Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 878 (Pérez) – As Amended June 10, 2026

Policy Committee: Insurance Vote: 14 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill codifies certain regulations prescribing the deadlines by which an insurer must act on certain claims and requires interest to accrue on certain payments not made within 30 days.

Specifically, this bill:

1) Requires an insurer, within 15 days of receiving notice of a residential property insurance claim, to acknowledge receipt of the claim, provide the claimant with certain procedural information, and begin investigation of the claim.

2) Requires the insurer, within 40 days of receiving proof of loss of a claim, to accept or deny the claim in writing to the claimant, and requires the insurer to provide certain notice to claimant if more than 40 days is needed to make a determination on the claim.

3) Requires the insurer, within 30 days of acceptance of a claim, to tender payment on the claim, and requires interest to accrue on a late payment at the prevailing legal rate.

4) Requires an insurer, if there is a total loss to the insured structure under a fire insurance policy, to pay the actual cash value associated with the primary structure and other insured structures within 30 days from the date the property is determined to be a total loss, and requires interest to accrue on a late payment at the prevailing legal rate.

5) Requires the insurer, after the actual cash value payment is made 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 within 30 days of the claimant entering into a contract to rebuild or purchase a replacement home, and requires interest to accrue on a late payment at the prevailing legal rate.

FISCAL EFFECT:

The Department of Insurance (CDI) anticipates no fiscal impact from this bill. However, it is possible for this bill to result in additional costs to CDI, in excess of $150,000, for increased administrative, investigation, and enforcement workload to the extent there is significant insurer non-compliance with prompt payment requirements or a high volume of related consumer complaints (Insurance Fund).

COMMENTS:

1) **Purpose.** According to the author:

> 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.

This bill is co-sponsored by Insurance Commissioner Ricardo Lara, Consumer Watchdog, and Every Fire Survivor's Network and supported by other consumer groups, environmental groups, and community groups.

2) **Claims Timeline.** Existing regulations establish specific timelines for insurer communication and claim processing, requiring an insurer 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 bill codifies these regulations for a residential property insurance claim and requires interest to accrue on a late payment made by the insurer after the 30-day period.

Existing statute requires a payment for a fire insurance claim be issued within 30 days after the insurer and claimant have agreed upon or settled the loss amount and liability, with interest accruing after the 30-day period. This bill requires an insurer, if there is a total loss to the insured structure, to pay the actual cash value of the home within 30 days of the date the property is determined to be a total loss and requires the insurer to subsequently pay the undisputed amount of a home's replacement cost within 30 days of the claimant signing a contract to rebuild or purchase a new home. This bill also requires interest to accrue on these payments if made by the insurer after the 30-day period.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081