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INSURANCE CODE - INS

DIVISION 2. CLASSES OF INSURANCE [1880 - 12880.8] (*Division 2 enacted by Stats. 1935, Ch. 145.*)

PART 7. HOME PROTECTION [12740 - 12764] (*Part 7 added by Stats. 1978, Ch. 1203.*)

CHAPTER 2. Fiscal Requirements [12750 - 12757] (*Chapter 2 added by Stats. 1978, Ch. 1203.*)

12750. (a) A home protection company which has issued or renewed an aggregate number of 1,000 or less contracts in the preceding calendar year shall maintain a minimum net worth of forty thousand dollars (\$40,000) and for each additional 500 contracts, or fraction thereof, up to 10,000 contracts, an additional twenty thousand dollars (\$20,000).

(b) Net worth is defined as the excess of admitted assets over all liabilities and required reserves. At least twenty thousand dollars (\$20,000) of net worth shall consist of paid-in capital.

(Amended by Stats. 1981, Ch. 820, Sec. 5.)

12751. Any home protection company which has issued and in force, prior to January 1, 1979, any contracts for home protection exempt from the provisions of this part pursuant to Section 12741, shall carry a portion of the fee received for such contracts in the reserve contemplated by Section 985, as though such fees were premiums subject to the provisions of that section, and such sums shall be deemed equivalent to premiums for purposes of that section but shall not be considered premiums for the purposes of Section 12202 of the Revenue and Taxation Code.

(Added by Stats. 1978, Ch. 1203.)

12752. (a) A home protection company shall file an annual statement exhibiting its conditions and affairs in accordance with Sections 900, 900.5, 900.8, 900.9, 902, 903, 903.5, 904, 922.1 to 922.8, inclusive, 923, 923.5, and 924. However, the required contents of the annual statement may vary from the requirements thereof, pursuant to regulations adopted by the commissioner in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, so as to adapt the requirements to the home protection business. This subdivision shall not be construed to limit the authority of the commissioner to request financial statements from licensees at any time.

(b) The commissioner shall, before licensure and at other times as appears necessary, examine the business and affairs of a home protection company subject to this part. A home protection company so examined shall open its books and records for inspection by the commissioner and shall otherwise facilitate and cooperate in the examination. In making the examination, the commissioner shall have the rights specified in Section 733, and the examinee shall be subject to the obligations of Section 736. The commissioner shall not conduct more than one financial examination of a company in a five-year period, unless the commissioner finds that the financial condition of the company has deteriorated, thereby warranting an interim examination.

(c) The commissioner may extend the period between examinations up to two additional years if the commissioner determines that conditions warrant the extension. In making that determination, the commissioner may consider all of the following factors:

- (1) The company's reserves.
- (2) The company's net worth.
- (3) Any other factors the commissioner considers relevant.

(Amended by Stats. 2018, Ch. 431, Sec. 1. (AB 2142) Effective January 1, 2019.)

12753. (a) A home protection company shall maintain a reserve for unearned premiums in an amount not less than 40 percent of the aggregate premiums charged on its contracts currently in force.

Amounts to be reserved shall be on a 12-month basis. Where the contract is for a period of more than 12 months, the reserve for unearned premiums for the period beyond 12 months shall be 100 percent of the pro rata portion of the contract fee attributable to the period of coverage in excess of 12 months. The unearned premium reserve for contracts exceeding 12 months shall be reduced to not less than 40 percent of the pro rata portion of the contract fee applicable to the next succeeding 12-month period, as of the first day of the succeeding 12-month period, and each succeeding 12-month period thereafter during which the contract is in effect.

Where the home protection contract provides coverage during the selling or listing period of the real property to which the contract applies, the home protection contract fee applicable to this period of coverage shall be deemed fully earned upon the close of escrow, and receipt of payment of the applicable contract fee.

(b) For purposes of this section, such reserve shall not include protection contract fees on home protection contracts to the extent provision is made for reinsurance of the outstanding risk on such contracts.

(c) The commissioner may, by regulation, prescribe the format by which the reserve shall be reported.

(Amended by Stats. 1987, Ch. 664, Sec. 6.)

12755. A home protection company shall be deemed insolvent whenever its net worth is reduced below 50 percent of the amount required by Section 12750.

(Added by Stats. 1981, Ch. 820, Sec. 8.)

12756. A home protection company shall invest only in those assets defined in Article 3 (commencing with Section 1170) and Article 4 (commencing with Section 1190) of Chapter 2 of Part 2 of Division 1, except that an amount to be determined by the commissioner by regulation of its admitted assets may be invested in tangible personal property held by it for the purpose of repair or replacement of home components, systems or appliances under its home protection contracts.

(Added by Stats. 1981, Ch. 820, Sec. 9.)

12757. The provisions of Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1, shall not be applicable to home protection companies.

(Added by Stats. 1981, Ch. 820, Sec. 10.)