CONCURRENCE IN SENATE AMENDMENTS
AB 1931 (Papan)
As Amended August 20, 2026
Majority vote

SUMMARY

Creates a home protection contract limited lines agent (LLA) license to allow utilities to solicit and transmit protection contract fees on behalf of a home protection company (HPC).

Senate Amendments

1) Limit the activities a utility may undertake in connection with a LLA or HPC to the solicitation of home protection contracts and the transmission of protection contract fees, rather than authorizing the utility to transact home protection contracts directly.

2) Prohibit a home protection contract vendor ("vendor"), or its unlicensed employees, from enrolling customers in a home protection contract or answering questions related to the contract, except as specified, and require that the vendor instead direct customers to a HPC, LLA, or property and casualty (P&C) insurance agent for enrollment or home protection contract-specific questions.

3) Limit the utilities that may solicit and transmit contract fees for home protection contracts to those regulated by the Public Utilities Commission (CPUC).

4) Prohibit inclusion of marketing for home protection contracts on a utility bill.

5) Authorize an unlicensed employee of a vendor to provide clerical or billing services for home protection contracts, and specify that the bill does not prohibit a vendor's unlicensed employee from transferring a phone call from a customer or directing a customer to contact a LLA, P&C agent, or HPC to answer home protection contract-related questions.

6) If protection contract fees are collected by the vendor on behalf of a LLA or P&C agent through the utility bill on a recurring basis, require the LLA or P&C agent to 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, and specify disclosures that must be included in the notice, including cancellation instructions.

7) Require the LLA to designate an individual licensed in California to transact P&C insurance to be responsible for its compliance with home protection contract laws, rules, and regulations of the state.

8) Require a vendor that collects fees through a utility bill to ensure that customer payments are applied first to charges due for utility services prior to applying payments for home protection contracts.

9) Clarify that limitations on compensation in the bill do not prohibit a vendor from receiving compensation for billing and collection services, provided the compensation is not contingent on the amount of protection contract fees collected or attributable to the vendor's solicitation of home protection contracts.

10) Increase the application fee for a LLA license from $500, to $10,000 with a renewal fee of $5,000, and provide the Insurance Commissioner with the authority to designate a different fee amount by bulletin.

11) Require a HPC to maintain a single liability policy, as specified.

12) Make minor, technical, and conforming changes, including several such changes to the disclosures required when a utility provides services related to a home protection contract.

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 the California Department of Insurance (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 solicit and collect home protection contract fees 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 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 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.

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.
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> 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.
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> 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 that the home protection contract is optional and not required to purchase any other product or service offered by the utility; 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 an unlicensed employee of a vendor from transacting a home protection contract or answer questions specific to the contract, except for the provision of clerical or billing services; limiting the authorizations for a vendor under a LLA to the solicitation and transmission of fees for a home protection contract, rather than authorizing direct transaction of those contracts; prohibiting the provision of commission or compensation to an employee of the vendor for the solicitation of home protection contracts, or 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 Senate Appropriations Committee, ″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.

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

ASSEMBLY FLOOR: 72-0-8
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Zbur, Rivas
ABS, ABST OR NV: Arambula, Chen, Garcia, Lackey, Ramos, Celeste Rodriguez, Ta, Wilson

UPDATED

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CONSULTANT: Landon Klein / INS. / (916) 319-2086 FN: 0004248