

AMENDED IN ASSEMBLY FEBRUARY 25, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

**ASSEMBLY BILL**

**No. 487**

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**Introduced by Committee on Insurance**

February 10, 2025

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An act to amend ~~Section 10270.2~~ Sections 1670, 1729.2, 1800, 1871.7, 10123.13, 10123.1991, 10270.2, 10295.11, and 12800 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL’S DIGEST

AB 487, as amended, Committee on Insurance. ~~Blanket insurance. Insurance.~~

(1) Existing law establishes the powers and duties of the Department of Insurance and the Insurance Commissioner. Existing law requires an application for specified licenses, including a production agency license, to be automatically denied without prejudice to the filing of a new application for the license, except in specified circumstances, if the applicant does not fully qualify for and receives the license on a permanent basis or is denied the issuance of the license, as specified.

This bill would additionally include applications for bail, insurance adjuster, or public insurance adjuster licenses.

(2) Existing law requires an insurance licensee or applicant for a license to notify the commissioner when any of their background information changes after the application has been submitted or the license has been issued. For this purpose, existing law defines “background information” to include an administrative action regarding a professional or occupational license, among other things.

This bill would expand the definition for “background information” to also include an administrative action regarding conduct or activity

*for which a professional or occupational license was required, but not possessed, and an administrative or civil action filed by, or on behalf of, a government or regulatory agency alleging any unlawful conduct, activity, or omission.*

**Existing**

*(3) Existing law permits blanket insurance to be issued to a college, school, or other institution of learning, or a sports team, camp, sponsor, or proprietor of a sports team, providing benefits to students, teachers, or employees, or sports team participants, campers, employees, officials, supervisors, or persons responsible for their support, for death or dismemberment resulting from accident, or for hospital, medical, surgical, or nursing expenses resulting from accident or sickness, as specified. Existing law defines “blanket insurance” for purposes of these provisions.*

This bill would expand the groups for which blanket insurance may be issued to include coverage of volunteers for the entities described above.

*(4) Existing law prohibits knowingly employing runners, cappers, steerers, or other persons to procure clients or patients to perform or obtain services or benefits under workers’ compensation coverage or a contract of insurance or that will be the basis for a claim against an insured individual or their insurer. Existing law authorizes a district attorney, the Insurance Commissioner, or an interested person to bring a civil action for a violation of that provision. Existing law requires the district attorney or commissioner, for actions brought by an interested person, to either proceed with the action, in which case the action would be conducted by the district attorney or commissioner or to notify the court that it declines to take over the action, in which case the person bringing the action has the right to conduct the action. Existing law prohibits a court from having jurisdiction over an action under these provisions based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing in a legislative or administrative report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General or the person bringing the action is an original source of the information.*

This bill would instead prohibit a court from having jurisdiction, unless the action is brought by the district attorney or commissioner, the district attorney or commissioner proceeds with an action brought

by an interested person, or the person bringing the action is an original source of the information.

(5) This bill would make additional technical changes to eliminate outdated references and correct other errors.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 1670 of the Insurance Code is amended  
2     to read:

3     1670. If an applicant for any license under this chapter, Chapter  
4     7 (commencing with Section 1800) of this part, or Chapter 1  
5     (commencing with Section 14000) or Chapter 2 (commencing with  
6     Section 15000) of Division 5, within one year from the date of the  
7     receipt by the commissioner of the application, whether or not the  
8     filing is complete, or within one year from the date of the issuance  
9     to ~~him or her~~ the applicant of a certificate of convenience, if any,  
10    whichever is the later date, neither fully qualifies for and receives  
11    that license on a permanent basis, nor is denied its issue, the  
12    application is automatically denied without prejudice to the filing  
13    of a new application for the license unless in a proceeding under  
14    a statement of issues the commissioner for good cause determines  
15    the denial should be set aside or stayed.

16    SEC. 2. Section 1729.2 of the Insurance Code is amended to  
17    read:

18    1729.2. (a) An applicant or licensee shall notify the  
19    commissioner when any of the background information set forth  
20    in this section changes after the application has been submitted or  
21    the license has been issued. If the licensee is listed as an endorsee  
22    on any business entity license, the licensee shall also provide this  
23    notice to any officer, director, or partner listed on that business  
24    entity license.

25    (b) A business entity licensee, upon learning of a change in  
26    background information pertaining to any unlicensed person listed  
27    on its business entity license or application therefor, shall notify  
28    the commissioner of that change. The changes subject to this  
29    requirement include changes pertaining to any unlicensed officer,  
30    director, partner, member, or controlling person, or any other

1 natural person named under the business entity license or in an  
2 application therefor.

3 (c) The following definitions apply for the purposes of this  
4 section:

5 (1) “License” includes all types of licenses issued by the  
6 commissioner pursuant to Chapter 5 (commencing with Section  
7 1621), Chapter 5A (commencing with Section 1759), Chapter 6  
8 (commencing with Section 1760), Chapter 6.5 (commencing with  
9 Section 1781.1), Chapter 7 (commencing with Section 1800), and  
10 Chapter 8 (commencing with Section 1831) of Part 2 of Division  
11 1, Chapter 1 (commencing with Section 10110) of Part 2 of  
12 Division 2, Chapter 4 (commencing with Section 12280) of Part  
13 5 of Division 2, Article 8 (commencing with Section 12418) of  
14 Chapter 1 of Part 6 of Division 2, and Chapter 1 (commencing  
15 with Section 14000) and Chapter 2 (commencing with Section  
16 15000) of Division 5.

17 (2) “Background information” means any of the following: a  
18 misdemeanor or felony conviction; a filing of felony criminal  
19 charges in state or federal court; an administrative action regarding  
20 a professional or occupational ~~license~~; *license or regarding conduct*  
21 *or activity for which a professional or occupational license was*  
22 *required but not possessed; an administrative or civil action filed*  
23 *by, or on behalf of, a government or regulatory agency alleging*  
24 *any unlawful conduct, activity, or omission; any licensee’s*  
25 *discharge or attempt to discharge, in a personal or organizational*  
26 *bankruptcy proceeding, an obligation regarding any insurance*  
27 *premiums or fiduciary funds owed to any ~~company~~; person,*  
28 *including a premium finance company, or managing general agent;*  
29 *and any admission, or judicial finding or determination, of fraud,*  
30 *misappropriation or conversion of funds, misrepresentation, or*  
31 *breach of fiduciary duty.*

32 (3) “Applicant” and “licensee” include individual and  
33 organization applicants and licensees, and officers, directors,  
34 partners, members, and controlling persons (as defined in  
35 subdivision (b) of Section 1668.5) of an organization.

36 (d) Notification to the commissioner shall be in writing and  
37 shall be sent within 30 days of the date the applicant or licensee  
38 learns of the change in background information.

39 (e) The commissioner may adopt regulations necessary or  
40 desirable to implement this section.

1     *SEC. 3. Section 1800 of the Insurance Code is amended to*  
2     *read:*

3     1800. (a) An insurer shall not execute an undertaking of bail  
4     except by and through a person holding a bail license issued as  
5     provided in this chapter. A person shall not in this state solicit or  
6     negotiate in respect to execution or delivery of an undertaking of  
7     bail or bail bond by an insurer, or execute or deliver such an  
8     undertaking of bail or bail bond unless licensed as provided in this  
9     chapter, but if so licensed, such person may so solicit, negotiate,  
10    and effect such undertakings or bail bonds without holding or being  
11    named in any license specified in Chapter 5 of this part.

12    (b) (1) A person shall not perform in this state the activities of  
13    a bail fugitive recovery agent, as defined in *paragraph (4) of*  
14    subdivision~~(d)~~ (a) of Section 1299.01 of the Penal Code, or solicit  
15    or negotiate to perform the activities of a bail fugitive recovery  
16    agent, as defined in *paragraph 4 of* subdivision~~(d)~~ (a) of Section  
17    1299.01 of the Penal Code, unless licensed pursuant to this chapter.

18    (2) Any person, persons, or entity, including licensed bail agents  
19    and surety insurers, that hire, contract, solicit, or appoint another  
20    person or persons to act as a bail fugitive recovery agent shall  
21    ensure that the hired person or persons are duly licensed by the  
22    department as a bail fugitive recovery agent under paragraph (4)  
23    of subdivision (a) of Section 1801.

24    (c) For purposes of this section, “solicit” shall include any  
25    written or printed presentation or advertising made by mail or other  
26    publication, or any oral presentation or advertising by means of  
27    telephone, radio, or television which implies that an individual is  
28    licensed under this chapter, and any activity in arranging for bail  
29    which results in remuneration to the individual conducting that  
30    activity.

31    ~~(d) This section shall become operative on July 1, 2023.~~

32    *SEC. 4. Section 1871.7 of the Insurance Code is amended to*  
33    *read:*

34    1871.7. (a) It is unlawful to knowingly employ runners,  
35    cappers, steerers, or other persons to procure clients or patients to  
36    perform or obtain services or benefits pursuant to Division 4  
37    (commencing with Section 3200) of the Labor Code or to procure  
38    clients or patients to perform or obtain services or benefits under  
39    a contract of insurance or that will be the basis for a claim against  
40    an insured individual or their insurer.

(b) Every person who violates any provision of this section or Section 549, 550, or 551 of the Penal Code shall be subject, in addition to any other penalties that may be prescribed by law, to a civil penalty of not less than five thousand dollars (\$5,000) nor more than ten thousand dollars (\$10,000), plus an assessment of not more than three times the amount of each claim for compensation, as defined in Section 3207 of the Labor Code or pursuant to a contract of insurance. The court shall have the power to grant other equitable relief, including temporary injunctive relief, as is necessary to prevent the transfer, concealment, or dissipation of illegal proceeds, or to protect the public. The penalty prescribed in this paragraph shall be assessed for each fraudulent claim presented to an insurance company by a defendant and not for each violation.

(c) The penalties set forth in subdivision (b) are intended to be remedial rather than punitive, and shall not preclude, nor be precluded by, a criminal prosecution for the same conduct. If the court finds, after considering the goals of disgorging unlawful profit, restitution, compensating the state for the costs of investigation and prosecution, and alleviating the social costs of increased insurance rates due to fraud, that such a penalty would be punitive and would preclude, or be precluded by, a criminal prosecution, the court shall reduce that penalty appropriately.

(d) The district attorney or commissioner may bring a civil action under this section. Before the commissioner may bring that action, the commissioner shall be required to present the evidence obtained to the appropriate local district attorney for possible criminal or civil filing. If the district attorney elects not to pursue the matter, then the commissioner may proceed with the action.

(e) (1) Any interested persons, including an insurer, may bring a civil action for a violation of this section for the person and for the State of California. The action shall be brought in the name of the state. The action may be dismissed only if the court and the district attorney or the commissioner, whichever is participating, give written consent to the dismissal.

(2) A copy of the complaint and written disclosure of substantially all material evidence and information the person possesses shall be served on the district attorney and commissioner. The complaint shall be filed in camera, shall remain under seal for at least 60 days from the date of service on the district attorney

1 and commissioner, and shall not be served on the defendant until  
2 the court so orders. The local district attorney or commissioner  
3 may elect to intervene and proceed with the action within 60 days  
4 after the district attorney or commissioner receives both the  
5 complaint and the material evidence and information. If more than  
6 one governmental entity elects to intervene, the district attorney  
7 shall have precedence.

8 (3) The district attorney or commissioner may, for good cause  
9 shown, move the court for extensions of the time during which the  
10 complaint remains under seal under paragraph (2). The motions  
11 may be supported by affidavits or other submissions in camera.  
12 The defendant shall not be required to respond to any complaint  
13 filed under this section until 20 days after the complaint is unsealed  
14 and served upon the defendant.

15 (4) Before the expiration of the 60-day period or any extensions  
16 obtained under paragraph (3), the district attorney or commissioner  
17 shall either:

18 (A) Proceed with the action, in which case the action shall be  
19 conducted by the district attorney or commissioner.

20 (B) Notify the court that it declines to take over the action, in  
21 which case the person bringing the action shall have the right to  
22 conduct the action.

23 (5) When a person or governmental agency brings an action  
24 under this section, no person other than the district attorney or  
25 commissioner may intervene or bring a related action based on the  
26 facts underlying the pending action unless that action is authorized  
27 by another statute or common law.

28 (f) (1) If the district attorney or commissioner proceeds with  
29 the action, the district attorney or commissioner shall have the  
30 primary responsibility for prosecuting the action, and shall not be  
31 bound by an act of the person bringing the action. That person  
32 shall have the right to continue as a party to the action, subject to  
33 the limitations set forth in paragraph (2).

34 (2) (A) The district attorney or commissioner may dismiss the  
35 action notwithstanding the objections of the person initiating the  
36 action if the person has been notified by the district attorney or  
37 commissioner of the filing of the motion, and the court has  
38 provided the person with an opportunity for a hearing on the  
39 motion.

1 (B) The district attorney or commissioner may settle the action  
2 with the defendant notwithstanding the objections of the person  
3 initiating the action if the court determines, after a hearing, that  
4 the proposed settlement is fair, adequate, and reasonable under all  
5 the circumstances. Upon a showing of good cause, the hearing  
6 may be held in camera.

7 (C) Upon a showing by the district attorney or commissioner  
8 that unrestricted participation during the course of the litigation  
9 by the person initiating the action would interfere with or unduly  
10 delay the district attorney's or commissioner's prosecution of the  
11 case, or would be repetitious, irrelevant, or for purposes of  
12 harassment, the court may, in its discretion, impose limitations on  
13 the person's participation, including, but not limited to, the  
14 following:

- 15 (i) Limiting the number of witnesses the person may call.
- 16 (ii) Limiting the length of the testimony of those witnesses.
- 17 (iii) Limiting the person's cross-examination of witnesses.
- 18 (iv) Otherwise limiting the participation by the person in the  
19 litigation.

20 (D) Upon a showing by the defendant that unrestricted  
21 participation during the course of the litigation by the person  
22 initiating the action would be for purposes of harassment or would  
23 cause the defendant undue burden or unnecessary expense, the  
24 court may limit the participation by the person in the litigation.

25 (3) If the district attorney or commissioner elects not to proceed  
26 with the action, the person who initiated the action shall have the  
27 right to conduct the action. If the district attorney or commissioner  
28 so requests, the district attorney or commissioner shall be served  
29 with copies of all pleadings filed in the action and shall be supplied  
30 with copies of all deposition transcripts, at the district attorney's  
31 or commissioner's expense. When a person proceeds with the  
32 action, the court, without limiting the status and rights of the person  
33 initiating the action, may nevertheless permit the district attorney  
34 or commissioner to intervene at a later date upon a showing of  
35 good cause.

36 (4) If at any time both a civil action for penalties and equitable  
37 relief pursuant to this section and a criminal action are pending  
38 against a defendant for substantially the same conduct, whether  
39 brought by the government or a private party, the civil action shall  
40 be stayed until the criminal action has been concluded at the trial



1 court level. The stay shall not preclude the court from granting or  
2 enforcing temporary equitable relief during the pendency of the  
3 actions. Whether or not the district attorney or commissioner  
4 proceeds with the action, upon a showing by the district attorney  
5 or commissioner that certain actions of discovery by the person  
6 initiating the action would interfere with a law enforcement or  
7 governmental agency investigation or prosecution of a criminal  
8 or civil matter arising out of the same facts, the court may stay  
9 discovery for a period of not more than 180 days. A hearing on a  
10 request for the stay shall be conducted in camera. The court may  
11 extend the 180-day period upon a further showing in camera that  
12 the agency has pursued the criminal or civil investigation or  
13 proceedings with reasonable diligence and any proposed discovery  
14 in the civil action will interfere with the ongoing criminal or civil  
15 investigation or proceedings.

16 (5) Notwithstanding subdivision (e), the district attorney or  
17 commissioner may elect to pursue its claim through any alternate  
18 remedy available to the district attorney or commissioner.

19 (g) (1) (A) (i) If the district attorney proceeds with an action  
20 brought by a person under subdivision (e), that person shall, subject  
21 to subparagraph (B), receive at least 30 percent but not more than  
22 40 percent of the proceeds of the action or settlement of the claim,  
23 depending upon the extent to which the person substantially  
24 contributed to the prosecution of the action.

25 (ii) If the commissioner has brought an action or has proceeded  
26 with an action brought by another person under this section on or  
27 after January 1, 2006, the commissioner shall be entitled to  
28 attorney's fees and costs in addition to any judgment, regardless  
29 of the date that judgment is entered. The court shall determine and  
30 award the commissioner the amount of reasonable attorney's fees,  
31 including, but not limited to, reasonable fees for time expended  
32 by attorneys employed by the department and for costs incurred.  
33 Any attorney's fees or costs awarded to the commissioner and  
34 collected shall be deposited in the Insurance Fund. In cases in  
35 which the commissioner has intervened, the commissioner and the  
36 person bringing the claim may stipulate to an allocation. The court  
37 may allocate the funds pursuant to the stipulation if, after the  
38 court's ruling on objection by the district attorney, if any, the court  
39 finds it is in the interests of justice to follow the stipulation.

(iii) If the commissioner has proceeded with an action, if there is no stipulation regarding allocation, and if a judgment has been obtained or a settlement has been reached with the defendants, the court shall determine the allocation, upon motion of the commissioner or the person bringing the action, according to the following priority:

(I) The person bringing the action, regardless of whether that person paid money to the defendants as part of the acts alleged in the complaint, shall first receive the amount the court determines is reasonable for attorney's fees, costs, and expenses that the court determines to have been necessarily incurred.

(II) The commissioner shall receive the amount the court determines for reasonable attorney's fees and costs.

(III) If the person bringing the suit has paid moneys to the defendants as part of the acts alleged in the complaint, that person shall receive the amount paid to the defendants.

(IV) At least 30 percent, but not more than 40 percent, of the remaining assets or moneys, shall be allocated to the person bringing the action, depending upon the extent to which the person substantially contributed to the prosecution of the action.

(iv) Those portions of a judgment or settlement not distributed pursuant to this subdivision shall be paid to the General Fund of the state and, upon appropriation by the Legislature, shall be apportioned between the Department of Justice and the Department of Insurance for enhanced fraud investigation and prevention efforts.

(B) Where the action is one that the court finds to be based primarily on disclosures of specific information, other than information provided by the person bringing the action, relating to allegations or transactions in a criminal, civil, or administrative hearing, in a legislative or administrative report, hearing, audit, or investigation, or from the news media, the court may award those sums that it considers appropriate, but in no case more than 10 percent of the proceeds, taking into account the significance of the information and the role of the person bringing the action in advancing the case to litigation.

(C) Any payment to a person under subparagraph (A) or under subparagraph (B) shall be made from the proceeds. The person shall also receive an amount for reasonable expenses that the court finds to have been necessarily incurred, plus reasonable attorney's

1 fees and costs. All of those expenses, fees, and costs shall be  
2 awarded against the defendant.

3 (2) (A) If the district attorney or commissioner does not proceed  
4 with an action under this section, the person bringing the action  
5 or settling the claim shall receive an amount that the court decides  
6 is reasonable for collecting the civil penalty and damages. Except  
7 as provided in subparagraph (B), the amount shall not be less than  
8 40 percent and not more than 50 percent of the proceeds of the  
9 action or settlement and shall be paid out of the proceeds. That  
10 person shall also receive an amount for reasonable expenses that  
11 the court finds to have been necessarily incurred, plus reasonable  
12 attorney's fees and costs. All of those attorney's fees and costs  
13 shall be imposed against the defendant. The parties shall serve the  
14 commissioner and the local district attorney with complete copies  
15 of any and all settlement agreements, and terms and conditions,  
16 for actions brought under this article at least 10 days prior to filing  
17 any motion for allocation with the court under this paragraph. The  
18 court may allocate the funds pursuant to the settlement agreement  
19 if, after the court's ruling on objection by the commissioner or the  
20 local district attorney, if any, the court finds it is in the interests  
21 of justice to follow the settlement agreement.

22 (B) If the person bringing the action, as a result of a violation  
23 of this section has paid money to the defendant or to an attorney  
24 acting on behalf of the defendant in the underlying claim, then the  
25 person shall be entitled to up to double the amount paid to the  
26 defendant or the attorney if that amount is greater than 50 percent  
27 of the proceeds. That person shall also receive an amount for  
28 reasonable expenses that the court finds to have been necessarily  
29 incurred, plus reasonable attorney's fees and costs. All of those  
30 expenses, fees, and costs shall be awarded against the defendant.

31 (3) If a local district attorney has proceeded with an action under  
32 this section, one-half of the penalties not awarded to a private  
33 party, as well as any costs awarded shall go to the treasurer of the  
34 appropriate county. Those funds shall be used to investigate and  
35 prosecute fraud, augmenting existing budgets rather than replacing  
36 them. All remaining funds shall go to the state and be deposited  
37 in the General Fund and, when appropriated by the Legislature,  
38 shall be apportioned between the Department of Justice and the  
39 Department of Insurance for enhanced fraud investigation and  
40 prevention efforts.

(4) Whether or not the district attorney or commissioner proceeds with the action, if the court finds that the action was brought by a person who planned and initiated the violation of this section, that person shall be dismissed from the civil action and shall not receive any share of the proceeds of the action. The dismissal shall not prejudice the right of the district attorney or commissioner to continue the action on behalf of the state.

(5) If the district attorney or commissioner does not proceed with the action, and the person bringing the action conducts the action, the court may award to the defendant its reasonable attorney's fees and expenses if the defendant prevails in the action and the court finds that the claim of the person bringing the action was clearly frivolous, clearly vexatious, or brought primarily for purposes of harassment.

(h) (1) In no event may a person bring an action under subdivision (e) that is based upon allegations or transactions that are the subject of a civil suit or an administrative civil money penalty proceeding in which the Attorney General, district attorney, or commissioner is already a party.

(2) (A) ~~No~~A court shall *not* have jurisdiction over an action under this section based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing in a legislative or administrative report, hearing, audit, or investigation, or from the news media, unless the action is brought by the ~~Attorney General~~ *district attorney or commissioner, the district attorney or commissioner proceeds with an action brought by a person under subdivision (e), or the person bringing the action is an original source of the information.*

(B) For purposes of this paragraph, "original source" means an individual who has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the district attorney or commissioner before filing an action under this section that is based on the information.

(i) Except as provided in subdivision (j), the district attorney or commissioner is not liable for expenses that a person incurs in bringing an action under this section.

(j) In civil actions brought under this section in which the commissioner or a district attorney is a party, the court shall retain discretion to impose sanctions otherwise allowed by law, including

1 the ability to order a party to pay expenses as provided in Sections  
2 128.5 and 1028.5 of the Code of Civil Procedure.

3 (k) Any employee who is discharged, demoted, suspended,  
4 threatened, harassed, or in any other manner discriminated against  
5 in the terms and conditions of employment by their employer  
6 because of lawful acts done by the employee on behalf of the  
7 employee or others in furtherance of an action under this section,  
8 including investigation for, initiation of, testimony for, or assistance  
9 in, an action filed or to be filed under this section, shall be entitled  
10 to all relief necessary to make the employee whole. That relief  
11 shall include reinstatement with the same seniority status the  
12 employee would have had but for the discrimination, two times  
13 the amount of backpay, interest on the backpay, and compensation  
14 for any special damages sustained as a result of the discrimination,  
15 including litigation costs and reasonable attorney's fees. An  
16 employee may bring an action in the appropriate superior court  
17 for the relief provided in this subdivision. The remedies under this  
18 section are in addition to any other remedies provided by existing  
19 law.

20 (l) (1) An action pursuant to this section may not be filed more  
21 than three years after the discovery of the facts constituting the  
22 grounds for commencing the action.

23 (2) Notwithstanding paragraph (1) no action may be filed  
24 pursuant to this section more than eight years after the commission  
25 of the act constituting a violation of this section or a violation of  
26 Section 549, 550, or 551 of the Penal Code.

27 *SEC. 5. Section 10123.13 of the Insurance Code, as amended*  
28 *by Section 6 of Chapter 763 of the Statutes of 2024, is amended*  
29 *to read:*

30 10123.13. (a) Every insurer issuing group or individual policies  
31 of health insurance that cover hospital, medical, or surgical  
32 expenses, including those telehealth services covered by the insurer  
33 as defined in subdivision (a) of Section 2290.5 of the Business and  
34 Professions Code, shall reimburse claims or any portion of any  
35 claim, whether in state or out of state, for those expenses as soon  
36 as practical, but no later than 30 working days after receipt of the  
37 claim by the ~~insurer~~ insurer, unless the claim or portion thereof is  
38 contested or *denied* by the insurer, in which case the claimant shall  
39 be notified, in writing, that the claim is contested or denied, within  
40 30 working days after receipt of the claim by the insurer. The

1 notice that a claim is being contested or denied shall identify the  
2 portion of the claim that is contested or denied and the specific  
3 reasons including for each reason the factual and legal basis known  
4 at that time by the insurer for contesting or denying the claim. If  
5 the reason is based solely on facts or solely on law, the insurer is  
6 required to provide only the factual or the legal basis for its reason  
7 for contesting or denying the claim. The insurer shall provide a  
8 copy of the notice to each insured who received services pursuant  
9 to the claim that was contested or denied and to the insured's health  
10 care provider that provided the services at issue. The notice shall  
11 advise the provider who submitted the claim on behalf of the  
12 insured or pursuant to a contract for alternative rates of payment  
13 and the insured that either may seek review by the department of  
14 a claim that the insurer contested or denied, and the notice shall  
15 include the address, internet website address, and telephone number  
16 of the unit within the department that performs this review function.  
17 The notice to the provider may be included on either the  
18 explanation of benefits or remittance advice and shall also contain  
19 a statement advising the provider of its right to enter into the  
20 dispute resolution process described in Section 10123.137. The  
21 notice to the insured may also be included on the explanation of  
22 benefits.

23 (b) If an uncontested claim is not reimbursed by delivery to the  
24 claimant's address of record within 30 working days after receipt,  
25 interest shall accrue and shall be payable at the rate of 10 percent  
26 per annum beginning with the first calendar day after the  
27 30-working-day period.

28 (c) For purposes of this section, a claim, or portion thereof, is  
29 reasonably contested when the insurer has not received a completed  
30 claim and all information necessary to determine payer liability  
31 for the claim, or has not been granted reasonable access to  
32 information concerning provider services. Information necessary  
33 to determine liability for the claims includes, but is not limited to,  
34 reports of investigations concerning fraud and misrepresentation,  
35 and necessary consents, releases, and assignments, a claim on  
36 appeal, or other information necessary for the insurer to determine  
37 the medical necessity for the health care services provided to the  
38 claimant. If an insurer has received all of the information necessary  
39 to determine payer liability for a contested claim and has not  
40 reimbursed a claim determined to be payable within 30 working

1 days of receipt of that information, interest shall accrue and be  
2 payable at a rate of 10 percent per annum beginning with the first  
3 calendar day after the 30-working-day period.

4 (d) The obligation of the insurer to comply with this section  
5 shall not be deemed to be waived when the insurer requires its  
6 contracting entities to pay claims for covered services.

7 (e) This section shall remain in effect only until January 1, 2026,  
8 and as of that date is repealed.

9 *SEC. 6. Section 10123.13 of the Insurance Code, as added by*  
10 *Section 7 of Chapter 763 of the Statutes of 2024, is amended to*  
11 *read:*

12 10123.13. (a) Every insurer issuing group or individual policies  
13 of health insurance that cover hospital, medical, or surgical  
14 expenses, including those telehealth services covered by the insurer  
15 as defined in subdivision (a) of Section 2290.5 of the Business and  
16 Professions Code, shall reimburse a complete claim or portion  
17 thereof, whether in state or out of state, for those expenses as soon  
18 as practicable, but no later than 30 calendar days after receipt of  
19 the claim by the insurer, *unless the insurer is contesting or denying*  
20 *the claim or a portion thereof*, in which case the claimant shall be  
21 notified, in writing, that the claim is contested or denied, within  
22 30 calendar days after receipt of the claim by the insurer. The  
23 notice that a claim is being contested or denied shall identify the  
24 portion of the claim that is contested or denied and the specific  
25 reasons including for each reason the factual and legal basis known  
26 at that time by the insurer for contesting or denying the claim. If  
27 the reason is based solely on facts or solely on law, the insurer is  
28 required to provide only the factual or the legal basis for its reason  
29 for contesting or denying the claim. The insurer shall provide a  
30 copy of the notice to each insured who received services pursuant  
31 to the claim that was contested or denied and to the insured's health  
32 care provider that provided the services at issue. The notice shall  
33 advise the provider who submitted the claim on behalf of the  
34 insured or pursuant to a contract for alternative rates of payment  
35 and the insured that either may seek review by the department of  
36 a claim that the insurer contested or denied, and the notice shall  
37 include the address, internet website address, and telephone number  
38 of the unit within the department that performs this review function.  
39 The notice to the provider may be included on either the  
40 explanation of benefits or remittance advice and shall also contain

1 a statement advising the provider of its right to enter into the  
2 dispute resolution process described in Section 10123.137. The  
3 notice to the insured may also be included on the explanation of  
4 benefits.

5 (b) If an uncontested claim is not reimbursed by delivery to the  
6 claimant's address of record within 30 calendar days after receipt,  
7 interest shall accrue at the rate of 15 percent per annum beginning  
8 with the first calendar day after the 30-calendar-day period. An  
9 insurer shall automatically include in its payment of the claim all  
10 interest that has accrued pursuant to this section without requiring  
11 the claimant to submit a request for the interest amount. An insurer  
12 failing to comply with this requirement shall pay the claimant a  
13 fee of the greater *of* an additional-~~of~~ fifteen dollars (\$15) or 10  
14 percent of the accrued interest.

15 (c) (1) For purposes of this section, a claim, or portion thereof,  
16 is reasonably contested when the insurer has not received a  
17 completed claim and all information necessary to determine payer  
18 liability for the claim, or has not been granted reasonable access  
19 to information concerning provider services. Information necessary  
20 to determine liability for the claims includes, but is not limited to,  
21 reports of investigations concerning fraud and misrepresentation,  
22 and necessary consents, releases, and assignments, a claim on  
23 appeal, or other information necessary for the insurer to determine  
24 the medical necessity for the health care services provided to the  
25 claimant. An insurer may not contest a complete claim that is  
26 consistent with an approved prior authorization request if the prior  
27 authorization approval has been provided in the appropriate field  
28 on the claim.

29 (2) If an insurer has received all of the information necessary  
30 to determine payer liability for a contested claim and has not  
31 reimbursed a claim determined to be payable within 30 calendar  
32 days of receipt of that information, interest shall accrue and be  
33 payable at a rate of 15 percent per annum beginning with the first  
34 calendar day after the 30-calendar-day period.

35 (d) The obligation of the insurer to comply with this section  
36 shall not be deemed to be waived when the insurer requires its  
37 contracting entities to pay claims for covered services.

38 (e) (1) The department may issue guidance and regulations  
39 relating to this section. The guidance and regulations shall not be  
40 subject to the rulemaking provisions of the Administrative



Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) until December 31, 2027.

(2) After January 1, 2028, the department may issue regulations relating to this section subject to the rulemaking provisions of the Administrative Procedure Act ((Chapter 3.5 commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) until December 31, 2030.

(f) This section shall become operative on January 1, 2026.

*SEC. 7. Section 10123.1991 of the Insurance Code is amended to read:*

10123.1991. (a) (1) ~~An~~A health insurer shall provide to insureds a written or electronic notice regarding the benefits of a behavioral health and wellness screening for children and adolescents 8 to 18 years of age.

(2) “Behavioral health and wellness screening” means a screening, test, or assessment to identify indicators or symptoms of behavioral health issues in an individual, including, but not limited to, depression or anxiety.

(b) The notice shall provide information regarding the benefits of behavioral health and wellness screenings for both depression and anxiety.

(c) ~~An~~A health insurer shall provide notice pursuant to this section annually.

(d) This section does not apply to Medi-Cal managed care that contracts with the State Department of Health Care Services entered into pursuant to Chapter 7 (commencing with Section 14000) or Chapter 8 (commencing with Section 14200) of Part 3 of Division 9 of the Welfare and Institutions Code.

**SECTION 1.**

*SEC. 8. Section 10270.2 of the Insurance Code is amended to read:*

10270.2. (a) Blanket insurance is that form of insurance providing coverage for specified circumstances and insuring by description all or nearly all persons within a class of persons defined in a policy issued to a master policyholder, and not by specifically naming the persons covered, by certificate or otherwise, although a statement of the coverage provided may be given, or required by the policy to be given, to eligible persons. The

1 permitted types of blanket insurance are those where the blanket  
2 policy is issued to any of the following:

3 (1) A volunteer or governmental fire department, emergency  
4 medical services company, or similar volunteer or governmental  
5 organization providing benefits to members or participants only  
6 in the event of accident incurred while performing actions incident  
7 to an activity or operation sponsored or supervised by the  
8 department, company, or organization.

9 (2) A college, school, or other institution of learning, a school  
10 district or districts or school jurisdictional unit, or to the head,  
11 principal, or governing board of an educational unit who or which  
12 shall be deemed the policyholder; providing benefits to students  
13 without necessarily any restriction as to activity, time, or place, or  
14 to teachers, employees, or volunteers, while performing actions  
15 incident to special duties, such as at camps, at summer playgrounds,  
16 or during tours or excursions; and providing benefits to students,  
17 teachers, employees, or volunteers, and spouses and dependents  
18 of students, teachers, and employees, for death or dismemberment  
19 resulting from accident, or for hospital, medical, surgical, drug,  
20 or nursing expenses resulting from accident or sickness.

21 (3) A sports team, camp, sponsor, or proprietor thereof, who  
22 shall be deemed the policyholder, providing benefits to sports team  
23 participants, campers, employees, officials, supervisors, volunteers,  
24 or persons responsible for their support, for death or  
25 dismemberment resulting from accident, or for hospital, medical,  
26 surgical, or nursing expenses resulting from accident, to those  
27 participants, campers, employees, officials, supervisors, volunteers,  
28 or persons responsible for their support, or arising out of sickness  
29 of those participants, campers, employees, officials, supervisors,  
30 volunteers, or persons responsible for their support, provided the  
31 accident or the first manifestation of sickness occurs while those  
32 participants, campers, employees, officials, supervisors, volunteers,  
33 or persons responsible for their support are in or on the buildings  
34 or premises of the sports team or camp, being transported between  
35 their homes and the sports team or camp, or while at any other  
36 place as an incident to sports team- or camp-sponsored activities  
37 or while being transported to, from, or between those places.

38 (4) (A) A newspaper, farm paper, magazine, or other periodical  
39 publication, which shall be deemed the policyholder, providing  
40 benefits for independent contractors, such as carriers, newsboys,

1 dealers, distributors, wholesalers, or others engaged in the sale,  
2 distribution, collecting for, or other activities pertaining to the  
3 marketing and delivery of the publication, including attendance at  
4 a coaching school or participation as a member of a trip organized,  
5 supervised, and sponsored as a reward for meritorious service, on  
6 account of loss resulting from accident or sickness, the benefit to  
7 be payable to the independent contractors or to their parents,  
8 guardians, or other persons responsible for their support.

9 (B) When the premium for the insurance is paid by the person  
10 insured, the person may, upon request, obtain from the insurer in  
11 certificate form a copy of the policy.

12 (5) Any religious, charitable, recreational, educational, athletic,  
13 civic organization, or branch thereof, which shall be deemed the  
14 policyholder, providing benefits to any group of members,  
15 employees, or participants for death or dismemberment or for  
16 hospital, medical, surgical, or nursing expenses resulting from  
17 accident incurred incident to specific hazards pertaining to any  
18 activity or activities or operations sponsored or supervised by, or  
19 on the premises of, the policyholder.

20 (6) An employer, a majority of the employees in this state of  
21 an employer, or both, upon application, to pay the benefits afforded  
22 by a voluntary plan of unemployment compensation disability  
23 insurance. Notwithstanding the provisions of Section 10113, the  
24 policy may incorporate by reference any of the appropriate  
25 provisions of Part 2 (commencing with Section 2601) of Division  
26 1 of the Unemployment Insurance Code and the authorized  
27 regulations of the Director of Employment Development.

28 (7) An employer, who shall be deemed the policyholder,  
29 providing benefits to any group of workers, dependents, or guests,  
30 limited by reference to specified hazards incident to activities or  
31 operations of the policyholder, for death or dismemberment, or  
32 for hospital, medical, surgical, or nursing expenses, resulting from  
33 accident. When the premium for the insurance is paid by the person  
34 insured, the person may, upon request, obtain from the insurer in  
35 certificate form a copy of the policy.

36 (8) Any common carrier or any operator, owner, or lessor of a  
37 means of transportation, who shall be deemed the policyholder,  
38 providing benefits to any group of persons who may become  
39 lessees or passengers, limited by reference to their travel status on  
40 that common carrier or that means of transportation, for death or

1 dismemberment, or for hospital, medical, surgical, or nursing  
2 expenses, resulting from accident. When the premium for the  
3 insurance is paid by the person insured, the person may, upon  
4 request, obtain from the insurer in certificate form a copy of the  
5 policy.

6 (9) An entertainment production company, who shall be deemed  
7 the policyholder, providing benefits to any group of participants,  
8 volunteers, audience members, contestants, or workers for death  
9 or dismemberment, or for hospital, medical, surgical, or nursing  
10 expenses, resulting from accident while engaged in any activity  
11 or operation of the policyholder. When the premium for the  
12 insurance is paid by the person insured, the person may, upon  
13 request, obtain from the insurer in certificate form a copy of the  
14 policy.

15 (b) A “blanket policy” is any disability policy of the nature  
16 herein described sold to any of the entities described in paragraphs  
17 (1) to (9), inclusive, of subdivision (a) that provides coverage for  
18 any group of persons within permitted categories defined in the  
19 policy. Policies referred to in paragraph (6) of subdivision (a) shall  
20 comply with the provisions of this section specifically referring  
21 thereto. Policies referred to in paragraphs (1) to (5), inclusive, or  
22 (7) to (9), inclusive, of subdivision (a) may provide that the cost  
23 of the insurance coverage shall be borne by either the policyholder,  
24 or the individuals insured or their parents or guardians, payable  
25 through the policyholder. In the absence of a policy provision  
26 excluding coverage for otherwise covered individuals who have  
27 not individually enrolled with the policyholder and undertaken to  
28 pay all or a specified portion of the premium allocable to the  
29 individual, the policy shall provide the described insurance for all  
30 who fall within the categories of covered individuals defined in  
31 the policy. The policy may, but is not required to, contain  
32 provisions requiring a minimum number of participating persons  
33 or a minimum percentage of participation before the policy is  
34 effective. In the absence of such a provision, coverage shall not  
35 be denied any individual otherwise eligible on those grounds.

36 (c) A policy described in paragraphs (1) to (5), inclusive, or (7)  
37 to (9), inclusive, of subdivision (a) shall not be issued until  
38 approved as to substance and form by the commissioner. The  
39 commissioner may, after notice and hearing, promulgate reasonable  
40 rules and regulations relating to the substance, form, and issuance

1 of the policies that are necessary or desirable to preserve, insofar  
2 as applicable, standards of substance, form, and issuance  
3 comparable to the standards prescribed by this chapter that are  
4 applicable to other types of disability policies, and to further the  
5 purposes for which the policies are issued.

6 (d) A policy described in paragraph (6) of subdivision (a) shall  
7 not be issued until approved as to form by the commissioner. The  
8 commissioner may, after notice and hearing, promulgate reasonable  
9 rules and regulations relating to the form and issuance of the  
10 policies that do not affect the substance of the coverage, and that  
11 are necessary or desirable to preserve, insofar as applicable,  
12 standards of form and issuance comparable to the standards  
13 prescribed by this chapter that are applicable to other types of  
14 disability policies, and to further the purposes for which the policies  
15 are issued. Notwithstanding the provisions of Section 10113, the  
16 policy may incorporate by reference any of the appropriate  
17 provisions of Part 2 (commencing with Section 2601) of Division  
18 1 of the Unemployment Insurance Code and the authorized  
19 regulations of the Director of Employment Development.

20 (e) A policy described in this section shall not constitute  
21 workers' compensation insurance, as defined in Section 109. A  
22 policy described in paragraphs (3), (5), (7), (8), or (9) of  
23 subdivision (a) shall not be marketed or sold as a substitute for  
24 health insurance coverage compliant with the requirements of the  
25 federal Patient Protection and Affordable Care Act (Public Law  
26 111-148), as amended by the Health Care and Education  
27 Reconciliation Act of 2010 (Public Law 111-152).

28 (f) (1) An insurer that intends to issue a policy of blanket  
29 insurance authorized by the amendments to this section pursuant  
30 to the act adding this subdivision, or authorized pursuant to Section  
31 10270.2.5, using a policy form previously approved by the  
32 commissioner, where the only new language in the policy is the  
33 specification of the policyholder, covered persons, or the hazards  
34 or activities insured, shall file that new language with the  
35 commissioner prior to issuance of the policy. Submissions of  
36 documents containing variable text or blanks shall include complete  
37 lists of the variable wording or accurate descriptions of the material  
38 to be inserted in lieu of the variable wording or in the blanks of  
39 these documents.

(2) A policy using the new language shall not be issued until either 30 days expires without notice from the commissioner after the new language is filed, or the commissioner gives their written approval prior to that time. If the commissioner at any time notifies the insurer, in writing and specifying the reasons for their opinion, that the filed new language does not comply with the requirements of law, the insurer shall not issue any policy containing that language.

(3) This subdivision shall not be construed to provide separate authority for the commissioner to reopen review of previously approved policy forms.

*SEC. 9. Section 10295.11 of the Insurance Code is amended to read:*

10295.11. (a) An accelerated death benefit shall not be advertised or marketed as long-term care insurance, nursing home insurance, or home care insurance. Any advertisement, description, comparison, marketing material, or illustration shall state in bold type:

“This is a life insurance benefit that also gives you the option to accelerate some or all of the death benefit in the event that you meet the criteria for a qualifying event described in the policy. This policy or certificate does not provide long-term care insurance subject to California long-term care insurance law. This policy or certificate is not a California Partnership for Long-Term Care program policy. This policy or certificate is not a Medicare supplement (policy or certificate).”

An insurer shall also include in any advertisement or marketing materials for these insurance policies all of the following:

(1) A statement that the policy or certificate pays proceeds that are or are not intended to receive favorable tax treatment under Section 101(g) of the Internal Revenue Code (26 U.S.C. Sec. 101(g)).

(2) A description of the accelerated death benefits provided by the policy, including a description of the acceleration of the death benefit to pay an unrestricted cash benefit when the insured has become chronically ill or otherwise eligible for benefits from a qualified event.

(3) A comparison between the benefits provided by life insurance policies, riders, or endorsements that contain accelerated

1 death benefits and the benefits provided by long-term care  
2 insurance.

3 (b) Advertising for term life insurance policies or certificates  
4 that contain an accelerated death benefit to be attached to an  
5 existing term life policy shall include a prominent statement that  
6 the accelerated death benefit will terminate with the policy.

7 (c) On or after January 1, 2014, every insurer offering  
8 accelerated death benefits shall file with the commissioner copies  
9 of all ~~printed~~ advertising for accelerated death benefits that the  
10 insurer proposes to disseminate in the state prior to use of that  
11 material. The commissioner shall have the authority to disapprove  
12 any advertising that does not meet the requirements of this code.  
13 If the commissioner disapproves the advertising, the insurer shall  
14 not use and shall stop using the disapproved advertising. Nothing  
15 in this subdivision shall be construed as requiring prior approval  
16 of advertising prior to dissemination in this state.

17 *SEC. 10. Section 12800 of the Insurance Code is amended to*  
18 *read:*

19 12800. The following definitions apply for purposes of this  
20 part:

21 (a) “Motor vehicle” means a self-propelled device operated  
22 solely or primarily upon land and may include both self-propelled  
23 motor homes or recreational vehicles, non-self-propelled camping  
24 and recreational trailers, off-road vehicles, and trailers designed  
25 to transport off-road vehicles. However, “motor vehicle” shall not  
26 include a self-propelled vehicle, or a component part of such a  
27 vehicle, that has any of the following characteristics:

28 (1) Has a gross vehicle weight rating of 30,000 pounds or more,  
29 and is not a recreational vehicle as defined by Section 18010 of  
30 the Health and Safety Code.

31 (2) Is designed to transport more than 15 passengers, including  
32 the driver.

33 (3) Is used in the transportation of materials considered  
34 hazardous pursuant to the Hazardous Materials Transportation Act  
35 (49 U.S.C. Sec. 5101 et seq.), as amended.

36 (b) “Watercraft” means a vessel, as defined in Section 21 of the  
37 Harbors and Navigation Code, and may include any  
38 non-self-propelled trailer used to transport such watercraft upon  
39 land.

(c) (1) “Vehicle service contract” means a contract or agreement for a separately stated consideration and for a specific duration to repair, replace, or maintain a motor vehicle or watercraft, or to indemnify for the repair, replacement, or maintenance of a motor vehicle or watercraft, necessitated by an operational or structural failure due to a defect in materials or workmanship, or due to normal wear and tear.

(2) (A) A vehicle service contract may also provide for the incidental payment of indemnity under limited circumstances only in the form of the following additional benefits: coverage for towing, substitute transportation, emergency road service, rental car reimbursement, reimbursement of deductible amounts under a manufacturer’s warranty, and reimbursement for travel, lodging, or meals.

(B) A provider seeking to offer a vehicle service contract, including any of the benefits described in subparagraph (A), shall, when filing a specimen of the contract in accordance with subdivision (a) of Section 12820, certify that the indemnity benefits provided are incidental. For purposes of subparagraph (A) and this certification, indemnity benefits are incidental if the cost to provide them based on historical data, or projected data if historical data is unavailable or insufficient, is substantially less than the cost of providing all the benefits described in paragraphs (1), (3), (4), and (5). The commissioner may request the historical or projected data at any time.

(3) “Vehicle service contract” also includes an agreement of a term of at least one year, for separately stated consideration, that promises routine maintenance.

(4) Notwithstanding Section 116, and paragraphs (1) and (2) of this subdivision, a vehicle service contract also includes one or more of the following:

(A) An agreement that promises the repair or replacement of a tire or wheel necessitated by wear and tear, defect, or damage caused by a road hazard. However, an agreement that promises the repair or replacement of a tire necessitated by wear and tear, defect, or damage caused by a road hazard, in which the obligor is the tire manufacturer, is exempt from the requirements of this part. A warranty provided by a tire or wheel distributor or retailer is exempt from the requirements of this part as long as the warranty



1 covers only defects in the material or workmanship of the tire or  
2 wheel.

3 (B) An agreement that promises the repair or replacement of  
4 glass on a vehicle necessitated by wear and tear, defect, or damage  
5 caused by a road hazard. However, a warranty provided by a  
6 vehicle glass or glass sealant manufacturer is exempt from the  
7 requirements of this part. A warranty provided by a vehicle glass  
8 distributor or retailer is exempt from the requirements of this part  
9 as long as the warranty covers only defects in the material or  
10 workmanship of the vehicle glass.

11 (C) An agreement that promises the removal of a dent, ding, or  
12 crease without affecting the existing paint finish using paintless  
13 dent repair techniques, and which expressly excludes the  
14 replacement of vehicle body panels, sanding, bonding, or painting.

15 (D) An agreement that promises the replacement of a motor  
16 vehicle key or key fob in the event that the key or key fob becomes  
17 inoperable or is lost or stolen.

18 (5) "Vehicle service contract" also includes an agreement  
19 covering any of a vehicle's mechanical components, provided with  
20 or without separate consideration, that promises to repair, replace,  
21 or maintain a motor vehicle or watercraft, or to indemnify for the  
22 repair, replacement, or maintenance of a motor vehicle or  
23 watercraft, conditioned upon the use of a specific brand or brands  
24 of lubricant, treatment, fluid, or additive.

25 (d) "Service contract administrator" or "administrator" means  
26 any person, other than an obligor, who performs or arranges,  
27 directly or indirectly, ~~the collection, maintenance, or disbursement~~  
28 ~~of moneys to compensate any party for claims or repairs pursuant~~  
29 ~~to a vehicle service contract, and who also performs or arranges,~~  
30 ~~directly or indirectly, any of the following activities with respect~~  
31 ~~to vehicle service contracts in which a seller located within this~~  
32 ~~state is the obligor:~~ *any of the following activities:*

33 (1) Providing sellers with service contract forms.

34 (2) Participating in the adjustment of claims arising from service  
35 contracts.

36 (3) *Coordinating the performance or arrangement of any of the*  
37 *benefits permissible under subdivision (c).*

38 (4) *Collecting, maintaining, or disbursing of moneys to*  
39 *compensate any person for claims, repairs, or refunds pursuant*  
40 *to a vehicle service contract.*

1 (e) “Purchaser” means any person who purchases a vehicle  
2 service contract from a seller.

3 (f) “Seller” means either of the following:

4 (1) With respect to motor vehicles, a dealer or lessor-retailer  
5 licensed in one of those capacities by the Department of Motor  
6 Vehicles and who sells vehicle service contracts incidental to ~~his~~  
7 ~~or her~~ *their* business of selling or leasing motor vehicles.

8 (2) With respect to watercraft, a person who sells vehicle service  
9 contracts incidental to that person’s business of selling or leasing  
10 watercraft vehicles.

11 (g) “Obligor” means the entity legally obligated under the terms  
12 of a service contract.

13 (h) “Road hazard” means a hazard that is encountered while  
14 driving a motor vehicle and that may include, but is not limited  
15 to, potholes, rocks, debris, metal parts, glass, plastic, curbs, or  
16 composite scraps.