

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

AB 1931 (Papan) – As Amended April 16, 2026

SUBJECT: Insurance: home protection companies

SUMMARY: Creates a home protection contract limited lines agent license to allow utilities to transact home protection contracts on behalf of and under the authority of a home protection company (HPC). Specifically, **this bill:**

- 1) Creates a home protection contract limited lines agent (LLA) license that authorizes a person to transact home protection contracts through, or in connection with, a utility, as an agent of a HPC.
- 2) Requires an applicant for a LLA license to submit the following to the Insurance Commissioner (“commissioner”):
 - An application for licensure, signed by an officer of the applicant, in a form prescribed by the commissioner.
 - A certificate issued by the HPC to be named in the LLA license, stating that the HPC considers the named applicant trustworthy and competent to act as its LLA and that the HPC will appoint the applicant as its agent if the LLA license is issued.
 - All specified training materials.
 - An application fee, and, for each license period thereafter, a renewal fee of \$500.
- 3) Permits a LLA to authorize a home protection contract vendor (“vendor”), or its employee, to transact home protection contracts on behalf of, and under its authority under the following conditions:
 - The LLA is clearly and conspicuously identified on marketing materials distributed by the vendor to customers, including the agent’s name, contact information, and license number.
 - The LLA maintains a register listing the utility or utilities permitted to transact contracts on its behalf as a vendor, as specified.
 - The LLA designates one of its employees to be responsible for compliance with insurance laws, rules, and regulations of the state; and that employee, along with the vendor’s partners, members, controlling persons, officers, directors, and managers must comply with background check requirements.
 - The LLA has paid all applicable licensing fees.

- The LLA uses all reasonable means at its disposal to ensure compliance with all obligations pursuant to the bill by the vendor and its employees, including ensuring that training requirements are met.
- 4) Requires that training be provided whenever there is a material change that requires a modification to the LLA's training materials, but no less frequently than every year; that the training materials be submitted to the Department of Insurance (CDI) at the time the LLA applies for a license, and whenever modified thereafter, no less than 30 days prior to their use; and that, at a minimum, the training materials must contain instruction on the types of utility home protection contracts offered, ethical sales practices, and disclosures to prospective customers.
 - 5) Specifies that failure by a LLA to submit training materials or changes for departmental review, or use of unapproved or disapproved training materials, constitutes grounds for denial of an application for a license, nonrenewal of a license, or suspension of a license, or other action deemed appropriate by the commissioner.
 - 6) Prohibits a vendor from distributing marketing materials unless they are approved by a LLA and the HPC; and specifies that all marketing materials distributed by the vendor or its employees must include the LLA's name, contact information, and license number.
 - 7) If the marketing materials include an enrollment application form, requires that the materials list the procedure for making a claim under the home protection contract.
 - 8) Requires that a vendor and its employees to act in good faith and in a fair, honest, and ethical manner; not make false, misleading, or deceptive statements regarding the contract; and not sell a contract that the vendor or its employee knows, or reasonably should know, is unnecessary for the consumer.
 - 9) Authorizes a vendor to collect home protection fees, as defined, on behalf of a LLA if the invoice or utility bill lists the protection contact fees separately from any utility charges or fees, and includes a telephone number for customers to inquire about their home protection contract; and clarifies that a vendor is not required to maintain home protection fees in a segregated account if the HPC has provided in writing that the funds need not be segregated from funds received by the vendor for utility services.
 - 10) Requires a vendor or its employee to provide a clear and conspicuous disclosure stating that "purchasing a home protection contract is not required in order to purchase or pay for any other product or service offered by the utility" to the contract purchaser in one of several specified manners, depending on how the contract is being transacted.
 - 11) Provides that a vendor or its employee that is not licensed as a property and casualty insurance agent or LLA is not qualified or authorized to answer claim-related technical questions about the benefits, exclusions, and conditions of any of the contracts offered by the utility on behalf of the HPC, nor to evaluate the adequacy of the prospective consumer's existing home protection contract or other insurance coverage.
 - 12) Prohibits a HPC and a LLA from paying a vendor an override commission for, or based on, the number of contracts sold by the vendor's employees; and provides that a LLA is permitted to pay a vendor marketing or administrative fees that are not contingent on the

number of contracts sold, and for billing or collection services under a utility line item billing program approved by the California Public Utilities Commission (CPUC).

- 13) If the commissioner determines that a vendor or its employee has violated any provision of the Insurance Code, including the provisions of the bill, authorizes the commissioner to: direct the LLA to implement a corrective action plan with the vendor or revoke the authorization of the vendor to transact home protection contracts under its license; and, after notice and a hearing, suspend or revoke the license of the LLA, or impose a monetary fine on the LLA.
- 14) Provides that a written announcement regarding the availability of a home protection contract through a specific HPC, LLA, or P&C agent shall not constitute the transaction of home protection contracts if the written announcement only includes general information regarding the home protection contract being offered and the attributes or character of the HPC, the LLA, or the P&C agent offering the home protection contract.
- 15) Authorizes a utility to collect home protection fees on behalf of a P&C agent or LLA if the utility was collecting protection contract fees on behalf of the P&C agent prior to January 1, 2025.
- 16) Requires a HPC that issues or offers to issue home protection contracts through utilities, to file with the commissioner and receive approval to use a copy of an insurance policy covering 100% of the HPC's contractual obligations in this state, meeting specified conditions; and requires the HPC to allow claims to be filed against that insurance.
- 17) Provides that an insurer's liability under a policy filed pursuant to 16) shall not be negated or otherwise diminished by a failure of the utility, agent, HPC, or affiliates of these entities to report the issuance of a home protection contract or to remit moneys to another person pursuant to a contractual agreement.
- 18) Authorizes the commissioner to issue a cease and desist order to a HPC who violates the requirement pursuant to 16).
- 19) Provides that the provisions of the bill become operative on July 1, 2027.

EXISTING LAW:

- 1) Regulates HPCs, which issue contracts to repair or replace all or any part of any component, system or appliance of a home necessitated by wear and tear, deterioration or inherent defect, arising during the effective period of the contract, as provided. (Insurance (Ins.) Code Section 12740, *et seq.*)
- 2) Prohibits a person from issuing or offering a home protection contract unless the person holds a HPC license issued by CDI, as specified, or is licensed as an insurance agent or broker, as specified. (Ins. Code Sec. 1631 and Sec. 12744)
- 3) Exempts an employee of a HPC, not paid on a commission basis, from the above licensing requirements. (Ins. Code Sec. 1634(g))

- 4) Exempts licensed real estate agents, as provided, from the home protection contract licensing requirements. (Ins. Code Sec. 1635(j))
- 5) Requires that a home protection contract specify, in clear and conspicuous terms: each of the appliances, systems, and components covered by the contract; all exclusions and limitations respecting the extent of the coverage; the period during which the contract will remain in effect, the protection contract fee (i.e. the consideration received by a HPC for the issuance of the contract), and the renewal terms, if any; the services to be performed by the company and the terms and conditions of performance; the service fee, if any, to be charged for such services; all limitations respecting the performance of services; a statement that services will be performed upon telephonic request; and a representation that services will be initiated by or under the direction of the company within 48 hours after a request is made for services. (Ins. Code Sec. 12762)
- 6) Provides that any home protection contract shall be noncancellable during the initial term for which it was issued, except for reason of nonpayment of protection contract fees, fraud or misrepresentation of facts material to the issuance of the contract, or if the property to which the contract attaches is sold and the contract provides coverage on the contingency that such a sale does not occur. (Ins. Code Sec. 12764)
- 7) Prohibits a HPC from paying a commission to any person as an inducement or compensation for the issuance, purchase or acquisition of a home protection contract. Clarifies that this prohibition does not prohibit payment of an override commission or marketing fee to an employee or commission sales agent who is the marketing representative of the HPC or its parent, subsidiary, or affiliate. (Ins. Code Sec. 12760)

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Purpose.* According to the author:

Traditional homeowners' insurance typically covers losses, damage, or liability resulting from specific events, for example, repairing wood flooring damaged by a flood.

However, many common household emergencies, such as a broken water service line or a malfunctioning HVAC system, are not covered under standard homeowners' insurance policies.

At a time when household budgets are increasingly stretched, homeowners may be more interested in home protection contracts that help shield them from unexpected repair costs. Many California public, municipal, and investor-owned utilities either offer home protection contracts directly or inform customers about third-party programs that provide similar coverage. **In practice, however, the availability and nature of these services is often unclear to consumers.**

This confusion stems largely from the complex regulatory requirements utilities face when attempting to offer home protection contracts. The current licensing framework creates administrative barriers that discourage utilities from participating and contributes to unclear information reaching customers. AB 1931 addresses this issue by streamlining the licensing process for agents offering utility-related home protection products through

a modified limited lines license. A limited lines license is a widely used regulatory structure that allows certain industries to offer specialized insurance products.

AB 1931 would allow utilities to associate with a limited lines license holder – either a Home Protection Company (HPC) or a business entity licensed as a property and casualty (P&C) insurance agent. By reducing regulatory barriers, this bill allows Home Protection Companies and utilities to work together more seamlessly to offer homeowners cost-saving home protection products.

This bill is sponsored by HomeServe USA Corporation, a home protection company.

- 2) *Home protection contracts.* Home protection contracts are agreements that obligate a HPC to repair or replace all or any part of a component, system, or appliance of a home necessitated by wear and tear, deterioration, or inherent defect, during a specified period of time and for a predetermined fee. Home protection contracts differ from traditional insurance in that they cover repair or replacement of specified property due to normal wear and tear, rather than in the event of an unforeseen occurrence such as fire or theft.

Despite this distinction, in California, home protection contracts are regulated by CDI, and HPCs must be licensed. Under existing law, in order to sell a home protection contract, a person must hold a full P&C agent license, unless that person is a licensed real estate agent or a non-commission employee of a HPC that has been licensed by CDI.

The National Association of Insurance Commissioners Service Contract Model does not require those transacting home protection contracts to be licensed, so most states lack these licensing requirements. HPCs operating in California thus face unique challenges in coordinating the sale of home protection contracts.

In 2024, HomeServe USA sponsored AB 1883 (Calderon, 2024), which would have created a limited lines license authorizing the sale of home protection contracts on behalf of a HPC, without full licensure as a P&C agent. That bill passed out of this committee 15-0, before ultimately stalling in the Senate Insurance Committee due to persistent concerns raised by CDI over the breadth of potential products the proposed limited lines license would have covered.

This bill is significantly narrower than AB 1883, instead establishing a LLA license that solely authorizes the LLA to transact home protection contracts on behalf of a HPC through, or in connection with, a utility. This significantly limits the scope of the proposed limited lines license, and ensures that all potential entities involved are subject to considerable state oversight, either by CDI or by the CPUC.

- 3) *Utility home protection contracts.* Many homeowners are unaware that the pipes and wires connecting their home to the main utility line, known as service lines, are not maintained by the utility, and are in fact the responsibility of the homeowner to maintain. This means if a service line is damaged or deteriorates over time, the onus to arrange and finance the repair is on the homeowner. The California Water Association (CWA), a statewide trade group representing 116 water utilities regulated by the CPUC, explains in support of this bill:

Many California homeowners are unaware that they—not their water utility—are responsible for maintaining and repairing the water and sewer service lines that connect

their homes to the utility system. Customers often only discover this responsibility when a line fails and they contact their utility for assistance. By that time, they face an urgent situation: no water service or sewer capacity, and an unexpected repair bill that can be financially devastating.

The average cost of replacing a water service line exceeds \$3,000, while sewer service line replacement costs approximately \$6,500. These are expenses that many homeowners are unprepared to handle, and traditional homeowners' insurance typically does not cover these breakdowns. [...]

To insulate homeowners against these unanticipated costs, and to better educate on homeowner responsibilities with respect to utility service lines, some utilities offer home protection contracts that cover repair of service lines should they be compromised due to wear and tear or defect. In some cases, the utility itself serves as the agent for transacting these contracts, while in others, the utility coordinates with a third-party home service company to do so.

Southern California Gas Company (SoCalGas), writing in support of the bill, describes one such program:

SoCalGas has provided billing services for energy-related or home safety-related products since the late-1990s. Currently over 200,000 SoCalGas customers are enrolled in home protection plans paid for through their utility bill. These plans provide coverage for utility systems and major home appliance (HVAC and Water Heater) repairs, helping customers avoid unexpected and potentially significant repair costs. Without this legislation, SoCalGas will soon need to stop collecting customer payments for these coverages.

In California's regulatory environment for both home service contracts and utilities, this type of arrangement can be particularly complicated. The American Property Casualty Insurance Association (APCIA) explains, in support of the bill:

Under current law, utilities must obtain a full property and casualty insurance agent license to offer or recommend home protection contracts—a requirement that includes irrelevant education on automobile insurance, workers' compensation, and other coverages that have nothing to do with home protection contracts. Additionally, utilities must use a fictitious name with "insurance" in it, which can confuse customers. These burdensome requirements have deterred many utilities from making these valuable products available to their customers.

Under existing law, a utility is permitted to "announce" the availability of a relevant home protection contract without possessing a P&C agent license, but, as the author of this bill explains:

[T]he line between "announcing" and "solicitation" can be vague, and penalties for crossing it can be substantial. This limits what a utility can say about home protection products and sellers, contributes to confusion about these plans, and causes compliance issues for home protection companies working with utilities. Under existing CDI guidance, an unlicensed company cannot "endors[e]," or even "point out the provisions"

of (i.e. describe the coverages available in) the home protection contract, nor can it imply an “affiliation or association” with a licensed company or seller.

As a result, most California utilities working with third-party home protection contract sellers use short and uninformative notes to announce the availability of home protection products. While the brevity of these notes limits the risk of violating CDI’s licensing rules, they do not – because they cannot – explain the very thing customers want to know: Why their utility is informing them about a specific product or seller.

Beyond these requirements, a utility offering home protection contracts in coordination with a third-party HPC must secure CPUC approval, and the CPUC must also approve any fee collection programs arranged between the utility and its associated HPC.

Due to these complications, not all such programs that have been attempted in California can boast the longevity of SoCalGas’s home protection contract arrangement. Another major California utility provider, PG&E, attempted this type of arrangement in 2024, before promptly shutting it down due to customer confusion and low uptake. As a November 8, 2024 article in The Press Democrat recounts:

Last month, PG&E customers contacted The Press Democrat about the mailers they had received from HomeServe, a national home repair provider.

The flyers advertised insurance for properties’ outside water lines and electrical systems. While the packet said PG&E did not endorse or guarantee the products, it included a letter from a PG&E vice president touting the service. Recipients responded with questions about their data privacy, the necessity of the plans or whether the offer was simply an attempted scam.

In reality, it was PG&E’s first foray into providing billing for select third-party companies, with the utility giant receiving a fee for payment processing.

According to the article, this sort of confusion is not uncommon. In discussing HomeServe, the sponsor of this bill, the article states:

The company’s business primarily comes through similar partnerships with municipalities and utilities, including 48 in California and more than 1,300 nationwide. Those relationships, and the related marketing efforts, have drawn scrutiny in other states over confusion caused to consumers and questions about services’ benefit. In 2023, HomeServe paid \$850,000 for alleged violations of the Kansas Consumer Protection Act and came to agreements with attorneys general or other state officials in six states amid investigations between 2010 and 2015. HomeServe did not admit any wrongdoing in these cases, and a spokesperson previously said the company is in good standing with all the regulatory bodies where it operates.

To ensure similar issues do not proliferate if such programs are facilitated by the availability of a LLA license, this bill includes several requirements, both for the home protection contract itself, and for all parties involved in marketing and transacting the home protection contract, that aim to provide clarity and sufficient regulatory oversight.

Protections in the bill include requiring marketing materials to clearly identify the LLA, including contact information and their license number, and information about the process for filing a claim under specified circumstances; requiring submission of training materials for vendors and their employees to the commissioner, and requiring training materials to include instruction on the types of utility home protection contracts offered, ethical sales practices, and disclosures to prospective customers; providing a 30-day cancellation period with full refunds after executing a contract; requiring information on how to file a claim with the insurer and a complaint with CDI; prohibiting a vendor from selling a contract that the vendor or its employee knows, or reasonably should know, is unnecessary for the consumer; prohibiting the provision of commission or compensation based on the number of contracts sold to avoid perverse incentives for vendors; and providing the commissioner with enhanced oversight and enforcement authority over the process, among others.

In their sponsor letter, HomeServe indicates that they have worked collaboratively with CDI on this bill, and will continue to do so throughout the legislative process. HomeServe argues:

This partnership reflects our shared commitment to consumer protection and regulatory clarity. It also represents a balanced, thoughtful approach that creates an appropriate regulatory structure enabling utilities to help customers learn about and access valuable home protection contracts.

4) *Pending and prior legislation.*

AB 1800 (Krell, 2026) would expand the portable electronics limited line agent's license to include transacting insurance for optical products. This bill is pending hearing in the Assembly Appropriations Committee.

AB 690 (Solorio, Ch. 165, Stats. 2011) expanded the limited lines license for the sale of communications equipment to include all portable electronics.

AB 2856 (Chavez, Ch. 437, Stats. 2002) created a limited lines license for the sale of communications equipment.

AB 393 (Scott, Ch. 321, Stats. 2000) created a limited lines license for the sale of credit insurance in connection a loan or extension of credit.

AB 62 (Papan, Ch. 618, Stats. 1999) created a limited lines license for the transaction of rental car insurance in connection with rental care agreements.

REGISTERED SUPPORT / OPPOSITION:

Support

American Property Casualty Insurance Association
Amtrust Financial Services, INC.
Bee Thumb Electric
Brea/orange County Plumbing, Heating & Air Conditioning, INC.
California Water Association
California Water Service Company
County Plumbing Restoration & Rooter

Downey Plumbing, Heating & Air Conditioning Co., INC.
East West Electric & Service Company
Frassica, INC. D/b/a Frassica Plumbing Services
Gd Plumbing INC
Homeserve USA Corp
Mbr Plumbing LLC Dba Flowing Water
Morrison Electrical, INC.
Plumbing Care, INC.
San Diego Gas and Electric Company
Service Experts D/b/a Rb Travis Plumbing
Southern California Gas Company
Stan's Discount Rooter and Plumbing Repair, INC.
Works Plumbing

Opposition

None on file.

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