
SENATE COMMITTEE ON INSURANCE

Senator Stephen Padilla, Chair

2025 - 2026 Regular

Bill No:	SB 878	Hearing Date:	April 22, 2026
Author:	Pérez		
Version:	April 6, 2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Brandon Seto		

SUBJECT: Insurance business practices

DIGEST: Creates timelines whereby insurers must acknowledge receipt of claims, make determinations about whether to accept or deny a claim, or explain to the policyholder the need for more time to make these determinations, and subsequently pay the claims. Deems any outstanding amount of a claim not addressed by the insurer to be accepted and imposes penalties for late payment. Beginning January 2028, requires insurers to submit data relevant to their compliance with the bill's provisions to the California Department of Insurance (CDI), who must compile this data and starting July 2028, post a quarterly report of payment practices by individual insurers.

ANALYSIS:

Existing law:

- 1) States that under a contract of fire insurance, payment to the insured shall be made within 30 days after the amount of the loss and the liability of the insurer have been agreed upon or settled with the insured.
- 2) Stipulates that under that same contract of fire insurance, if an insurer fails to pay the above amount within the 30 days, the payment shall accrue interest, beginning the 31st day, at the prevailing legal rate. The insurer also shall be liable for all costs of collection, including reasonable attorneys' fees, if legal action is necessary to obtain payment after the insurer has willfully failed to pay within the 30 days.

Existing regulations:

- 1) State that upon receiving any communication from a claimant, regarding a claim, that reasonably suggests that a response is expected, every licensee shall immediately, but in no event more than 15 calendar days after receipt of that communication, furnish the claimant with a complete response based on the facts as then known by the licensee. Communication is not required with a claimant after a notice of legal action by that claimant.
- 2) 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:

- 1) Requires insurers that offer or sell fire insurance, by January 2028, and quarterly thereafter, to provide a prompt-payment compliance data report to CDI, including all of the following:
 - a) Total number of claims received.
 - b) The number of claims handled in compliance with the deadlines provided in the bill's provisions.
 - c) The number of claims that were not handled in compliance with the deadlines provided in the bill's provisions, including the dates on which those claims were handled.
 - d) The number of days late that the insurer responded to an individual claim pursuant to the deadlines established by the bill.
 - e) Total dollar amount of late payments.
 - f) Total dollar amount of any interest paid.
- 2) Requires each quarterly prompt-payment compliance report to provide data from the same quarter of the preceding year.
- 3) Specifies that these reports must be signed by a corporate officer, who must provide their name and title, and a certification that the report is accurate and complete. A corporate officer who knowingly provides false information in a report will be subject to an administrative penalty, as determined by CDI.
- 4) States that CDI must compile the reports' information and publish a quarterly report on its website that details each insurer's prompt-payment compliance data, in a manner specific to each insurer. The first quarterly report must be published by July 1, 2028, and updated subsequently every three months.
- 5) Stipulates that upon receiving notice of a fire insurance claim, excepting a legal action, every insurer within 15 calendar days must:
 - a) Send the claimant an acknowledgement of the receipt of the notice unless payment is made within that time.
 - b) Provide the claimant with the necessary forms, instructions, and reasonable assistance, including, but not limited to, specifying the information the claimant is required to provide for proof of claim.
 - c) Begin any necessary investigation of the claim.
- 6) States that upon receiving proof of a fire insurance claim, an insurer shall within 40 calendar days, accept or deny the claim, in whole or in part, and that amounts accepted, denied, and undetermined be documented in writing to the claimant.

- 7) Specifies that if more than 40 days is required to determine whether a claim will be accepted or denied, in whole or in part, the insurer shall provide the claimant with written notice of the need for additional time within 40 days, detail any additional information needed, and explain the inability to make a determination. Such a written notice must be provided every 30 days until a determination is made or notice of legal action is served. If the determination is dependent on a future event, then the insurer must advise the claimant of the situation and give an estimate of when the determination can be made.
- 8) Stipulates that any amount not identified by the insurer as accepted, denied, or undetermined will be deemed accepted, and that late payment interest will accrue under applicable deadlines.
- 9) States that upon acceptance of a fire insurance claim, in whole or in part, an insurer must within 30 calendar days provide payment based on the amount accepted by the insurer, or fulfill its claim obligation.
- 10) Specifies that an insurer that does not comply with these provisions and payment conditions will be liable to the insured for an additional interest payment on the amount of the accepted claim, in whole or in part, at the rate of 20 percent per year, along with attorney's fees.
- 11) Provides that if the Insurance Commissioner promulgates regulations shortening the timelines in this bill, the shorter timelines shall apply.
- 12) Applies these provisions to claims beginning on or after January 1, 2027.

Background

According to the author:

“SB 878 strengthens existing prompt-payment insurance laws by imposing automatic interest penalties when insurers delay making coverage decisions or issuing payments. Although regulations exist that establish specific deadlines that insurers are required to meet when responding to claims, there is little penalty for insurers that fail to meet these deadlines and therefore no real carryout of these regulations by insurance providers with no actual penalty. That lack of a financial consequence allows insurance companies to make this a routine business practice. By imposing a 20% interest penalty on delayed payments, and deeming any unanswered claim accepted, SB 878 will reduce the financial incentive for insurance companies to delay coverage decisions. Wildfire survivors should be rebuilding instead of being stuck waiting on insurers when and if they decide to respond to insurance claims.”

Suggested Amendments

Delete Section 1078.

Delete paragraph (3) of subdivision (b), and subdivisions (d), (e), (f), (g), and (h) of Section 1078.1.

Add the following:

Section 2051 of the Insurance Code is amended to read:

2051.

(a) Under an open policy, the measure of indemnity in fire insurance is the expense to the insured of replacing the thing lost or injured in its condition at the time of the injury, the expense being computed as of the time of the commencement of the fire.

(b) (1) Under an open policy that requires payment of actual cash value, the measure of the actual cash value recovery, in whole or partial settlement of the claim, for either a total or partial loss to the structure or its contents, shall be the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. A deduction for physical depreciation shall apply only to components of a structure that are normally subject to repair and replacement during the useful life of that structure.

(2) If there is a total loss to the insured structure, the insurer shall pay the actual cash value associated with the primary structure and other insured structures, as determined by this section, within 30 calendar days from the date of loss. A payment that is not made pursuant to this section within 30 calendar days shall accrue interest payable to the insured pursuant to Section 2057.

Section 2051.5 of the Insurance Code is amended to read:

2051.5.

(a) (1) Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or replace the thing lost or injured, without a deduction for physical depreciation, or the policy limit, whichever is less.

(2) If the policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer shall pay the actual cash value of the damaged property, as defined in Section 2051, until the damaged property is repaired, rebuilt, or replaced. Once the property is repaired, rebuilt, or replaced, the insurer shall pay the difference between the actual cash value payment made and the full replacement cost reasonably paid to replace the damaged property, up to the limits stated in the policy.

(3) After an actual cash value payment is made pursuant to Section 2051, an insurer shall pay the undisputed amount of replacement cost associated with the primary structure and other insured structures, up to the limits in the policy, within 30 calendar days from the occurrence of one the following:

(A) The date upon which the insured obtains a valid and executed contract with a licensed contractor to rebuild the insured structure at its original location or at another location.

(B) The date upon which the insured enters into contract or escrow to purchase a replacement home at another location.

(4) A payment that is not made pursuant to this section within 30 calendar days shall accrue interest payable to the insured pursuant to Section 2057.

Related/Prior Legislation

SB 876 (Padilla) 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, personal property contents coverage, and building code upgrades. *This bill is pending in Senate Judiciary Committee.*

SB 877 (Pérez) requires insurers in the event of a covered loss under a residential property insurance policy, to provide the policyholders with claims-related documents and revisions, along with written explanations of any changes, and the person who made them. *This bill is pending in Senate Insurance Committee.*

Double Referral

Should this bill pass out of this committee, it will be referred to Senate Public Safety Committee, however amendments have removed the provisions of the bill under that committee's purview. As such, the bill will be re-referred to Senate Appropriations Committee.

ARGUMENTS IN SUPPORT:

Consumer Watchdog and Every Fire Survivor's Network, sponsors of the bill, state:

"California families are facing two systemic insurance failures. We are afraid we will be unable to buy or keep our insurance when we rebuild. And even when we can buy coverage, we cannot reliably access the benefits we paid for. SB 878 helps ensure we get the benefits we paid for.

After the Eaton and Palisades fires, 70% of insured Los Angeles fire survivors reported that delays, denials, and underpayments are derailing their recovery, according to Department of Angels research. On the one-year anniversary of the fires, 2 in 5 insured survivors report that inconsistent and delayed insurer communications continue to stand in the way of rebuilding. Survivors have documented consistent delay mechanisms: partial disputes used to delay payment of undisputed amounts, rotating adjusters that reset progress and miss deadlines, verbal only denials that prevent enforcement or appeal, and prolonged open claims without written decisions.

SB 878 enforces timelines already in law by imposing a 20% interest penalty on delayed payments. It requires insurers to respond in writing, clearly identify any disputed items, and explain what is needed to resolve them. It requires insurers to pay all undisputed amounts on time, even when other portions of a claim remain unresolved. And it strengthens transparency and accountability to curb prolonged, unresolved claims.

SB 878 does not change the normal progress of a claim under active investigation. Penalties apply only when insurers fail to meet deadlines to respond. If an insurer is missing information, they need only tell the policyholder in writing what they need. If the insurer has scheduled a needed inspection, they need only tell the policyholder in writing they are waiting for the inspection. SB 878 penalizes tactics that delay for delay's sake and leave consumers waiting years for resolution. Insurers need only pay undisputed amounts or tell consumers what is needed to resolve a claim to avoid penalty. When payments stall, recovery stalls. Timely payment determines whether families ever get back home. SB 878 removes the financial incentive to delay and restores accountability to the claims process."

ARGUMENTS IN OPPOSITION:

The insurance associations known as the “Trades” state:

“SB 878 would expand and codify regulatory prompt-payment timelines for fire insurance claims and impose automatic penalties for noncompliance, including interest at a rate of 20 percent per year and mandatory payment of the insured’s attorney’s fees. These penalties would apply even when delays are caused by factors outside an insurer’s control, such as incomplete information, large-scale catastrophes, or ongoing coverage investigations. Such inflexible statutory damages are disproportionate, untethered from actual consumer harm, and provide incentives for attorneys to draw out settlement disputes.

The bill also deems any claim amount not expressly accepted, denied, or identified as undetermined within prescribed timeframes to be automatically accepted. This provision creates significant risk of overpayment and disputes, particularly in complex or evolving loss scenarios, and undermines careful, accurate claim evaluation.

In addition, SB 878 would require insurers to submit quarterly prompt-payment compliance reports signed under penalty of perjury by a corporate officer, and would mandate public, insurer-specific publication of those data by the Department of Insurance. These reporting and public disclosure requirements create reputational risk based on incomplete or misleading data and add substantial compliance costs without clear evidence that existing enforcement tools are inadequate.

California already has robust fair claims settlement regulations, strong regulatory oversight, and enforcement authority to address untimely claims handling. Codifying regulatory timelines, layering punitive statutory damages, and requiring public scorecard-style reporting is likely to increase litigation, raise claim costs, and further strain an already fragile property insurance market—ultimately to the detriment of consumers.”

SUPPORT:

Consumer Watchdog/Every Fire Survivor’s Network (Sponsors)

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 Insurance Commissioner Emeritus Dave Jones

California Nurses Association

Center for Biological Diversity

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
Leap of Faith Family to Family Support
Los Angeles; City of
My Tribe Rise
Pasadenans Organizing for Progress
Public Citizen
Rise Economy
San Gabriel Valley Council of Governments
Sierra Club California
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:

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

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