

## CLIENT ALERT

# California Introduces New Bill Addressing Post-Disaster Claims Handling

**January 15, 2026**

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On January 6, 2026, the newly appointed California Senate Insurance Committee Chair Steve Padilla introduced Senate Bill 876 (“SB 876”), which aims to accelerate claims handling and expand coverage for California residents during declared natural disasters. Sponsored by Commissioner Ricardo Lara of the California Department of Insurance, the bill specifically targets claim payout delays and denials that have been the subject of consumer complaints and scrutiny since the January 2025 Los Angeles wildfires.

### Key Proposed Amendments Under SB 876

1. Disaster response plan. SB 876 would require a residential property insurer doing business in California, which appears to include an insurer issuing a “policy of residential property insurance,” as defined in Cal. Ins. Code § 10087(a)(1),<sup>1</sup> to submit “a detailed disaster plan” to the California Department of Insurance before April 1, 2027, and would require the plan to be updated every two years or upon the commissioner’s request. Moreover, the bill would require a residential property insurer to report to the commissioner the losses, claims, and estimate of

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<sup>1</sup> “Residential property insurer” is not defined in SB 876 or in existing law.

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total incurred losses no later than 15 calendar days from the date a state of emergency was declared if there is a related covered loss.

2. Double penalties during declared disasters. Existing law imposes a civil penalty for an unfair method of competition or an unfair or deceptive act or practice, as defined in Cal. Ins. Code § 790.03. SB 876 would additionally hold liable a person engaging in such conduct “relating to a state of emergency,” resulting in a double penalty during declared disasters for violations of fair claims practices and settlement standards.
3. Adjuster changes. SB 876 would require an insurer to assign a “primary claims adjuster to be primarily responsible” for a claim involving one or more coverages under a residential property insurance policy “relating to a state of emergency.” If a new adjuster is assigned, the insurer must provide “a written status report” to the insured within five business days of the assignment and assign a primary point of contact for a claim, “even if multiple adjusters may be responsible for different coverages under the claim.”
4. Additional living expenses. SB 876 would expand the scope of additional living expenses that can be claimed for a loss under a homeowners’ insurance policy by:
  - a. Requiring reimbursement for “all reasonable additional expenses incurred by the insured . . . to maintain a comparable standard of living for the time the insured dwelling is not habitable due to a covered loss, up to the limits in the policy, if any.” The additional costs must include “temporary housing, furniture rental, food, transportation, storage, and boarding of pets.”
  - b. Requiring policy limits for additional living expenses to be increased by 100% during declared disasters and to extend additional living expenses by 15 calendar days beyond the date upon which the premises is deemed habitable.
5. Accelerated up-front payments. If there is a total loss to the insured structures under an open policy, SB 876 would require the insurer to pay the actual cash value and undisputed amount of replacement cost associated with such structures within 30 calendar days from the date of loss and from the occurrence of a specified event, respectively. The bill requires interest to accrue if such payments are not made within 30 calendar days.
6. Expanded replacement cost coverage. SB 876 would prohibit a residential property insurance from being issued or renewed unless the applicant or insured is offered (i) a guaranteed replacement cost coverage and (ii) an extended replacement cost coverage in an amount of no less than 50% of coverage above the policy limits, for the primary dwelling and other structures.

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SB 876 builds on recent California legislations that (i) established a new grant program for wildfire mitigation measures in homes;<sup>2</sup> (ii) expanded insurance discounts;<sup>3</sup> (iii) expedited claim payouts;<sup>4</sup> (iv) extended nonrenewal moratorium protections to businesses;<sup>5</sup> and (v) provided additional financial support to the FAIR Plan.<sup>6</sup>

We will continue to monitor and report on SB 876 and other California legislative and regulatory developments in this area.

**If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.**

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<sup>2</sup> AB 888 (2025), the California Safe Homes Act (effective January 1, 2026).

<sup>3</sup> AB 1 (2025), the Insurance and Wildfire Safety Act (effective January 1, 2026).

<sup>4</sup> SB 495 (2025), Eliminate “The List” Act (effective January 1, 2026) (requiring insurers to pay 60% of contents coverage limits, capped at \$350,000, to wildfire survivors who experience a total loss without submitting a detailed inventory list).

<sup>5</sup> SB 547 (2025), the Business Insurance Protection Act (effective January 1, 2026).

<sup>6</sup> AB 226 (2025), the FAIR Plan Stabilization Act (effective October 9, 2025).