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AB-646 Insurance: warranty: catalytic converter. (2025-2026)

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AMENDED IN ASSEMBLY APRIL 28, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 646

Introduced by Assembly Member Wallis

February 13, 2025

An act to amend Section 116.6 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 646, as amended, Wallis. Insurance: warranty: catalytic converter.

Under existing law, a warranty issued by the warrantor of a vehicle protection product constitutes an express warranty and does not constitute automobile insurance if the warrantor complies with various requirements, including that the warranty is in writing and provides, among other things, that the benefits are limited to the difference between the actual cash value of the stolen vehicle and the vehicle's replacement cost, temporary vehicle rental expenses, reimbursement for insurance policy deductible, and registration fees and taxes on a replacement vehicle or a fixed amount for those benefits, and that the benefit is payable upon the theft of the vehicle. Existing law defines a vehicle protection product for these purposes to mean a vehicle protection device, system, or service that is installed on, or applied to, a vehicle, is designed to deter the theft of the vehicle, and includes a written warranty that provides specified incidental costs if the product fails to deter the theft of the vehicle.

~~This bill would limit the warranty benefit to the actual cost of replacing the catalytic converter if the warranty covers only the vehicle's catalytic converter. The bill would also clarify that the benefit is payable upon the theft of the vehicle or a catalytic converter attached to the vehicle. The bill would expand the definition of a vehicle protection product to include a protection device, system, or service that is installed on, or applied to, a vehicle to deter the theft of the vehicle or a catalytic converter attached to the vehicle and that includes a written warranty that provides specified incidental costs if the product fails to do so.~~

Existing law requires, except as specified, a dealer or person holding a retail seller's permit who sells new or used vehicles equipped with a catalytic converter to permanently mark the catalytic converter with the vehicle identification number of the vehicle to which it is attached.

This bill would expand the definition of a vehicle protection product to include a physical device, system, or service designed to prevent the unauthorized removal of a vehicle's catalytic converter, and would limit the warranty benefit for this vehicle protection product to the actual cash value and replacement cost of the catalytic converter, temporary vehicle rental expenses, and

reimbursement for the insurance policy deductible. The bill would require the benefit to be payable upon the theft of the catalytic converter from the vehicle, as specified. The bill would also require a seller to disclose a specified notice if this vehicle protection product is a body part marking product designed to permanently mark the catalytic converter.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 116.6 of the Insurance Code is amended to read:

116.6. (a) Notwithstanding Section 116, a warranty issued by the warrantor of a vehicle protection product shall constitute an express warranty, as defined in Section 1791.2 of the Civil Code, and shall not constitute automobile insurance if the warrantor complies with all of the following requirements:

(1) The warrantor maintains an insurance policy with an admitted insurer providing coverage for 100 percent of the warrantor's obligations under the warranty. The insurance policy shall allow the warrantyholder to make a direct claim for payment from the insurer upon the failure of the warrantor to pay any covered claim within 60 days after a complete proof-of-loss has been filed with the party designated in the warranty. In addition, all of the following shall apply:

(A) The warrantor shall file with the commissioner a copy of the insurance policy. At any time, a warrantor may have on file with the commissioner only one active policy from one insurer.

(B) The insurer's liability under the policy shall not be negated by a failure of the warrantor, for any reason, to report the issuance of a warranty to the insurer or to remit moneys owed to the insurer.

(C) No policy cancellation by an insurer shall be valid unless a notice of the intent to cancel the policy is filed with the commissioner not less than 30 days prior to the effective date of the cancellation, or, in the event that the cancellation is due to fraud, material misrepresentation, or defalcation by the warrantor, not less than 10 days prior to that date.

(D) In the event an insurer cancels a policy that a warrantor has filed with the commissioner, the warrantor shall do either of the following:

(i) File a copy of a new policy with the commissioner, before the termination of the prior policy, providing no lapse in coverage following the termination of the prior policy.

(ii) Discontinue acting as a warrantor as of the termination date of the policy until a new policy becomes effective and is accepted by the commissioner.

(2) The warrantor does not use the words insurance, casualty, surety, mutual, or any other words descriptive of the casualty, insurance, or surety business or deceptively similar to the name or description of any insurance company or casualty or surety company in the vehicle protection product name or warranty or in any advertising or other materials provided to prospective purchasers.

(3) The warranty has been issued to a customer that is insured under a comprehensive vehicle insurance policy for the vehicle covered by the warranty agreement.

(4) The warranty is in writing and provides all of the following:

(A) The benefits are limited to the difference between the actual cash value of the stolen vehicle and the vehicle's replacement cost, temporary vehicle rental expenses, reimbursement for insurance policy deductible, and registration fees and taxes on a replacement vehicle or a fixed amount for those benefits. ~~If the warranty covers only the vehicle's catalytic converter, the benefits are limited to the actual cost of replacing the catalytic converter.~~ *For a vehicle protection product described in subparagraph (C) of paragraph (2) of subdivision (b), the benefits are limited to the actual cash value and replacement cost of the catalytic converter, temporary vehicle rental expenses, and reimbursement for insurance policy deductible.*

(B) A statement that the warrantyholder shall be entitled to make a direct claim against the insurer covering the obligations of the warranty upon the failure of the warrantor to pay any covered claim within 60 days after a complete proof-of-loss has been filed with the party designated in the warranty.

(C) A disclosure stating clearly the name, address, and telephone number of the insurer covering the obligations of the warrantor.

(D) A toll-free telephone number established and operated by the warrantor for the warrantyholder to call for questions about the warranty or the procedures to file a claim.

(E) A statement that clearly indicates the terms of the warranty, whether new or used cars are eligible for the vehicle protection product, the method for calculating the benefits paid and provided to the warrantyholder, and the procedure for filing a claim under the warranty.

(F) A disclosure in 10-point type or larger that reads as follows: "This agreement is a product warranty and is not insurance. It is not subject to state insurance laws but is subject to state law concerning warranties."

(G) A disclosure in 10-point type or larger that reads as follows: "To be eligible for this warranty, the warrantyholder must have comprehensive insurance coverage on the vehicle that is protected by the antitheft device."

(5) The benefit is payable upon the theft of the vehicle ~~or or, for a vehicle protection product described in subparagraph (C) of paragraph (2) of subdivision (b), the theft of the~~ catalytic converter ~~attached to from~~ the vehicle, as defined in the warranty, and subject to the satisfaction of the procedural proof of claim requirements of the warranty.

(b) For purposes of this section, the following definitions shall apply:

(1) "Warrantor" means the manufacturer or provider of a vehicle protection product who, under the terms of a vehicle protection product warranty, is the contractual obligor to the purchaser of a vehicle protection product.

(2) (A) "Vehicle protection product" means a vehicle protection device, system, or service that is installed on, or applied to, a vehicle, is designed to deter the theft of a ~~vehicle or catalytic converter attached to the vehicle;~~ vehicle, and includes a written warranty that provides if the product fails to deter the theft of the ~~vehicle or catalytic converter attached to the vehicle;~~ vehicle, that the warrantyholder shall be paid specified incidental costs by the warrantor as a result of the failure of the device, system, or service to perform pursuant to the terms of the warranty.

(B) For purposes of this section, "vehicle protection product" shall also include alarm systems, window etch products, body part marking products, steering locks, pedal and ignition locks, fuel and ignition kill switches, and electronic, radio, and satellite tracking devices.

(C) (i) For purposes of this section, "vehicle protection product" shall also include a physical device, system, or service designed to prevent the unauthorized removal of a vehicle's catalytic converter.

(ii) If the vehicle protection product is a body part marking product designed to permanently mark the catalytic converter, as defined in subdivision (c) of Section 24020 of the Vehicle Code, the seller shall disclose, in writing and on a separate document in at least 12-point bold type, the following:

"YOU ARE NOT OBLIGATED OR REQUIRED TO PURCHASE ANY VEHICLE PROTECTION PRODUCT, INCLUDING A VEHICLE PROTECTION PRODUCT WARRANTYING AGAINST CATALYTIC CONVERTER THEFT.

VEHICLE CODE SECTION 24020 REQUIRES DEALERS TO PERMANENTLY MARK THE CATALYTIC CONVERTERS ON ALL VEHICLES THEY SELL, OR TO OFFER PERMANENT CATALYTIC CONVERTER MARKING AS A SERVICE. PURCHASE OF A VEHICLE PROTECTION PRODUCT WARRANTYING AGAINST CATALYTIC CONVERTER THEFT IS NOT NECESSARY TO RECEIVE THIS SERVICE.

YOUR PRIMARY AUTOMOBILE INSURANCE MAY ALREADY PROVIDE COVERAGE FOR THE THEFT OF A CATALYTIC CONVERTER. YOU SHOULD REVIEW YOUR AUTOMOBILE INSURANCE POLICY BEFORE PURCHASING A VEHICLE PROTECTION PRODUCT WARRANTYING AGAINST CATALYTIC CONVERTER THEFT."

(c) The commissioner may issue a stop order pursuant to Section 12921.8 to a warrantor who is in violation of the requirements of this section.

(d) A warrantor shall have the burden of proving that a claim filed in compliance with the terms and conditions of the warranty is not covered by the warranty. A warrantor shall have the burden of proving that a claim settlement amount fulfills the promises contained in the warranty.

(e) The requirements of this section shall not apply under either of the following conditions:

(1) The warrantor is a manufacturer of motor vehicles, as defined pursuant to Section 672 of the Vehicle Code, or a distributor of motor vehicles, as defined pursuant to Section 296 of the Vehicle Code.

(2) The warranty only provides for the repair or replacement of the vehicle protection product subsequent to a mechanical or electrical breakdown of the vehicle protection product.

(f) Nothing in this section is intended to affect any pending litigation.