
THIRD READING

Bill No: SB 1224
Author: Jones (R)
Amended: 5/14/26
Vote: 21

SENATE INSURANCE COMMITTEE: 7-0, 4/22/26
AYES: Padilla, Niello, Becker, Jones, Menjivar, Richardson, Rubio

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Home protection contracts

SOURCE: National Home Service Contract Association

DIGEST: This bill authorizes a licensed home protection company to offer cash in lieu of repair or replacement on a case-by-case basis under certain conditions.

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) Allows a licensed home protection company to offer cash in lieu of repair or replacement on a case-by-case basis in the following circumstances:
 - a) The repair is impossible or economically wasteful.
 - b) A repair or replacement exceeds the contract aggregate.
 - c) If necessary to comply with CDI’s fair claims settlement requirements.
 - d) The consumer has voluntarily accepted a cash payment.

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) of the current legislative session, would authorize 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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

Unknown, potentially significant fiscal impact to CDI, to the extent the bill’s requirements necessitate rulemaking to establish valuation standards and an extensive review of updated rate filings (Insurance Fund). The transition to a cash in lieu of repair model may also result in an increased volume of consumer complaints and subsequent enforcement actions regarding the adequacy of payouts.

Total administrative and enforcement costs to CDI are indeterminate but may reach the hundreds of thousands of dollars.

SUPPORT: (Verified 5/15/26)

National Home Service Contract Association (source)

OPPOSITION: (Verified 5/15/26)

None received

ARGUMENTS IN SUPPORT: The National Home Service Contract Association, sponsor of this bill, states:

“SB 1224 relates to home warranties, which are known as "home protection" contracts in the Insurance Code. The basic nature of home protection contracts is the obligation by licensed home protection companies to repair or replace covered components, typically appliances, when necessary. There are, however, a small but significant percentage of claims where repair or replacement is impossible or not in the interest of consumers. Typical examples would include appliances which are no longer available or cases where consumers would like to upgrade their appliances. In other cases, building codes may have changed in this small percentage of cases the best way to make consumers whole is to provide cash payments in lieu of repair or replacement.

This cash in lieu alternative has been used in California by home warranty companies for decades, but it has never been recognized in California statutes or regulations. The simple purpose of SB 1224 is to codify this existing practice.”

Prepared by: Brandon Seto / INS. / (916) 651-4110
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