SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1931 (Papan) - Insurance: home protection companies

Version: June 18, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: INS. 6 - 0
Mandate: No
Consultant: Janelle Miyashiro

Bill Summary: AB 1931 creates a home protection contract limited lines agent license, and affiliated regulatory requirements and structure to allow utilities, acting as a home protection contract vendor, to transact home protection contracts on behalf of and under the authority of a home protection company (HPC).

Fiscal Impact: The California Department of Insurance (CDI) estimates costs of $400,000 (Insurance Fund) to establish the new licensing program. While anticipated fee revenue will partially offset these regulatory expenses, CDI does not expect it to fully cover the program's initial implementation.

Background: Home warranties are also called “home protection contracts” under California law. According to CDI’s website, “a home warranty is a contract between a home protection company (a.k.a. “home warranty company”) and a homeowner in which the warranty company promises to repair or replace parts of a home system or certain appliances, such as washers, dryers, ovens, and refrigerators.”

Home protection contracts cover the repair or replacement of home components, systems, or appliances due to wear and tear, deterioration, or pre-existing defects. While basic plans vary, coverage can often be expanded for additional fees to include specific items such as HVAC units, kitchen appliances, and electrical components.

These contracts are distinct from homeowners’ insurance policies and are not intended to overlap or replace them. While a homeowners’ policy covers property damage and dwellings caused by major events or natural disasters, home protection contracts are limited to the functional failure of covered items.

Although home protection contract forms are not standardized, California law requires clear disclosure of all terms and provisions. The specific systems and components covered, along with any exclusions, are governed strictly by the language within the individual contract.

Proposed Law:

- Specifies that a utility may solicit home protection contracts and collect related fees if it is a home protection contract vendor acting on behalf of, or in connection with a home protection contract limited lines agent, a property and casualty insurance agent that has been appointed by an HPC, as specified. Does not allow a utility to enroll customers in a home protection contract, but rather direct customers to an HPC, home protection contract limited lines agent, or property and casualty insurance agent for enrollment.

- Establishes related definitions:
  - "Home protection contract limited lines agent" means an entity licensed as specified, authorized to transact home protection contracts on behalf of a HPC and in connection with a home protection contract vendor.
  - "Home protection contract vendor" means a utility registered and complying with the requirements of the bill, or a utility acting in connection with a property and casualty insurance agent.
  - "Utility" means an entity, or an affiliate of an entity, regulated by the Public Utilities Commission.
- Requires applicants for a home protection contract limited lines agent license to submit to the Insurance Commissioner:
  - An electronic or written application for licensure, signed by an officer of the applicant, in a form prescribed by the Commissioner.
  - A certificate issued by the HPC that is to be named in the home protection contract limited lines agent license, stating that the HPC affirms the applicant is trustworthy and competent to act as its home protection contract limited lines agent and that the HPC will appoint the applicant to act as its agent if the home protection contract limited lines agent license is issued by the Commissioner. The certification shall be signed by an officer of the HPC on a form prescribed by the Commissioner.
  - An application fee of $10,000 and a renewal fee of $5,000 for each following license period.
- States that costs associated with an enforcement action shall be assessed against the licensed organization.
- Provides that a home protection contract limited lines agent may authorize a home protection contract vendor to solicit home protection contracts and collect home protection contract fees on its behalf and under its authority, under the specified conditions, including that the home protection contract limited lines agent must maintain a register in a form determined to be acceptable to the Commissioner, and listing specified information describing the home protection contract vendors permitted to solicit home protection contracts and collect home protection contract fees on its behalf. This register must be submitted annually or upon request to the Commissioner.
- Deems that the conduct of the home protection contract vendor, while acting within the scope of its authority, is deemed the conduct of the home protection contract limited lines agent.
- Creates guidelines for the distribution of marketing materials by the home protection contract vendor, including the disclosure of the home protection contract limited lines agent's name, email address or other comparable electronic communication method,

telephone number, and license number. Such marketing materials cannot appear on utility bills.

- States that an unlicensed employee of the home protection contract vendor shall not engage in any activity relating to the transaction of home protection contracts other than clerical services, billing services, or indirect marketing support.

- Allows a home protection contract vendor to collect home protection contract fees through the utility bill on behalf of a home protection contract limited lines agent or a property and casualty insurance agent if it is stated that a third party is issuing the contract and not the utility. Furthermore, such fees must be clearly identified and listed separately from any utility charges or fees along with a contact for customers to inquire about the contract.

- Specifies that contract fees collected through a utility bill in this manner will be applied only after customer payments have been applied for utility services. Allows a home protection contract vendor to receive compensation for billing and collection services related to these fees, which once acquired, can be held by the vendor for the HPC.

- States that if home protection contract fees are collected by the home protection contract vendor on behalf of a home protection contract limited lines agent or property and casualty insurance agent through the utility bill on a recurring basis, the home protection contract limited lines agent or property and casualty insurance agent shall provide each customer written or electronic notice not fewer than 15 calendar days and not more than 45 calendar days prior to every anniversary of the customer’s enrollment date with specified information about the customer’s enrollment date, renewal period, fees charged, cancellation information, a way to receive a copy of the contract, and the contact information of the home protection contract limited lines agent or property and casualty insurance agent.

- Stipulates further that a home protection contract must also include information about how to make a claim, a disclosure of customer’s right to make a claim, the company guaranteeing the contract, and the ability and method to file a complaint with CDI if the customer is dissatisfied with the company’s handling of their claim. Contracts must also make customers aware of how they may return or void the contract, and the various ways they can pay for the contract, including through their utility bills.

- Creates training requirements, as specified, to be provided by the home protection contract limited lines agent for individuals in the register described above who direct or control the home protection contract vendor’s home protection contract-related operations. Materials used in such training must be approved by CDI, who maintains the authority to take punitive action including against agent’s license.

- States that, among other things, if the Commissioner determines that a home protection contract vendor has violated any provision of the bill, the Commissioner may:

- Direct the home protection limited lines agent or property and casualty insurance agent to implement a corrective action plan with the vendor, or revoke the authorization of the home protection contract vendor to solicit home protection contracts or collect home protection contract fees on its behalf and under the agent's license and direct the home protection contract limited lines agent to remove the home protection contract vendor's name from its register.

- After notice and hearing, suspend or revoke the license of the home protection contract limited lines agent, or assess an administrative penalty against the home protection contract limited lines agent, the property and casualty agent, the home protection company, or any combination thereof.

* Stipulates that regulatory and licensing requirements for agents transacting home protection contracts shall also apply to a home protection limited lines agent.

* States that, as specified, a home protection company that transacts home protection contracts under the bill's provisions must maintain an insurance policy, through an admitted insurer, covering 100 percent of the home protection company's contractual obligations associated with the home protection contracts. The insurance policy must be submitted to and approved by the Commissioner prior to use. The insurance policy submitted to the Commissioner for approval pursuant to this subdivision shall be deemed approved 30 days after filing unless the home protection company is notified by the Commissioner to the contrary.

* Specifies that the Commissioner may issue a cease-and-desist order to a home protection company that violates the bill's provisions. The powers vested in the Commissioner by the bill are in addition to any and all other powers and remedies vested in the Commissioner by law, and nothing requires the Commissioner to employ the powers conferred by this bill instead of, or as a condition to the exercise of any other power or remedy vested in the Commissioner.

* Allows the Commissioner to adopt, amend, or repeal regulations to implement the provisions of the bill.

* States that the bill's provisions become operative on July 1, 2027.

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