant unless payment is made within that period of time, provide to the claimant necessary forms, instructions, and reasonable assistance, including, specifying the information the claimant must provide for proof of claim, and begin investigation of the claim.

This bill expands the definition of “claim-related documents” under the Standard Form Fire Insurance Policy 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.

Related/Prior Legislation

SB 876 (Padilla), of the current legislative session, would require insurers to develop emergency response plans for disasters, as well as create additional consumer-related provisions for homeowners affected by wildfires by addressing matters related to underinsurance, insurer practices, claims resolution, additional living expenses, and building code upgrades.

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

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

According to the Senate Appropriations Committee:

The California Department of Insurance (CDI) reports costs of \$29,000 in Fiscal Year (FY) 2026-27 and \$48,000 in FY 2027-28 to review new homeowner rate filings (Insurance Fund).

Unknown potential increase in enforcement workload for CDI. To the extent that the bill's expanded disclosure requirements lead to significant non-compliance or a high volume of complaints, there may be corresponding cost pressures to CDI related to its investigative and enforcement activities.

SUPPORT: (Verified 5/15/26)

Consumer Watchdog (co-source)
Every Fire Survivor's Network (co-source)
350 Conejo/San Fernando Valley
AARP
Affordable Homeownership Foundation INC
Altadena Colab
Americans for Financial Reform
Ballona Wetlands Institute
Bay Area System Change Not Climate Change
Bright Operations
California Community Foundation
California Environmental Voters
California Insurance Commissioner Emeritus Dave Jones
California Nurses Association
Center for Biological Diversity
Center for Community Action & Environmental Justice
Center for Community Action and Environmental Justice
Climate Defenders
Consumer Action
Consumer Attorneys of California
Consumer Federation of America
Consumer Federation of California
Consumer Protection Policy Center
Courage California
Defend Ballona Wetlands
Dena Rise Up
Eaton Fire Renters Coalition
Eaton Fire Residents United
Extreme Weather Survivors
Food & Water Watch

Freeport Haven
Green America
Jewish Federation of the Greater San Gabriel and Pomona Valleys
League of California Cities
Leap of Faith Family to Family Support
Los Angeles; City of
My Tribe Rise
Pasadenans Organizing for Progress
Public Citizen
Rancho Cucamonga Chamber of Commerce
Rise Economy
Rural County Representatives of California
San Gabriel Valley Council of Governments
SoCal 350 Climate Action
Sunflower Alliance
Team Palisades
The American Policyholder Association
United Policyholders
West Berkeley Alliance for Clean Air and Safe Jobs
Xtreme Athletics
545 Individuals

OPPOSITION: (Verified 5/15/26)

American Property Casualty Insurance Association
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

ARGUMENTS IN SUPPORT:

According to Consumer Watchdog and Every Fire Survivor's Network, sponsors of this bill:

“SB 877 requires disclosure of all claim documents up front, including original and revised loss estimates, so homeowners can clearly see how their payout was calculated and if changes were made. If the numbers change, policyholders deserve to know.

Insurance companies are already required to keep this information by law and providing it upon request should mean no additional cost to insurance companies or the state. SB 877 simply makes clear that companies must provide all versions

of claims documents to a homeowner, not only the final version. Disclosure can be made in the online portal or other primary method the insurer communicates with the policyholder about the claim.

Insurance is supposed to provide stability. Right now, it is producing instability. After filing a claim, homeowners often see only the insurer's final, reduced version of a loss estimate. They often cannot obtain the original estimate or subsequent revisions, even though these unseen alterations can amount to claim underpayments of \$100,000 or more.

Without transparency, insurers can quietly slash damage estimates and survivors are left in the dark. With transparency, homeowners can verify accuracy, challenge errors, and access the full benefits they paid for.”

ARGUMENTS IN OPPOSITION:

The insurance associations known as the “Trades” state in opposition to a previous version of this bill:

“Claims adjustment is an inherently iterative process. Claim estimates routinely evolve as inspections are completed, pricing data is updated, and scope issues are resolved. Mandating disclosure of every draft, regardless of relevance or finality, would significantly increase administrative burden and divert resources away from timely claim resolution. The bill also risks confusing consumers by flooding them with preliminary and incomplete documents that were never intended to reflect a final valuation or settlement position. Early claims document drafts often change as new information becomes available. Providing multiple evolving estimates without context may fuel misunderstandings, disputes, and mistrust, rather than improving consumer understanding.

SB 877 would further chill internal insurer quality control. Supervisory review and collaboration are essential to ensuring accurate and consistent claims handling. Requiring insurers to identify and justify every internal revision, including naming personnel involved, could discourage routine review and refinement, undermining accuracy and efficiency. Furthermore, naming every person involved in the claims file could create privacy and safety concerns for the people working on these claims in an emotionally heightened environment.

In addition, the bill goes well beyond existing California disclosure requirements, which already provide policyholders with the right to obtain claim-related documents upon request. SB 877 mandates automatic, ongoing disclosure of all

drafts, while imposing no comparable obligations on contractors, public adjusters, or other third parties whose estimates are also frequently revised. This one-sided approach risks distorting the claims process rather than improving fairness. Finally, the provision of the bill that requires that documents remain permanently posted and unaltered raises data security and error-correction concerns, particularly given the sensitive property and valuation information contained in these materials.”

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