SENATE THIRD READING
SB 878 (Pérez)
As Amended August 21, 2026
Majority vote

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.

Major Provisions

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.

COMMENTS

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.

According to the Author
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."

Arguments in Support
According to the sponsor, Consumer Watchdog, "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."

Arguments in Opposition
None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, 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).

VOTES

SENATE FLOOR: 29-6-5
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Grove, Jones, Seyarto, Strickland
ABS, ABST OR NV: Dahle, Gonzalez, Niello, Ochoa Bogh, Valladares

ASM INSURANCE: 14-0-3
YES: Calderon, Wallis, Addis, Papan, Ávila Farías, Berman, Gipson, Harabedian, Krell, Nguyen, Ortega, Petrie-Norris, Michelle Rodriguez, Valencia
ABS, ABST OR NV: Chen, Ellis, Hadwick

ASM APPROPRIATIONS: 12-0-3
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
ABS, ABST OR NV: Dixon, Ta, Tangipa

UPDATED

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