

**National Home Service Contract Association
Minutes of Regular Board of Directors Meeting
Harbor Light Inn
Marblehead, MA
9:00 AM EST Friday, June 10, 2016**

Attendees:

2-10 Home Buyers Warranty	Mike Bartosch (<i>Vice-President</i>)
American Home Shield/HSA	Tom Courtney, Tammy Hast
	Mark Celichowski
Fidelity National Home Warranty	Chris Wasson
First American Home Buyers	Jeff Powell
HMS National/Cross County	Doug Stein (<i>President</i>)
HomeGuard HomeWarranty	Robert Hessling
Home Warranty of American/Direct Energy	Rick Plummer
Landmark Home Warranty	Alma Jeppson
	Chris Smith
National Home Guaranteed	Richard Adams (<i>Sec/Treasurer</i>)
Old Republic Home Protection	Lorna Mello (<i>THSCA President</i>)
OneGuard Home Warranties	Dave Hill

Absent:

Fidelity National Home Warranty	Bill Jensen (CHSCA President)
Home Warranty of America/Direct Energy	Dennis Donovan
Nations Home Warranty	Sharon Harrison
Old Republic Home Protection	Gwen Gallagher
OneGuard Home Warranties	Scott Smith
Universal Home Protection	James Imhoff

Guest: Scott Paris, HomeServe USA

Staff: Art Chartrand, Chartrand Legal Management, Regulatory Counsel
Joy Moore, Chartrand Legal Management

Lobbyists: Mike Belote, California Advocates, CHSCA Lobbyist via telephone
David Parker, Longbow & Partners, THSCA Lobbyist via telephone

Call to Order – Bartosch

Newly elected president, Mike Bartosch called the regular board meeting to order at 9:00 AM EST at the conclusion of the annual membership meeting. Roll call was made and the above Board of Directors was present. A quorum was present.

Bartosch invited members to move forward together to figure out how to standardize the contractor process so companies are able to access more and more contractors. Each company is competing for the same customers. Bartosch would like to accomplish a way to work together as a team to grow the industry. To better inform everyone of what

companies are available to help with standardization, he invited Alex Beletsky with Dispatch.me to provide a brief presentation. Dispatch.me was presented as essentially the new “uber” model for the home service industry providing a better communication experience for consumers and service contractors.

After the presentation, Jeppson noted his experience with Dispatch and informed members that Dispatch is going through a capital campaign right now and noted how that may affect them. He also questioned whether the antitrust policy might be violated. Chartrand noted that any collective agreement could be an issue. Bartosch noted Dispatch.me is gaining headway and he thought members should be aware and presented simply to consider their options. Dispatch may not quite ready for “prime time,” however, they appear to implement ideas very quickly and thus far have been easy to work with.

Monthly Call Summaries

There were no minutes to adopt. The monthly summaries of the last two calls, April 7 and May 5, 2016 were included in the meeting binder. Members agreed the monthly calls are valuable, have operated the best thus far to stay informed and should continue.

Membership

A contact list of members is in the meeting binder. Any corrections or changes need to be sent to NHSCA office.

Upon motion by Jeppson and second by Mello, American Home Guardian’s membership application was approved. Motion passed unanimously with no further discussion.

Bartosch welcomed Scott Paris with HomeServe USA as a prospective member.

Moore distributed the 2016-17 member assessment reporting forms to members to return to the staff office by email or fax with any corrections or changes.

Treasurer’s Report

Adams reported financials are sound. The treasurer’s report was included in the meeting binder. The current balance in the general account is \$65,721.77. The state fund account is \$106,541,29 which includes the reserve monies. Adams reported the \$30k loan that state fund loaned to the general fund has been paid back and noted on each respective report in the binder.

Upon motion by Jeppson and second by Mello, the treasurer’s report passed unanimously.

Chartrand noted that the State Fund was for lobbying fees. However, some other fees such as at TAR (Texas) or CAR (California) expenses had sometimes also been taken out of such accounts. After further discussion it was decided that direct state activity in states will be expensed out of the state fund and will be tracked by state along with the lobbying efforts. Administrative fees and Chartrand’s travel expenses in the various states where he provides legislative support on the behalf of the Association are part of the general fund and always have been.

Adams requested NHSCA staff provide the NHSCA President and Treasurer actual bank statements as well going forward. Chartrand indicated such request was proper and would make appropriate arrangements for view access to regular statements or online. Access to sign for or move funds is limited to Chartrand and the Treasurer.

Account status by state for lobbyist assessments was also included in the meeting booklet.

NHSCA has a full time lobbyist in California, Mike Belote of California Advocates. Chartrand noted the dues for CHSCA have been \$5000 and such more than sufficient to build a reserve unless unexpected legislative action occurs. This amount is recommended as likely budgeted by members already. Upon motion by Powell and second by Stein, an assessment of \$5000 per NHSCA member was approved for California. Motion passed unanimously with no further discussion.

No other assessments were agreed upon at this time.

NHSCA staff provided a report in the meeting binder for members with trending information regarding dues and expenses since the inception of the association in 2004.

Official Corporate Business

The 2015 IRS Form 990 tax return is being prepared by outside accountant; KPMG has filed the proper extension. Staff will provide members an electronic copy of the return once it is filed.

The Association Not for Profit (NFP) Organization Liability Insurance policy with State Farm was renewed at the same rate as last year. A copy of the declaration page and explanation of coverage is included in the meeting booklet.

National Meetings

The site for consideration for the 2017 meeting was decided for Montana. Mello will research unique opportunities there. Further detail to follow.

In efforts to continue to establish the NHSCA brand and value, NHSCA staff will once again attend the TAR Expo (Sept. 9) and for the first time, the CAR Expo. (Sept. 27-29). The bright yellow golf towels with the NHSCA logo that are given away at trade shows, were distributed to members who were in attendance. Volunteers will be needed to man the booths at both TAR and CAR. The NAR trade show will be reconsidered in 2017.

Market Data Collection

The 2014 and 2015 year-end summary market data collection reports of participating members were included in the meeting binder along with the 2007 report for comparison. Be mindful the members participating has changed since 2007.

Communications

Members wished (and very poorly sang) Happy Birthday to Alma Jeppson today. Chartrand informed members that the contract with Besa PR has been terminated. Besa did a fine job and shared many talents and help as we have grown but her work is largely media management.

Chartrand prepared a proposed communications budget in four areas: videos, press releases, social media and website (in binder). It indicates a \$9000 budgeted reduction in cost in eliminating Besa PR firm by spending money only on an as needed basis in these areas.

Concera Media has been contracted to handle our website updates/upgrade, and hosting. They are in the process of implementing a new security management system for us so we can post the association minutes, policies, etc. securely. A whole new platform within the next year is planned and in the budget.

A Google analytics graph was included in the binder and indicates an upward trend in traffic to the website, most likely in response to the videos that are posted under the resource center. Referrals from other sites are up as well. Overall, the trend is gradually going up and that is good news.

Five more videos are being completed and posted to the website. Staff has a new videographer to prepare future videos at a proposed rate of \$1500 each. Press releases are rare these days and the use of social media needs to be one-way correspondence and further studied. Adams noted press releases are valuable to his company. If a bad article is identified, Chartrand contacts them and refers them to the NHSCA website. Bartosch suggested any spending on communications be reviewed on the monthly teleconferences.

Accreditation/Audit Program

A revised accreditation/audit program is in the meeting binder dated 5/20/2016. Two volunteer pilots at NHSCA expense were just completed with ORHP and NHG.

Mello noted it was a good experience for ORHP to undergo the beta test noting it took 14 hours to complete. It was also noted that they appreciated the input on business and will consider the suggestions made. Mello noted that ORHP president Gallagher was expecting more of a financial focus, due to the regulators concerns of solvency. She also noted they felt the price point was a little high. Chartrand agreed the financial side of the beta test was deemphasized due to the absence of an accounting firm involved thus far, and made note of the newly revised proposal on pricing that was included in the binder. The new proposal would cut the cost of the program to about \$5500 per member with only a one time, \$7500 development cost of the program. Chartrand indicated his firm had donated its time thus far to keep cost from being an issue and lowered the proposed costs accordingly.

Adams noted NHG had a similar experience as Mello and agreed the suggestions he received were very valuable. All reports are confidential and never shared with other member companies.

Bartosch requested members make a motion as to whether the program, as now presented and based upon the pilot response, be mandatory or voluntary. Courtney motioned it be voluntary with no second.

Upon motion by Jeppson and second by Mello, the program be involuntary. The motion did not pass and was delayed with further discussion.

Courtney retracted his motion. Bartosch requested a motion be made to continue the program in the form as now outlined in the binder, with the revised development costs, but without an accounting firm involved; as a voluntary program and that we revisit the mandate and other use sometime in the future. Courtney made said motion and Jeppson seconded. Motion passed.

Chartrand will send out the binders and members can then voluntarily engage in the program on their own schedule. It effectively makes the program voluntary for the time being. Members asked that the audits be one under contract with CLM, Inc. to retain the independent nature and attorney client privilege. Chartrand agreed.

Old Business

NAR Survey/Gallup Poll

Based on the affidavit and NAR survey included in the binder, history may not completely support the assertion that home warranty makes your house sell faster or for more money. Chartrand reminded members they may wish to review the included documentation on the topic along with the recent NAR survey which was not published.

Compliance Chart Resources

Chartrand continues to update the compliance chart and will gladly supply anyone who is interested with a color copy of the original excel document via email. If members see any changes or corrections, let him know.

Sales Tax Summary

The May 2016 sales tax memo for state tax departments was included in the binder along with the sales tax status summary and tax tip chart that is currently posted on the NHSCA website.

Financial Filing Requirements

A state list of where financial filings and audits are required was provided. The change in Virginia was noted. NHSCA continues to pursue removing audit requirements as opportunities exist.

New Business

Arbitration and Class Action Waivers

Chartrand provided sites in the binder that take members through the arbitration/class action issue along with the NHSCA model clause for awareness only. There is no need for the industry to comment.

Manufacturer Warranties

It is Chartrand's opinion it is the expectation the service provider act on behalf of the consumer if an appliance fails rather than make the consumer work with the manufacturer directly. While many contracts state they are secondary, he urged caution to rely upon this as consumers expect assistance in such situations, especially on a warranty company provided appliance.

Ancillary Products and Insurance Offerings

Chartrand reminded members that if they are providing any ancillary products to first make sure they are not insurance or make sure there is a clear exemption in the law. Some states (in particular Utah) are taking a second look at ancillary products and may propose new regulation. If you call an ancillary product "insurance", *it is* insurance, whether it is or not, and your company will be in violation of the insurance code.

FOIA Request

TREC got a request from a New York firm and notified members. Chartrand said it appears they are a consulting firm on an investment basis. Members may protest the request if they choose.

Other Business

Chartrand received a notice and link on a new company out of Oklahoma called FIX'D. He will provide any member the link. The company is claiming they are providing in time repair services and have the answers to providing the consumer the best experience ever. The principals appear to be a few MBA types out of Oklahoma.

Legislative Summary

California (CHSCA) – Teleconference with Mike Belote, Lobbyist

Assessments for CHSCA members will be sent by staff at \$5000 per member.

Mike Belote reported that the California Legislature is entering the final weeks of policy hearings on the approximately 1500 bills remaining alive this year. It appears that NHSCA was successful in opposing AB 493, which would have prohibited home service contract companies from imposing a service charge when no actual repair was made. The bill has not moved this year, and it will be difficult for the author to reinvigorate it at this point, but we must remain vigilant. California is also considering a series of bills relating to electronic transmission of documents in the insurance context, and some may provide an opportunity for NHSCA members to modernize their methods of communicating with contract holders. This issue should be evaluated after the Legislature concludes its work at the end of August, and we determine which bills are signed or vetoed by the Governor. Finally, it was reported that state revenue remains a big issue in Sacramento, and we are monitoring the prospects of the state moving in the direction of imposing a sales tax on a broad range of services, which could certainly impact NHSCA members. The issue is likely to be affected by the success or failure of a measure appearing on the November ballot to extend for 12 years a surcharge on high-income taxpayers.

Texas (THSCA) – Teleconference with David Parker, Lobbyist

David Parker gave a brief overview of both the current business-friendly Texas political landscape and the recent encouraging signs from the industry's primary Texas regulator, the Texas Real Estate Commission (TREC), as he continues to educate TREC's leadership on our industry. David then reported that he continues to work with the Texas Comptroller's office on finalizing a long-awaited memo to provide clarity on the sales tax methodology for service contracts, citing unresolved policy inconsistencies between the state's sales tax policy and the contrasting opinions of its auditors (with certain member companies). The Comptroller's office has initially indicated that they do not have the authority to rule that no sales tax would be due on the sale of residential service contracts, our ideal scenario. Instead they are leaning toward their belief that the burden should fall on the provider to determine what percentage of a contract is untaxed real property vs. sales taxed personal property at the time of sale (up to an undetermined threshold percentage of personal property at which the entire contract would be taxed). Art Chartrand encouraged David to begin assessing what a legislative plan would look like in the event this option needs to be pursued during the upcoming 2017 biennial Texas legislative session.

Legislative Report – Chartrand

(The full June 2016 Legislative/Regulatory Report update is contained in the meeting binder. In addition, the following was mentioned.)

Arizona- Providers are not allowed to deduct claims cost upon cancellation per Arizona regulations. Our newest member AHG Home Warranty asked the association should approach the Arizona Department to modify their position. Bartosch suggested Chartrand make a call and inquire what can be done.

Florida

Chartrand indicated our income tax offset bill failed after three years of effort and suggested funding another year. Upon motion by Powell and second by Mello Chartrand is authorized to negotiate with Ackerman lobbying firm along the lines discussed. Motion passed.

Georgia

Chartrand reminded members they are exempt from filing or other regulation other than posting a bond. See summary.

Louisiana

SB58 passed. See Summary

North Carolina

See summary. Chartrand suggested members each needed to consult with their tax counsel on how to proceed.

Ken Trepeta – RESPRO

Trepeta discussed PHH RESPA case and how important the upcoming decision will be since it will affect RESPA enforcement and interpretations by CFPB. The short story is

the court seemed to feel Director Cordray overreached greatly. A decision is expected this summer or early fall at the latest.

Ken also mentioned Spokeo vs Robins decided by the Supreme Court- the court said one must have a concrete injury in order to have a claim. The case should be applicable to RESPA cases as well. Finally, Ken reported on efforts to curb the CFPB and maybe even replace the single director with a five-member board.

Oregon

See summary

Washington

See summary. NHSCA needs to stand unified on no sales tax upfront.

Virginia

See Summary. Chartrand discussed the recent win on HB 304 in 2016 and the opportunity to repeal the Virginia Service Contract law and move to another state agency. Upon motion by Powell and second by Mello Chartrand has been approved to hire lobbyist Matt Benedetti for \$50,000 fee spread out among the 7 members who do business in Virginia. Motion passed.

Executive Session

Retainer with Chartrand Legal Management, Inc.

Upon discussion, Chartrand's proposed retainer for 2016- 2018 was approved.

Meeting Appreciation Gift

Navy blue NHSCA logo zippered windbreakers were given to all for the Yacht excursion in the Marblehead Harbor.

Next Meeting Date and Location – Monthly teleconference scheduled for Aug. 4 at 2:30 pm CST.

Motion to Adjourn

No other business was raised. Upon motion by Jeppson and second by Mello the meeting was adjourned at 1:00 PM EST.