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# CALIFORNIA CONSUMER ALERT

Insurance Commissioner Ricardo Lara

## California takes legal action against State Farm after investigation finds widespread mishandling of LA wildfire claims

*Expedited investigation finds widespread violations affecting potentially thousands of wildfire survivors; penalties sought are the largest pursued after a disaster this century*

**May 4, 2026** —The California Department of Insurance today announced a major enforcement action against State Farm General Insurance Company after an expedited investigation uncovered significant mishandling of insurance claims filed by survivors of the 2025 Los Angeles wildfires. Acting on consumer complaints, Insurance Commissioner Ricardo Lara ordered a Market Conduct Examination that documented a pattern of unlawful behavior in more than half of the claims reviewed.

State Farm policyholders filed approximately **11,300 residential claims** related to the Los Angeles wildfires, nearly one-third of the **38,835** claims filed across all insurers, according to the Department's official claims tracker. The violations identified by the Department indicate that **thousands of survivors may have been affected**.

"Wildfire survivors came to us for help, and we followed the facts," said Commissioner Lara. "Our investigation found that State Farm delayed, underpaid, and buried policyholders in red tape at the worst moment of their lives. That is unacceptable, and we are taking decisive action to hold them accountable."

The Department's enforcement action seeks **millions of dollars in penalties**, considered the largest amount pursued this century following a wildfire disaster. In addition to penalties, the Department is requiring State Farm to take corrective actions to speed up payments and resolve outstanding claims.

"The Los Angeles fires were one of the most destructive disasters in our state's history. Survivors deserve a fair, timely recovery, not obstacles and delays," Commissioner Lara said. "We are taking a two-pronged approach: legal action to address State Farm's conduct, and legislative action to ensure this does not happen again."

The investigation also highlights the urgency of Commissioner Lara's sponsored legislation pending in Sacramento that would improve claims handling after a disaster, namely the **Disaster Recovery Reform Act (SB 876, Padilla)** and the **Smoke Damage Recovery Act (AB 1795, Gipson)**, which aim to strengthen claim handling standards and improve recovery for future disaster survivors.



## Examination finds a pattern of delay and denial of claims:

Department examiners reviewed a sample of **220 claims** and found **398 violations** of state law in **114** of those claims, many of which contained multiple violations. Major violations mirror the delays and denials reported by wildfire survivors to the Department, including:

- **Slow and inadequate investigation:** State Farm failed to begin investigating claims within 15 days, failed to accept or deny claims within 40 days, and failed to pay accepted claims or provide written notice of the need for additional time within 30 days, as required by law.
- **Underpayment of claims:** State Farm made unreasonably low settlement offers and underpaid claims.
- **Multiple adjusters causing confusion:** State Farm failed to assign adjusters within statutory timelines and reassigned adjusters repeatedly, creating what survivors described as “adjuster roulette.”
- **Smoke damage claim denials and delays:** Smoke damage claims represented nearly half of all consumer complaints. Examiners found that State Farm failed to provide required written denials for hygienist and environmental testing, misclassified testing costs, and misrepresented policy provisions related to inspections.
- **Inadequate communication:** State Farm failed to respond to policyholders, send required status letters, or provide notice when additional time was needed to determine claims.

Since last January, the Department has recovered **more than \$280 million** from all insurance companies for survivors of the Eaton and Palisades fires through direct intervention. As of March 3, 2026, insurers have paid out **more than \$23.7 billion** to residential, commercial, and auto policyholders impacted by the fires.

## Legal action to help survivors now, and legislative action to prevent future harm:

The Department has filed an **Accusation and Order to Show Cause** against State Farm -- the first step toward a public hearing before an administrative law judge. The filing alleges violations of the **Unfair Insurance Claims Practices Act** and related regulations, including the **398 violations** identified in the Market Conduct Examination and **34 additional violations** based on consumer complaints.

Under California Insurance Code Section 790.035, penalties may reach **\$5,000 per violation**, or **\$10,000 for willful violations**. Penalties may be imposed by the Commissioner following the administrative hearing.

Commissioner Lara is also sponsoring two major bills to strengthen disaster-related consumer protections:

### **The Disaster Recovery Reform Act (SB 876, Padilla):**

Requires insurers to maintain disaster recovery plans, doubles penalties during declared emergencies, mandates restitution to policyholders, and addresses delays caused by multiple adjuster reassignments.

### **The Smoke Damage Recovery Act (AB 1795, Gipson):**

Establishes California’s first enforceable public health and insurance standards for smoke-damaged homes, including science-based testing and restoration requirements.

Both bills advanced through legislative hearings in April and are now before the Senate and Assembly Appropriations Committees.

Wildfire survivors experiencing delays, disputes, smoke damage issues, or other claim problems are encouraged to file a formal complaint with the Department of Insurance at [insurance.ca.gov](https://insurance.ca.gov) or by calling **(800) 927-4357**.

Separate from today's action, the California Department of Insurance, Consumer Watchdog, and State Farm General recently reached a [three-party settlement agreement](#) over State Farm's emergency rate request, currently under review by an impartial Administrative Law Judge.

At a later date, Consumer Watchdog may submit a request for intervenor compensation for its participation in the rate review and settlement process, [as authorized under Prop. 103](#). If approved, the compensation amount – to be paid by State Farm policyholders – will be determined through a separate review process. [Learn more about the intervenor compensation process at the Department's website.](#)

**Media notes:**

- [Order to Show Cause seeking penalties against State Farm General](#). The Order to Show Cause contains the Market Conduct Exam as an appendix.
- A Market Conduct Examination is one of the Department's most effective tools, involving a thorough, fact-based review that typically takes several months. The Department is currently at a different stage in the claims process for the Los Angeles wildfires, which allowed for a more comprehensive regulatory review for an examination of this magnitude and importance. Since State Farm has already been making payment decisions, the Department was able to evaluate its adjuster practices and thoroughly assess State Farm's methods across a wide range of claims handling.