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CALIFORNIA CONSUMER ALERT

Insurance Commissioner Ricardo Lara

Commissioner Lara and Senator Padilla announce Disaster Recovery Reform Act to speed up recovery for survivors

Doubling penalties, cutting red tape, and increasing payouts to meet community needs

January 7, 2026 - Insurance Commissioner Ricardo Lara and newly-appointed Senate Insurance Committee Chair Steve Padilla announced Senate Bill 876, a comprehensive legislative reform to speed up disaster recovery for homeowners and renters through improved insurance coverage and expanded consumer protections. They are proposing legislation directly responding to wildfire disaster survivors' call for swifter claims payments and an end to delays and runarounds by insurance companies.

"Families are navigating loss, claims, and uncertainty. There is real fear, frustration, and misinformation right now with the pace of recovery," said Commissioner Lara, who is sponsoring the bill. "We will measure success when people can recover without red tape and delays, get coverage on their own terms, and rebuild so they are out of harm's way in the future. While our focus is on insurance, recovery is multifaceted, not one-dimensional. Federal, state, local, and private coordination is required for a successful recovery."

"The last 12 months have made clear the urgent need to update and modernize the claims process to better protect homeowners devastated by these wildfires," said Senator Steve Padilla. "Homeowners deserve better and our laws need to better protect them to ensure they are compensated in a timely way and not subjected to a maze of roadblocks by insurers."

As climate change has contributed to more severe wildfires and winter storms, decades-old insurance laws have not kept pace. Despite major efforts under Commissioner Lara to improve insurance company performance and accountability, wildfire survivors have continued to report on-going problems accessing their insurance benefits, with delays, denials, and miscommunication from insurance companies at the top of the list of consumer complaints filed with the Department of Insurance since the January 2025 Los Angeles wildfires.

The payment of insurance claims from insurance companies for the Los Angeles wildfires is already the fastest on record, with [\\$22.4 billion distributed since January 2025](#), along with \$6 billion in federal, state, local, and private donations committed. The faster pace of payments is happening because of Department of Insurance enforcement and new laws that Commissioner Lara has sponsored since his first day in office, including requiring advance payments of contents and living expenses — giving families immediate access to cash while they begin the recovery and rebuilding process. The Department's latest data shows 94 percent of 42,121 policyholder claims filed have been fully or

DISASTER RECOVERY REFORM ACT SB 876

- Disaster response plans for meeting claims deadlines
- Doubling penalties for violations
- Speedy payments for total losses
- Ending adjuster delays and miscommunication



STEVE PADILLA
CALIFORNIA STATE SENATOR - 18TH DISTRICT

RICARDO LARA
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CALIFORNIA DEPARTMENT OF INSURANCE

partially paid, with \$183 million returned through Department investigations. But more action is needed for successful recoveries and safer communities.

The Disaster Recovery Reform Act, authored by Senator Padilla, aims to cut red tape, improve payouts, and end delays and runarounds by insurance companies.

- **Requiring a “disaster recovery plan” from insurers** for handling claims and meeting timelines — reviewed by the Department in advance and put into effect in an emergency situation.
- **Doubling penalties during a declared emergency** for violations of insurance fair claims practices and settlement law.
- **Requiring insurance companies pay restitution** directly to policyholders when they violate the law.
- **Addressing delays resulting from the assigning of multiple adjusters** by requiring insurance company status reports to policyholders within 5 days anytime a new adjuster is assigned.
- **Improving recovery by expanding policy limits for Additional Living Expenses** by 100% in a declared disaster.
- **Expanding up-front payments** by requiring Actual Cash Value and structure replacement cost be paid quickly following a total loss, with interest payable if late.
- **Providing adequate recovery funds** by requiring a mandatory offer of extended and guaranteed replacement cost coverage when writing a policy, and regular updated replacement cost estimates for new business and renewals.
- **Safer rebuilding** by applying mandatory building code upgrade coverage at the time of rebuild — not at the time of loss — to account for updated rules.

The legislation builds on major legislative reforms that Commissioner Lara sponsored last year after the Los Angeles wildfires. These newly enacted laws establish a wildfire safety grant mitigation program, expand insurance discounts, speed up claim payouts for wildfire survivors, extend non-renewal moratorium protections to businesses, strengthen the financial stability of the FAIR Plan, and modernize outdated insurance laws to improve transparency and accountability.

“The Southern California wildfires exposed deep weaknesses in a decades-old framework of insurance regulation and enforcement. Insurance commissioners across the country are hearing increasing consumer complaints whether it’s hurricanes, floods, or wildfires,” said Commissioner Lara. “Our goal is to make these protections a model for how insurance companies should handle claims after every disaster so people recover quickly and fairly.”