
SENATE COMMITTEE ON INSURANCE

Senator Stephen Padilla, Chair

2025 - 2026 Regular

Bill No:	SB 1224	Hearing Date:	April 22, 2026
Author:	Jones		
Version:	April 14, 2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Brandon Seto		

SUBJECT: Home protection contracts

DIGEST: Requires that home protection contracts include the ability to offer a contract holder cash instead of repair or replacement of a covered item or system when repair or replacement cannot occur, exceeds the bounds of the contract, or is requested by the consumer.

ANALYSIS:

Existing law:

- 1) Defines a “home protection contract” to mean a contract or agreement where a person, other than a builder, seller, or lessor of the home which is the subject of the contract, undertakes for a specified period of time, for a predetermined fee, to repair or replace all or any part of any component, system or appliance of a home, as necessitated by wear and tear, deterioration or inherent defect, arising during the effective period of the contract, and, by the failure of an inspection, as specified, to detect the likelihood of any such loss.
- 2) Stipulates that home protection contracts must provide a system of service for repair or replacement and cannot include protection against consequential damage, also referred to as indirect loss, caused by the failure of any component, system or appliance.
- 3) Defines a “home protection company” to mean an entity licensed, as specified, which issues home protection contracts.
- 4) Provides for the regulation of home protection contracts by the California Department of Insurance (CDI) and sets down in regulations the process for application and licensure of home protection companies.

This bill:

- 1) Specifies that a home protection contract must provide for a system of service for repair or replacement, or cash in lieu of repair or replacement, when it is impossible to repair or replace, when repair or replacement exceeds the contract aggregate, or upon request of the consumer, and that the contract shall not include protection against consequential damage from the failure of any component, system, or appliance.

Background

According to the author:

“Many homeowners purchase home warranties to protect themselves from the cost of repairing or replacing household appliances that break down over time. These contracts commonly cover

items such as air conditioning systems, heating, plumbing, electrical components, and kitchen appliances. When an appliance breaks down, the home warranty company typically sends a contractor to repair or replace the item.

In some situations, sending out a repair technician is not the most practical option. For example, a homeowner may have already arranged a repair, the necessary repair is unavailable, or a payment may be easier to coordinate than a repair. In these cases, homeowners may request that companies resolve their claims by reimbursing them or offering a payment rather than performing a repair.

While a consumer may want to choose these options, current law focuses primarily on repair and replacement services; it does not clearly address reimbursements or payments made during the claims process. SB 1224 clarifies this, expressly allowing cash-in-lieu payments when resolving a warranty claim. This bill does not change what is covered or require companies to provide additional benefits. Instead, it aligns statutory language with existing industry practice to ensure the law accurately reflects how claims are resolved today and gives consumers additional choice when one of their appliances breaks down.”

Questions

The author may wish to consider whether offering cash in lieu of repair or replacement under a home protection contract would effectively create a new form of indemnity, and therefore a new form of insurance requiring additional regulatory and statutory conforming changes.

Related/Prior Legislation

SB 1175 (Deddeh, Chapter 664, Statutes of 1987). Created definitions regarding home protection contracts.

AB 1883 (Calderon, 2024). Would have implemented an additional licensure process and other requirements related to the sale of home protection contracts. *Not heard in Senate Insurance Committee.*

AB 1931 (Papan). Authorizes the Commissioner to extend the period between required examinations of home protection companies from two, to up to three additional years and allows the Commissioner also to consider the availability of examiners as a condition that could warrant an extension. *Pending in Assembly Insurance Committee.*

ARGUMENTS IN SUPPORT:

None received.

ARGUMENTS IN OPPOSITION:

None received.

SUPPORT:

None.

OPPOSITION:

None.

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