

Date of Hearing: April 17, 2024

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
AB 1883 (Calderon) – As Amended April 9, 2024

SUBJECT: Insurance: home protection contracts

SUMMARY: Implements an additional licensure process and other requirements related to the sale of home protection contracts. Specifically, **this bill:**

- 1) Provides for the licensure of an applicant and requires specified information to be submitted to the Insurance Commissioner (commissioner), including but not limited to, an application fee and specified training materials.
- 2) Requires a home protection company or insurer to submit a certificate with the application stating that the named applicant is trustworthy and competent to act as an agent on its behalf.
- 3) Authorizes an endorsee, as defined, to act on behalf of, or under the supervision of, a licensee in matters related to selling or offering home protection contracts, as provided.
- 4) Requires the licensee to provide specified training to an endorsee prior to allowing the endorsee to sell or offer home protection contracts.
- 5) Prohibits the licensee or endorsee from selling or offering a home protection contract under specified circumstances including while in a prospective customer's home, as provided, or pursuant to telephone solicitation, as defined.
- 6) Permits the home protection contract holder to return the contract within 30 days of the start date of the contract, if no claim has been made under the contract prior to its return, as provided.
- 7) Authorizes the commissioner to take specified disciplinary actions, as provided.
- 8) Provides for renewal of the license, as specified.

EXISTING LAW:

- 1) Regulates home protection companies, which issue contracts to repair or replace all or any part of any component, system or appliance of a home necessitated by wear and tear, deterioration or inherent defect, arising during the effective period of the contract, as provided. (Insurance Code (INS) Section 12740 et seq.)
- 2) Prohibits a person from issuing or offering a home protection contract unless the person holds a home protection company license issued by CDI, as specified, or is licensed as an insurance agent or broker, as specified. (INS Sections 1631 and 12744)
- 3) Exempts an employee of a home protection company, not paid on a commission basis, from the above licensing requirements. (INS Section 1634(g))
- 4) Exempts licensed real estate agents, as provided, from the home protection contract licensing requirements. (INS Section 1635(j))

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose.* Over the past 40 years, the home protection industry has grown and new types of products have been developed. The types of home protection contracts available have also grown significantly over the decades. Customers can now choose which appliances or home systems they want to cover based on their own budget and their financial ability to cover the costs of a major repair. These changes necessitate a corresponding change in the way individuals and entities are licensed to sell these products.
- 2) *Discussion.* Currently, in order to sell a home protection contract an individual agent must hold a full property and casualty insurance agent license or meet one of two exceptions – be a licensed real estate agent or a non-commission employee of a home protection company that meets the licensing requirements.

This bill would create a new limited lines license for the marketing and sale of home protection contracts. This licensing process would be in addition to the existing ways an individual can be licensed to sell home protection contracts. The proposal is based on the existing limited lines licensing rules for: (1) Travel; (2) Cargo Shipping; (3) Portable Electronics; (4) Items stored in Self-Service Storage; (5) Car Rentals; and (6) Credit/Loans. As with these other limited lines coverages, the background and knowledge needed to sell home protection contracts is relatively straightforward and more narrow than the knowledge needed to sell full property and casualty products.

The National Association of Insurance Commissioners Service Contract Model does not require home protection contract sellers to be licensed, so most states have no licensing requirements in this area. Therefore, the current licensing requirements in the state pose significant hurdles to home protection companies being able to operate here.

Creating a limited lines license allows CDI to maintain oversight and ensure consumer protection while making it easier for home protection companies to operate in the state. Enacting a limited lines license to sell home protection insurance products will expand the number of entities selling such products which, in turn, will make these products more accessible to all consumers.

REGISTERED SUPPORT / OPPOSITION:

Support

American Bankers Insurance Company of Florida and Its Affiliates
 American Property Casualty Insurance Association
 Amtrust Financial
 Continental Casualty Company (CNA Insurance Companies)
 Homeserve USA Corp
 San Diego Gas and Electric Company
 Service Contract Industry Council
 Southern California Gas Company

Opposition

None on file.

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