

THIRD READING

Bill No: SB 878
Author: Pérez (D), et al.
Amended: 4/27/26
Vote: 21

SENATE INSURANCE COMMITTEE: 4-2, 4/22/26
AYES: Padilla, Menjivar, Richardson, Rubio
NOES: Niello, Jones
NO VOTE RECORDED: Becker

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

SUBJECT: Insurance business practices

SOURCE: Insurance Commissioner Ricardo Lara/California Department of Insurance
Consumer Watchdog
Every Fire Survivor's Network

DIGEST: This bill 1) establishes timelines for insurers to acknowledge, investigate, and determine the status of fire insurance claims, and requires documented justifications for any delays; and 2) requires that certain payments 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.

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) Codifies existing regulations specifying that upon receiving notice of a fire insurance claim, 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.
- 2) 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.

- 3) Specifies that if more than 40 days are 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.
- 4) 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.
- 5) States that if there is a total loss to an insured structure under an open policy that requires payment of actual cash value (ACV), the insurer must pay the ACV associated with the primary structure and other insured structures within 30 calendar days from the date of loss.
- 6) Stipulates that an insurer, after an ACV payment is made under an open policy requiring as such, must pay the undisputed replacement cost for the primary and other insured structures, up to policy limits, within 30 calendar days of either the insured obtaining a valid, executed contract with a licensed contractor to rebuild the insured structure at its original or new location, or entering into contract or escrow to purchase a replacement home at another location.
- 7) Provides that unpaid claims beyond the 30-day periods specified above shall accrue interest, payable to the insured.

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 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 in any way to the amount of loss, covered damage, and cost of repairs.

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

According to the Senate Appropriations Committee:

Unknown potential increase in administrative and enforcement workload for the California Department of Insurance (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.

SUPPORT: (Verified 5/15/26)

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

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 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: (Verified 5/15/26)

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

ARGUMENTS IN SUPPORT: Consumer Watchdog and Every Fire Survivor's Network, sponsors of this bill, state:

“SB 878 requires insurers to respond to all parts of a claim 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 also speeds payouts after a disaster by requiring insurers to pay the actual cash value of a home that is a total loss after a declared disaster within thirty days of the loss, and requiring insurers to pay any undisputed portion of a home's replacement cost within 30 days of a homeowner signing a contract to rebuild or purchasing a new home. Violation of any of these prompt payment deadlines will

trigger automatic accrual of a 10% interest penalty so the consumer, not the insurer, is paid for the delay. SB 878 does not change the normal progress of a claim under active investigation. Penalties apply only when insurers fail to meet deadlines to pay.

When payments stall, recovery stalls. Timely payment determines whether families ever get back home. SB 878 speeds payment of undisputed claims and restores accountability to the claims process.”

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

“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.”

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5/16/26 9:40:21

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