

**National Home Service Contract Association
Minutes of Regular Board of Directors Meeting
Flathead Lake Lodge
Bigfork, MT
9:00 AM MT Friday, May 26, 2017**

ATTENDEES:

2-10 HBW	Mike Bartosch (<i>President</i>)
AHG Home Warranty	Chad Forbush
American Home Shield/HSA*	Tom Courtney
America's Preferred Home Warranty	Rodney Martin
Fidelity National Home Warranty	Billy Jensen (<i>CHSCA President</i>)
	Chris Wasson
First American Home Warranty	Jeff Powell
HMS National/Cross Country	John Walsh
Home Warranty of America/Direct Energy	Elizabeth Borges
Landmark Home Warranty*	(Tom Courtney)
National Home Guaranteed	Richard Adams(<i>Secretary/Treasurer</i>)
Old Republic Home Protection	Gwen Gallagher
	Lorna Mello (<i>THSCA President</i>)
OneGuard Home Warranties*	(Tom Courtney)

Staff: Art Chartrand, NHSCA Regulatory Counsel
Joy Moore, NHSCA Staff

Guest: Scott Shorter, Website Design via telephone

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

Indicated in advance will be absent:

HomeGuard HomeWarranty	Robert Hessling
Nations Home Warranty	Sharon Harrison
Universal Home Protection	James Imhoff

Call to Order – *Bartosch*

President Mike Bartosch called the regular board meeting to order at 9:00 AM MT upon conclusion of the annual membership meeting. Roll call was made and the above Board of Directors was present. A quorum was present.

President Bartosch highlighted the major accomplishments by NHSCA in the past few years:

California

Changed filing to once a year and financial exams to every five years
SB 78 (2014) Defeat of AB 493 (2016), which would have prohibited home service contract companies from imposing a service charge when no actual repair was made.

Georgia

Defeated renewed attempts to regulate by DOI

Louisiana

Moved regulation to minimal registration to SOS out of DOI SB 152 (2015)

Indiana

Defeated (after significant battle) attempt to regulate personal goods under HB 1206 (2014)

New Jersey

SB 854 (2014); Kept DOI out of industry and left to simple law with AG
Moved regulation to minimal registration to SOS out of DOI SB 152

Nevada

Reserve option defended and reinstated.

Oregon

New simple registration with Contractors Board. Saved some members large fines and avoided insurance regulation and dual regulation by contractor board and others.

Texas

Currently making sure home warranty not treated at disadvantage to other warranty products. Major sales tax decision: **see below**

Utah

Convinced Utah staff not to proceed on new regulation for 2016-17.

Virginia

- 2015: Legislation to drop NAIC statements and statutory accounting requirements
- 2016-2017 Moved regulation out of BOI to VDACS. Dramatic reduction in cost of compliance

AZ/NV/NAIC

Complaint Study Analysis

Major Sales Tax Lobbying Victories

Texas	Favorable sales tax ruling.
Florida	Favorable sales tax ruling.
	Working now to obtain income tax offset or premium tax.
Washington State	Have thwarted all attempts at past sales tax.

These three favorable rulings alone were anything but certain and saved members collectively, many millions of dollars.

Indiana	Resolution no tax and no fines
Kansas	Resolution no tax and no fines
Arkansas	Resolution and no back fines
Ohio	Resolution on tax and no fines (for most)
Wisconsin	Resolution on tax and no fines
North Carolina	Clarified sales tax all upfront

Mike indicated it was important to recognize NHSCA continued value and the translation to significant overall dollar savings relative to nominal dues.

Minutes

There were no minutes to adopt. The monthly summaries of the last two calls, March 2 and April 6, 2017 were included in the meeting binder. Members agreed the monthly calls are valuable, remain the best source of communication and should continue.

Membership

Bartosch welcomed newest member Rodney Martin with America’s Preferred Home Warranty. APHW is a Christian-based company founded in 1999 with the corporate offices located in Jackson, Michigan. They do business primarily in the mid-west states and are looking forward to being a member of the NHSCA.

Chartrand continues to work to get HomeServe USA and American Residential Warranty on board as a NHSCA members. ServiceOne is a small company out of Omaha and has inquired about membership recently. American Water Resources is on the list, but are not being actively recruited at the present. Contact information is in the binder for members who would like to contact them and encourage their participation.

Moore distributed the 2017-18 state member assessment reporting forms to members to return to the staff office by email or fax with any corrections or changes. Fidelity Home Warranty will let staff know what member classification they should be in.

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 \$ 38,029.17. **(ATTACHMENT A)** The state fund account is \$ 92,582.14 which includes the reserve fund of \$65,521.81. **(ATTACHMENT B)** Lobbyist fees are the only expenses paid out of the state fund. The actual amount of funds available to pay lobbyists is currently \$27,060.33. Chartrand noted there is an ongoing effort to try not to pay lobbyists from the reserve fund if possible, but it is there if needed. Members share the cost of lobbyists and are assessed as voted by the Board of Directors. Assessments will be reviewed later in the meeting during the legislative report provided by Chartrand.

Chartrand reviewed the proposed budget that was included in the binder. Possible changes from last year include adding two national members and one local. Projected expenses would include a shortfall of \$ 33,200 if the proposed SEO project were implemented. Account status by state for lobbyist assessments was also included in the meeting booklet. **(ATTACHMENT C)**

Upon motion by Mello and second by Adams the treasurer's report and budget passed unanimously.

Official Corporate Business

The 2016 IRS Form 990 tax return is being prepared by Nexus Accounting. Staff will provide members an electronic copy of the return once it is filed. A business relationship survey was included in the binder for members to complete as a supplement to the IRS Form 990. NHSCA is required to request the survey information, but it is not mandatory for members to complete or respond.

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. Chartrand noted this has historically been a major concern by company counsel with regards to serving on a trade association board. Members are covered.

National Meetings

Based on a request from Mello for members to note their preferences for the 2018 national meeting, Mackinac Island in mid-June, *during the week*, (as such may be necessary for crowd and accommodations) rather than a weekend, will be pursued.

In efforts to continue to establish the NHSCA brand and value, NHSCA staff will once again attend the TAR Expo, September 10 in Dallas, Texas and the CAR Expo on Oct. 10-12 in San Diego, California. The bright yellow golf towels with the NHSCA logo will once again be given away at each respective expo. Volunteers will be needed to man the booths at both TAR and CAR. The NAR trade show will be reconsidered in 2018 in Boston. Staff is waiting for material to be available for the Triple Play Expo which will be held in December in Atlantic City, New Jersey.

Market Data Collection

The Q1 2017 data report, the 2007 data report, for comparison, and the 2014, 2015, 2016 year-end summary market data collection reports of participating members were included in the meeting binder. Chartrand reminded members to be mindful the member companies participating has changed since 2007.

Staff informed members the data collection form is now available online under the member's area on the new NHSCA website.

Communications

As noted in previous meetings, the NHSCA website was redesigned by Scott Shorter with Concera Media. Chartrand provided a brief overview and highlight of the new site. Scott reported, by teleconference, user sessions have increased 8.25% since the launch of the new website. Visitors to the site are staying longer and the bounce from our sites are less. This compares favorably to the first 3 months of 2017 which saw no growth or single digit declines in the same metrics. Page views have increased as well as user sessions from organic searches i.e. Google, Bing and Yahoo.

SEO Proposal *(in meeting binder)*

Several well-known non-members spend a large amount of money to purchase ads on thousands of keywords. The primary drivers for these two companies are the keywords “home warranty.” NHSCA is not indexed at all for home warranty keywords, only variations of service contract keywords. Shorter has proposed (\$41K) to set up the optimization search and to manage campaigns, keywords research and ad creation with a 6-month program review to begin to build a presence in consumer search results. (full detail provided in the meeting binder) It was Bartosch’s opinion there appeared little indication to pursue as the needle will never be moved by spending that kind of money. No motion was made to pursue the proposal.

Rodney Martin with APHW offered his advice and experience to members on how to get rid of the paid ad campaigns. Staff will set up a conference call with Scott Shorter and those members who are interested in pursuing other avenues.

Chartrand proposed a new “whiteboard” video to members that will soon be posted to the website. Members over all liked it, but there a few changes to the language that need to me made to make mom and dad more equal. Staff will take care of getting those changes finalized.

The non-member directory is now in place on the NHSCA website and will continually be updated. There are currently 110 companies posted that are not NHSCA members. Each is assigned a non-member company code for internal tracking. If any members have any information on these companies, let staff know. Chartrand is working with state insurance regulators to give them access as well.

Public Relations & Media

We do not currently have an active media outreach plan or retained media consultant. Most media inquiries are handled internally for now. Chartrand responds to reporters who write articles on home warranties to educate and inform them. A retained media professional could be valuable and helpful and candidates with continue to be interviewed and considered in the future.

Old Business

- **Compliance chart resources**
Chartrand updates as time permits. Looking at new issues to track and updated information/corrections from members.
- **Arbitration clause**
NHSCA model arbitration provision is available as an example for anyone who wants to use. No changes were suggested, but other language exists as provided.
- **Audit program status**
Staff will send new members a binder. The program remains voluntary absent a motion to make mandatory. Members interested should contact Chartrand.
- **Federal tax filing status; NAICS number**

NHSCA members are state regulated entities, but are not insurance companies. Chartrand has a briefing paper available for anyone requesting. We have suggested using 561990 "Other Support Services."

- **Sales rep licensing (CA practice and beyond)**

No members reported registering anyone who is not a licensed real estate agent, an employee, or a company agent. CA Ins. code 12760 addresses who can sell and cannot sell and be paid. Chartrand noted that it does not make sense for companies to have to get their folks licensed as insurance producers and while the law is vague, appears no compelling reason to force the issue given the California regulatory/legislative climate.

- **Renewal notice requirements and certified mail issues.**

We have determined the New York provision (NY 5-903) does not apply to the service contract industry. New Mexico law applies to all service contracts and indicates you must send notice by certified mail. It has never been enforced to Chartrand's knowledge. None of our members send notices by certified mail. We have an argument that it does not apply but members need to be aware of the Attorney General sponsored **regulation** NMAC 12.2.11.8. The service contract **law** would seem to override as more specific NM Stat 59A-58-12.

New Business

- **State of the industry and new challenges (Bartosch)**

Bartosch suggested to members there are many new challenges to face in the industry such as cost of Freon, lack of appliance technicians, cost of appliances and smart home technology. He asked which of these issues can members solve together as an industry without engaging in discussions that violate the anti-trust policy. Are there ways to brainstorm these issues? Members agree they are all common issues everyone is dealing with, but difficult to discuss among members.

CLIP carriers for home warranty providers.

Chartrand noted that he is often asked for leads for insurer providers but has not tracked the contact information. Several members agreed to supply leads and Chartrand will retain for future reference.

New York Cybersecurity Requirements

Bartosch reminded members of reporting requirements which are now in effect. NYCRR500. NHSCA had filed a formal protest in October, 2016 that NY Ins Law 7907 registered companies such as home warranty be excluded. Provisions are such as any material intrusion attempt must be reported to the New York Department of Financial Services. Bartosch noted there is an exemption for companies under 10 people but you must apply for the exemption. He queried who is going to be next? California? There are criminal penalties associated with this mandate. Members need to be aware of and understand exactly what these cyber reports mean to them and their parent company.

The State of Affairs: *Regulatory and Legislative Roundup*

California (CHSCA) – Teleconference with Mike Belote, Lobbyist

Members decided not to collect any assessment for California at this time.

Mike Belote filed a written report as contained in the binder materials.

Texas (THSCA) – Teleconference with David Parker, Lobbyist

Motion to assess members \$3500 doing business in Texas passed unanimously.

David Parker reported that the 2017 biennial Texas legislative session comes to a close on May 29. HB 2279 by Rep. Craig Goldman has just officially passed both chambers and will soon head to the Governor's desk for signature. Through a significant evolution of bill drafts while working with the legislature in conjunction with SCIC, every detail of the final product was not exactly as we would have preferred. However, NHSCA was happy to see the first movement of modernizing outdated Texas Real Estate Commission (TREC) rules and we were able to score a few wins for our members. The highlights and remainder of his report is in the meeting binder

RESPRO Report – Teleconference with Ken Trepeta, Executive Director

RESPRO President Ken Trepeta joined us by phone expressing his regrets that he had to cancel his trip due to a family emergency. Ken discussed the prospects for Dodd-Frank and RESPA legislative reforms. He noted that there might be an opportunity to fix the error HUD made in including home services contracts in RESPA. However, he pointed out that general gridlock is impeding most reforms and that a service contract fix might bring others out who do not want to be included in RESPA prohibitions. Nonetheless, legislative fixes are worth further exploration including report language directing CFPB to re-examine the issue and suggesting a fairer interpretation. He concluded that with President Trump eventually appointing a director who would take a more balanced view, there is a chance to push CFPB to make fixes.

Legislative Report – Chartrand

(The full June 2017 Legislative/Regulatory Report update is contained in the meeting binder. In addition, the following was mentioned.)

Arizona/Nevada

Chartrand sent FOIA requests to each state and the NAIC for complaint data. The data clearly showed no factual basis to suggest the home service contract companies are the source of inordinate complaints. Most all complaints are about non-members. A conference call is set for June 26, 2017 to discuss with Arizona. Chartrand is waiting for Nevada to respond.

Florida

After spending approximately \$100K over several years, Florida legislation failed to pass the income tax offset amendment. A motion was made to continue spending \$1000 a month to maintain David Robert's contract through the next legislative session to try to get the bill passed. Motion passed.

Iowa

Bartosch reported a staffer in Iowa read the Iowa statute and found it says you cannot offer cash in lieu on a home service contract under any circumstances. This law is contrary to forty years of practice and form filing. NAIC model says you can provide service, repair or replacement or indemnification at any time. Chartrand spoke to Commissioner Doug Ommen of Iowa, fully briefed him and made him aware of the situation and resolution both short and long term (*See material in binder*). Ommen will confer with his staff and advise.

Virginia

Chartrand reminded members January 1, 2018 is the effective date for the transfer of the oversight of home service contracts from the VA Bureau to VDACS. Members will still have to file remaining 2017 reports. Additional bill highlights are listed in the meeting binder.

North Carolina

Bill HB 726 was introduced to reverse the full sales tax upfront on service and repair contracts. It appears to have little chance. Chartrand continues to monitor.

Meeting Appreciation Gift

Royal blue neck roll pillows with the NHSCA logo were distributed to members.

Next Meeting Date and Location – Monthly teleconference scheduled for July 6 at 2:30 pm CST.

Motion to Adjourn

Upon motion by Jensen and second by Adams the meeting was adjourned at 1:00 PM MT.

ATTACHMENT A

**National Home Service Contract Association
General Fund Income & Expense**

June 1, 2016 - June 1, 2017

Income	
Membership Dues	187,600.00
Expense	
Business Registration Fees	40.00
Contract Services	
Accounting Fees	4,150.00
Accreditation/Audit	7,500.00
Association Management Fees	156,000.00
Other Contract Services	200.00
Public Relations	1,200.00
Total Contract Services	<u>169,050.00</u>
Insurance - Liability, D and O	1,403.00
Meeting Expenses	
Annual Meeting	
2016	4,659.27
2017	3,004.25
Total Annual Meeting	<u>7,663.52</u>
CAR	
2016	4,433.11
2017	2,475.00
Total CAR	<u>6,908.11</u>
TAR	
2016	3,786.48
2017	750.00
Total TAR	<u>4,536.48</u>
Total Meeting Expenses	<u>19,108.11</u>
Postage & Delivery	193.38
Printing and Copying	389.23
Rent facilities	3,017.50
Other Travel Expense	11,366.38
Website Hosting	2,550.00
Website Updates	8,600.00
Total Website Mgmt	<u>11,150.00</u>
Total Expense	<u>215,717.60</u>
	<u>-28,117.60</u>
Bank Balance	38,029.17

ATTACHMENT B

**National Home Service Contract Association
State Fund Income & Expense**

June 1, 2016 - June 1, 2017

Income	
Lobbyist Fees Income	103,000.00
Expense	
Lobbyist Fees	
Arizona	5,034.61
California	19,664.20
Florida	5,090.00
Louisiana	4,800.00
Texas	29,870.34
Virginia	52,500.00
Total Lobbyist Fees	<u>116,959.15</u>
	<u>-13,959.15</u>

ATTACHMENT C

**National Home Service Contract Association
State by State for Lobbying Assessments
as of June 1, 2017**

State	Total in Fund by State
Alaska	(293.48)
Arizona	(5,276.32)
Arkansas	430.51
California	34,343.40
Florida	635.00
Indiana	(3,047.80)
Kansas	1,250.01
Louisiana	(16,435.09)
Massachusetts	334.02
Missouri	8,377.34
Nevada	3,772.35
New Jersey	6,300.00
North Carolina	(5,326.84)
Oklahoma	(0.02)
Oregon	(3,681.00)
Pennsylvania	(211.66)
Tennessee	900.00
Texas	(4,761.16)
Virginia	(5,473.51)
Washington	858.37
Wisconsin	1,475.00
Federal Issues	12,891.21
Total	27,060.33
Reserve Fund	65,521.81
Bank Balance	92,582.14