
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 878 (Pérez) - Insurance business practices

Version: April 27, 2026

Urgency: No

Hearing Date: May 11, 2026

Policy Vote: INS. 4 - 2

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: SB 878 establishes timelines for insurers to acknowledge, investigate, and determine the status of fire insurance claims, and requires documented justifications for any delays. SB 878 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 Impact: Unknown potential increase in administrative and enforcement workload for CDI (Insurance Fund). Actual fiscal impacts will depend on the level of insurer compliance with the bill's expanded notification and claims payment requirements, the volume of consumer complaints, and the complexity of any resulting investigations.

Background: Under existing law, payments for fire insurance claims must be issued within 30 days after the insurer and the insured have agreed upon or settled the loss amount and liability. If the insurer fails to make payment within this period, interest begins to accrue on the 31st day at the prevailing legal rate. Furthermore, should an insurer willfully fail to pay within the 30-day window, they are liable for all costs of collection, including reasonable attorneys' fees, if legal action is required to obtain payment.

Current regulations also establish specific timelines for insurer communication and claim processing. Upon receiving notice of a claim, an insurer has 15 calendar days to acknowledge the claim, provide necessary forms and instructions, and begin an investigation, unless payment is made during that time. Similarly, every licensee is required to provide a complete response to any claimant communication that reasonably suggests a response is expected within 15 calendar days of receipt. This communication requirement remains in effect until a notice of legal action has been filed by the claimant.

Proposed Law:

- Requires insurers, within 15 calendar days of receiving a fire insurance claim that is not a notice of legal action, to do the following:
 - Acknowledge receipt of the notice to the claimant unless payment is made within that period of time.
 - 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.

- Begin any necessary investigation of the claim.
- Requires insurers, within 40 calendar days of receiving a fire insurance claim, to accept or deny the claim, in whole or in part.
 - Requires the amounts accepted, denied, and undetermined to be clearly documented in writing to the claimant.
 - Requires insurers to provide a written notice to a claimant if a determination cannot be made within 40 days; such notice must specify the additional information needed and the continuing factual reasons for the insurer's inability to make a determination.
 - Requires written notice to be provided every 30 calendar days thereafter, until a determination is made or notice of legal action is served. If the determination cannot be made until some future event occurs, the insurer is authorized to comply with this continuous notice requirement by advising the claimant of the situation and providing an estimate of when the determination can be made.
- Requires an insurer, within 30 calendar days of accepting a fire insurance claim, to tender payment or otherwise take action to perform its claim obligation.
- If there is a total loss to an insured structure under an open policy that requires payment of actual cash value (ACV), requires the insurer to pay the ACV associated with the primary structure and other insured structures within 30 calendar days from the date of loss.
- Requires an insurer, after an ACV payment is made under an open policy requiring such, to pay the undisputed replacement cost for the primary and other insured structures, up to policy limits, within 30 calendar days of either:
 - The date upon which the insured obtains a valid, executed contract with a licensed contractor to rebuild the insured structure at its original or new location.
 - The date the insured enters into contract or escrow to purchase a replacement home at another location.
- Provides that unpaid claims beyond the 30-day periods specified above shall accrue interest, payable to the insured.

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