UNFINISHED BUSINESS

Bill No: SB 878
Author: Pérez (D), et al.
Amended: 8/21/26
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

SENATE FLOOR: 29-6, 5/26/26
AYES: 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
NOES: Alvarado-Gil, Choi, Grove, Jones, Seyarto, Strickland
NO VOTE RECORDED: Dahle, Gonzalez, Niello, Ochoa Bogh, Valladares

ASSEMBLY FLOOR: Passed, 8/31/26

SUBJECT: Insurance business practices

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

DIGEST: This bill codifies regulations specifying timeframes for payment of a claim under a policy of residential property insurance and adds interest payable to the insured, if those timeframes are not met.

Assembly Amendments 1) Revise the bill's applicability to residential property insurance. 2) Specify the circumstances where an insurer must pay actual cash value and undisputed replacement cost amounts under a total loss of a property. 3) Add coauthors. 4) Address chaptering issues with SB 876.

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) 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.

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.

3) 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.

4) 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.

5) States that a payment that is not made within 30 calendar days shall accrue interest payable to the insured.

6) 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.

7) 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.

8) 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.

9) 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, with interest owed to the insured if a payment is not made within this time period:

   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.

   b) The date upon which the insured enters into contract or escrow to purchase a replacement home at another location.

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, relevant to the amount of loss, covered damage, and cost of repairs.

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

According to the Assembly Appropriations Committee:

The California 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).

SUPPORT: (Verified 8/25/26)

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
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 & Environmental Justice
Center for Community Action and Environmental Justice (CCAEJ)
Climate Defenders
Consumer Action
Consumer Attorneys of California
Consumer Federation of America
Consumer Federation of California
Consumer Protection Policy Center
Consumer Protection Policy Center/usd School of Law
Courage California
Defend Ballona Wetlands
Dena Rise Up
Eaton Fire Renters Coalition
Eaton Fire Residents United
Extreme Weather Survivors
Extreme Weather Survivors Action Fund
Food & Water Watch
Freeport Haven
Green America
Individual
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
So Cal 350 Climate Action
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

OPPOSITION: (Verified 8/25/26)

None received

ARGUMENTS IN SUPPORT:

Consumer Watchdog and Every Fire Survivor's Network, co-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."

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8/31/26 14:41:16

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