

Date of Hearing: June 17, 2026

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 878 (Pérez) – As Amended June 10, 2026

SENATE VOTE: 29-6

SUBJECT: Insurance business practices

SUMMARY: Codifies regulations specifying time-frames for payment of a claim under a policy of residential property insurance and adds interest payable to the insured, if the time-frames are not met. Specifically, **this bill:**

- 1) Requires an insurer, upon receiving notice of a claim under a policy of residential property insurance, to do the following within 15 calendar days, unless the notice of claim received is a notice of legal action:
 - a) Acknowledge receipt of the notice to the claimant unless payment is made within that period of 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 loss; and,
 - c) Begin any necessary investigation of the claim.
- 2) Requires an insurer within 40 calendar days upon receiving proof of loss of a residential property insurance claim to accept or deny the claim, in whole or in part. The amounts accepted, denied, and undetermined shall be clearly documented in writing to the claimant.
 - a) Requires an insurer if more than 40 days is required to determine whether a claim will be accepted or denied, in whole or in part, to provide the claimant with written notice of the need for additional time within 40 days. Thereafter, written notice shall be provided every 30 calendar days until a determination is made or notice of legal action is served. If the determination cannot be made until some future event occurs, then the insurer may comply with this continuing notice requirement by advising the claimant of the specific future event and providing an estimate as to when the determination can be made.
 - b) Requires an insurer upon acceptance of a residential property insurance claim, in whole or in part, to immediately, but in no event more than 30 calendar days later, tender payment or otherwise take action to perform its claim obligation
 - i) States that a payment that is not made within 30 calendar days shall accrue interest payable to the insured.
- 3) Requires an insurer, if there is a total loss to the insured structure, to pay the actual cash value associated with the primary structure and other insured structures, within 30 calendar

days from the date the property is determined to be a total loss. Requires a payment that is not made within 30 calendar days to accrue interest payable to the insured.

- a) States that if the insured property is located in an area subject to an evacuation order, restricted access, or other governmental safety restrictions that prevent inspection of the property, the 30-calendar-day period described above shall not commence until the property becomes reasonably accessible for inspection or the insurer has received the information reasonably necessary to determine that the property is a total loss.
 - b) States that if the insurer is awaiting information from the policyholder that is material and relevant to determining the actual cash value of the primary structure and other insured structures, the 30-calendar-day period described above shall be tolled until the necessary information is received.
- 4) Requires an insurer after a payment is made for a total loss, and after the insurer has received adequate proof of loss and documentation reasonably sufficient to determine the amount payable, to 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 either of 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; or,
 - b) The date upon which the insured enters into contract or escrow to purchase a replacement home at another location.
 - i) Requires that a payment that is not made within 30 calendar days to accrue interest payable to the insured.

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. (Insurance Code, Section 2057)
- 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. (Insurance Code, Section 2057)
- 3) States 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. (10 CCR Section 2695.5 (b))

- 4) Specifies 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. (10 CCR Section 2695.5 (e))

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Purpose of the bill:* 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 an automatic interest penalty on delayed payments, 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.”
- 2) *Background:* The Palisades and Eaton wildfires highlighted a number of challenges faced by the survivors. This measure attempts to address one of the challenges by improving payment of insurance claims.

California regulations require insurers to respond to a claim within 15 days of receipt; accept or deny a claim within 40 days of proof; and issue all undisputed payments within 30 days. This measure applies the same timeline into statute and applies an interest penalty when deadlines are not met. Additionally the measure requires the insured more disclosure of disputed claims and more prompt payment of undisputed claims.

More specifically, the bill imposes an automatic interest penalty if a payment deadline is missed, requires insurers to clearly identify any disputed items, in writing, within the 40-day decision window and explain what is needed to resolve them, and requires insurers to pay all undisputed amounts on time, even when other portions of a claim remain unresolved. SB 878 is attempting to get survivors quicker payments 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 would require 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.

The measure attempts to provide an incentive to the insurers to promptly pay otherwise they will have to pay interest on those payments owed to the insured. Insurance Code 2057 specifies a 10% interest payment.

REGISTERED SUPPORT / OPPOSITION:

Support

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
Bayardo Strategies LLC
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 (CCA EJ)
Climate Defenders
Consumer Action
Consumer Attorneys of California
Consumer Federation of America
Consumer Federation of California
Consumer Protection Policy Center
Consumer Watchdog
Courage California
Defend Ballona Wetlands
Dena Rise Up
Eaton Fire Renters Coalition
Eaton Fire Residents United
Every Fire Survivor's Network
Extreme Weather Survivors
Extreme Weather Survivors Action Fund
Food & Water Watch
Freeport Haven
Green America
Individual
Insurance Commissioner Ricardo Lara / California Department of Insurance
Jewish Federation of the Greater San Gabriel and Pomona Valleys
Leap of Faith Family to Family Support
My Tribe Rise
Pasadenans Organizing for Progress
Public Citizen
Rise Economy
Sierra Club California
So Cal 350 Climate Action
Sunflower Alliance
Team Palisades

The American Policyholder Association
West Berkeley Alliance for Clean Air and Safe Jobs
Xtreme Athletics

Opposition

None on file.

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