

Date of Hearing: May 14, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 646 (Wallis) – As Amended April 28, 2025

Policy Committee: Insurance

Vote: 15 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill expands the definition of a vehicle protection product (VPP) to include a product designed to deter the theft of a catalytic converter.

Specifically, this bill:

- 1) Provides that a vehicle protection product includes a physical device, system, or service designed to prevent the unauthorized removal of a vehicle's catalytic converter, including a body part marking product designed to permanently mark the catalytic converter. The seller of a VPP warranty must disclose specified information to a consumer if the VPP is a catalytic converter body part marking product.
- 2) Limits the warranty benefits of a VPP that is a catalytic converter anti-theft product to the actual cash value and replacement cost of the catalytic converter, temporary vehicle rental expenses, and reimbursement for the insurance policy deductible, payable upon theft of the catalytic converter from the vehicle.

FISCAL EFFECT:

Costs of approximately \$345,000 in fiscal year (FY) 2025-26, \$659,000 in FY 2026-27, and \$606,000 in FY 2027-28 to the Department of Insurance (CDI), which administers existing law regarding VPPs (Insurance Fund). Although CDI does not have full regulatory oversight over VPPs, this bill defines additional products as VPPs and CDI has authority to issue a cease and desist order to a warrantor in violation VPP law. Given the volume of annual catalytic converter thefts in California, CDI anticipates an increase in consumer complaints and questions regarding catalytic converter VPPs and related insurance claims, necessitating additional staff workload to respond and update informational materials.

COMMENTS:

- 1) **Purpose.** The author contends that “drivers lack affordable protection” from catalytic converter theft. According to the author, this bill “adds marking products and warranties to the VPP framework, ensuring dealers offer theft deterrents with full replacement coverage – no claims or premium hikes.” This bill is supported by the Motor Vehicle Protection Products Association, California New Car Dealers Association, and other groups.
- 2) **Background. VPPs.** A VPP is a device, system, or service designed to deter theft of a vehicle, such as a steering wheel lock or alarm system, and is often sold by a car dealer to a

car buyer alongside the purchase of the vehicle. A VPP includes a written warranty providing that if the product fails to deter theft, the warrantyholder will be paid for specified incidental costs incurred as a result of the product's failure. A VPP is not designated as auto insurance under existing law because the products are not insuring against the theft of the car, but rather warrantying against the failure of the product, the result of which is the theft of the car.

Existing law explicitly includes window etching and other car body part marking products in the definition of a VPP, based on the theory that such markings make a vehicle easier to identify if stolen, and thus deter theft. This bill expands the definition of a VPP to also include a product designed to prevent the unauthorized removal of a vehicle's catalytic converter, including a body part marking product designed to permanently mark the catalytic converter. However, as noted in the Assembly Insurance Committee's analysis of this bill:

The significant policy change this bill would make is that it would include not only products alleged to deter the theft of the *vehicle*, as is current law, but also products that allege to deter the theft of a specific *component part* of the vehicle, i.e. the catalytic converter, in the definition of VPP, thereby exempting warranties of these products from the regulatory protections of the Insurance Code.

CDI Concerns. The Assembly Insurance Committee's analysis of this bill also outlines several concerns raised by CDI regarding this bill. Most notably, CDI contends that this bill appears to be an amendment to Proposition 103 (1988) and undermines Proposition 103 protections by duplicating coverage currently available under comprehensive automobile insurance coverage. Because VPP warranties are not subject to the same oversight CDI has over insurance coverage under Proposition 103, more consumers would be sold a product without the benefits of CDI rate regulations or rights under the Fair Claims Settlement Act. Since VPP prices are unregulated, in the event a VPP price exceeds the consumer's comprehensive insurance deductible, the consumer will receive no value for purchasing the VPP warranty or may even experience a net loss.

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