

## ASSEMBLY THIRD READING

AB 1931 (Papan)

As Amended April 16, 2026

Majority vote

**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).

**Major Provisions**

- 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 specified documents, including training materials and certificate of trustworthiness and competence issued by the HPC, as well as an application fee, to the Insurance Commissioner ("commissioner").
- 3) Permits a LLA to authorize a home protection contract vendor ("vendor"), or its employee, to transact home protection contracts under its authority under specified conditions, including that the LLA uses all reasonable means at its disposal to ensure compliance by the vendor with the bill's provisions, and that marketing materials distributed by the vendor clearly and conspicuously identify the LLA and its contact information..
- 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) Requires 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.
- 6) Authorizes a vendor to collect home protection fees 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.
- 7) 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.
- 8) Provides that a vendor or its employee that is not licensed as a property and casualty insurance (P&C) 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.

- 9) 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).
- 10) Provides that the provisions of the bill become operative on July 1, 2027.

## COMMENTS

- 1) *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 ultimately stalled 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, also sponsored by HomeServe USA, 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.

- 2) *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.

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 HPC to do so.

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 "endorse," 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.

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 have been successful. One 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.

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.

### **According to the Author**

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. [...]*

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.

### **Arguments in Support**

The California Water Association, a statewide trade group representing 116 water utilities regulated by the CPUC, argues in support:

AB 1931 creates a sensible, customized limited lines license consistent with six other limited lines agent licenses that the Legislature has previously established for specialty products. This tailored approach recognizes that water and sewer service line protection contracts are straightforward: if a service line fails due to wear and tear, the home protection company arranges for a qualified contractor to repair or replace it.

The legislature ensures appropriate consumer protections by requiring sellers to receive tailored education about the coverages being offered as well as training in sales ethics. It also mandates specific consumer disclosures, provides customers with a 30-day option to cancel without cost, and grants the California Department of Insurance enhanced enforcement authority.

### **Arguments in Opposition**

None on file.

**FISCAL COMMENTS**

According to the Assembly Appropriations Committee, "[c]osts of an unknown, but significant amount, in excess of \$150,000, to CDI to create a new limited lines license program (Insurance Fund)."

**VOTES****ASM INSURANCE: 16-0-1**

**YES:** Calderon, Wallis, Addis, Alvarez, Ávila Farías, Berman, Ellis, Gipson, Hadwick, Harabedian, Krell, Nguyen, Ortega, Petrie-Norris, Michelle Rodriguez, Valencia

**ABS, ABST OR NV:** Chen

**ASM APPROPRIATIONS: 14-0-1**

**YES:** Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Tangipa

**ABS, ABST OR NV:** Ta

**UPDATED**

VERSION: April 16, 2026

CONSULTANT: Landon Klein / INS. / (916) 319-2086

FN: 0002654