

**National Home Service Contract Association
Minutes of Regular Board of Directors Meeting
The Island House Hotel
Mackinac Island, Michigan
10:00 AM EDT Thursday, June 21, 2018 *Amended***

ATTENDEES:

2-10 HBW	Mike Bartosch
AHG Home Warranty	Chad Forbush
American Home Shield Companies (AHS, HSA, OneGuard, Landmark)	Tom Courtney, Mark Celichowski
America's Preferred Home Warranty	Rodney Martin, Phil West, Mike Sadler
Fidelity National Home Warranty	Howard Brothers
First American Home Warranty	Jeff Powell
HMS National/Cross Country	John Walsh
HomeGuard HomeWarranty	Robert Hessling
Home Warranty of America/Direct Energy	Elizabeth Borges, Leah Barton
National Home Guaranteed	Richard Adams
Nations Home Warranty	Sharon Harrison
Old Republic Home Protection	Gwen Gallagher, Lorna Mello Chris Wasson

Staff: Art Chartrand, Executive Director and Regulatory Counsel
Joy Moore, NHSCA Manager`

Guests: Scott Shorter, Concera Media via telephone
Ken Trepeta, RESPRO

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

Indicated in advance will be absent:

Universal Home Protection James Imhoff

Call to Order – Mello

President Mello called the regular board meeting to order at 10:00 AM EDT upon conclusion of the annual membership meeting. Roll call was made and the above Board of Directors was present. A quorum was present.

Monthly Call

The May 3, 2018 call summary was included in the binder along with the recent state lobbying assessment summary. Chartrand reminded members the monthly summaries are posted on the NHSCA website under the member log-in area. The next call will be September 6, 2018 at 2:30 PM CDT.

Official Corporate Business

The 2017 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. The required business relationship survey was previously sent to all members via email to complete as a supplement to the IRS Form 990. NHSCA is legally required to *request* the survey information, but it is not legally required for members to complete or respond.

The Association (NFP) Organization Liability Insurance policy with State Farm was renewed. A copy of the declaration page and explanation of coverage is included in the meeting booklet.

Membership

Moore distributed the 2018-19 state member assessment reporting forms to members to return to joylmoore@mac.com with any corrections or changes. This form is used to identify on the NHSCA website what states members do business in as well as lobbying assessment purposes.

Chartrand reminded members how important it is to use the NHSCA logo on their marketing material. The message to regulators and REALTOR's is to stay with a member of the NHSCA. Chartrand noted 2-10 and ORHP are currently using the logo on their materials and encourages everyone to use it. It is important for legislators to know who the NHSCA members are.

A copy of the NHSCA membership application as well as the letter sent to serious folks interested in joining the association were included in the meeting binder.

Contact information for companies being actively lobbied for NHSCA membership are included in the meeting binder. A few of them are start-up companies that have not been in business long, but in Chartrand's opinion, they are run well. Chartrand suggested members help recruit them by contacting them either by email or phone call. Bartosch mentioned Choice Home Warranty's past requests for membership. The last correspondence between Choice and the NSHCA has not produced the information needed to approve membership.

Courtney suggested the NHSCA consider implementing a probationary membership program. Staff will set up a call with Courtney, Borges, Brothers and Mello to discuss further. It was noted the NHSCA Code of Ethics is on the website.

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 \$ 67,469.24 (**ATTACHMENT A**) The state fund account is \$ 68,561.88 which includes the reserve fund of \$65,521.81. (**ATTACHMENT B**) State lobbying assessment invoices were sent to members last month and are still being collected.

Chartrand reviewed the proposed 2018-19 budget that was included in the binder. An increase in new NHSCA members will keep dues from increasing.

Account status by state for lobbyist assessments was also included in the meeting booklet. **(ATTACHMENT C)**

Upon motion by Bartosch and second by Celichowski the treasurer's report and budget passed unanimously.

National Meetings

Based on a request from Mello, members voted their preferences for the 2019 national meeting as Santa Fe, NM, Lake Tahoe, NV or Catalina Island in California. Each location will be researched for the best deals and travel options. Further detail to follow. [Post meeting note: Members also asked to consider Jackson Hole, Wyoming.]

In an effort to continue to establish the NHSCA brand and value, NHSCA staff will once again attend TAR Expo, September 9 in San Antonio, Texas, NAR Expo in Boston, November 2-5 and Triple Play Expo, December 4-5 in Atlantic City, New Jersey. Forbush mentioned TAR Expo scheduling needs to change to give members better exposure. He requested members help support the change if they have the opportunity. Chartrand will find out who the executive director of TAR is and provide to members to contact accordingly.

Market Data Collection

The Q1 2018 data report and Q4 2017 data reports were included in the meeting binder for comparison. Staff reminded members the data collection template and instructions are now available online under the member's area on the NHSCA website. A copy is also included in the meeting binder materials.

Communications

We do not currently have a full time PR/Media person working for the NHSCA. Chartrand has not found anyone he feels qualified to do the job within reasonable resource dollars. The association still maintains a twitter account @coveryourhome and Chartrand tweets periodically about homecare tidbits and promoting purchasing a home service contract from a trusted member of the NHSCA. Chartrand reminded members the association does not maintain a Facebook account.

The recent NBC/Washington DC Investigation was discussed. Chartrand reminded members if they receive an inquiry from "call to action" type reporters or any media to let him know so he can make contact with them for educational purposes. We obtain much better coverage when we take the time to work with and educate the media.

Via teleconference, Scott reported that user sessions have increased by more than 17% and pageviews by more than 10%. We have improved indexing pages. The state association page and home page had the largest increases. Overall, in the last 12 months, organic searches and direct visits to the website have increased by double digits. The only downside would be that the direct visits may be mostly from member companies. As of January 2018, the site has seen a steady increase in Google search referrals.

Old Business

Bartosch motioned and Courtney seconded to adopt, as of June 21, 2018, the Membership Policy on Acquisition of Another Company as described in the NHSCA Major Adopted Policies and Procedures document [Included in the binder]. Motion passed.

Chartrand continues to make efforts to improve the relationship with SCIC. Courtney suggested a written protocol be in place on state legislative issues so both associations can cooperate together. Chartrand agreed to work with Courtney to draft such a document to propose to SCIC.

Chartrand reminded members that lobbying politics can often be very tight, tough and hardball in appearance and in reality. We endeavor to work with all stakeholders honestly and respectfully. What is often not seen is back channeling and private communication that is critical to successful results. There are times when we must take firm and decisive action using strategically crafted political language. Bottom line, members should be wary of what you hear second hand, on the grapevine or worse, from those with adverse or non-friendly interests. Chartrand works closely with the NHSCA president and officers. No member should ever hesitate to call Chartrand with questions or concerns. Members will always receive frank, insightful and honest answers.

New Business

RESPRO Report – Teleconference with Ken Trepeta, Executive Director

Trepeta stated that a modest reform bill (SB 2155) was passed of little impact. He reported that he recently asked the CFPB to opened the door for discussion on how home warranty companies may want to be treated under RESPA. He added that he “basically implied that what was done way back when may have been in error and worthy of discussion.” Trepeta indicated to CFBP that RESPRO was willing to discuss so as to keep on their radar screen. Trepeta though acknowledged many RESPRO members do not agree on some of the issues. Director Mulvaney will continue to act until Congress appoints a permanent director.

Members held an extensive, open and frank discussion over the future application of RESPA, home warranty as a settlement service, payment of real estate agents and relative pros and cons of RESPA coverage to the home service contract industry. No change of position or consensus was reached. No motion was made nor vote taken. A straw poll overwhelmingly failed upon a request for a show of hands as to “How many would be in favor of approaching the CFPB to get out from under the regulation.” Courtney said he would advise the RESPRO Board that NHSCA did not get consensus in favor of any action to repeal RESPA and that RESPRO can do whatever it likes.

THE AFFAIRS OF STATES:
Regulatory and Legislative Review

California (CHSCA) – Teleconference with Mike Belote, Lobbyist

A written report from Belote is in the meeting binder materials. We have until summer recess July 6 on our measure and then a return in August until August 31 at midnight.

In addition, he noted that Insurance Commissioner Dave Jones failed to make the primary for Governor and terms out. Former Commissioner Steve Poisner appears to be the front runner as an Independent for the November general election.

NHSCA sponsored bill AB 2142 has run into problems after passing the Assembly. The Department began engaging on the Senate side. The Department, while acknowledging excessive audit costs, now wants not only a bond, the new Chair of the Senate Insurance Committee says he prefers routine financial exams and is not comfortable removing the requirement. But, admits to concern over excessive costs. Belote is trying to construct some options by next Tuesday. Belote feels something positive will pass and will be contacting Chartrand to develop options acceptable to the Chair.

Chartrand noted that NAIC standards require minimization of on-site exam time and conduct remote desk audits. Belote indicated there was related discussion. He said the committee consultant favors us and something will be done. He is just not sure what as of yet.

Texas (THSCA) – Teleconference with David Parker, Lobbyist

A written report from Parker is in the meeting binder materials. It was concluded to hold a follow-up call to discuss the accuracy of, and pursue simplifying, the TREC annual reporting forms (eliminate redundant data) as well as the CPA audit requirement. Upon consensus, named to a committee to address with Chartrand were Forbush, Borges, Celichowski and David Parker. Chartrand indicated an in person meeting with TREC and sponsors is required to gain any real traction.

Legislative Report – Chartrand

(Legislative/Regulatory Review update is contained in the meeting binder. In addition, the following was mentioned.)

Model Laws

Chartrand asked for input and comment on updating the NHSCA models defining home service contracts, in particular the payment of indemnity, whether incidental or not. A draft is in the binder. Adding roof leak repair to allowed coverages seems clearer as it is in many state laws now. Any action was tabled until the next meeting.

California

There is a need to be more in sync with SCIC on the licensing of sales representatives. SCIC did invoke the question with lower level CDI staff who opined some sales rep licensing was required. Chartrand indicated this was an old and settled issue supported

by 40 years of practice and interpretation that no sales reps license is required. The agenda by SCIC appears pushed by their members demand for absolute certainty. **The important thing is that no member concedes on the issue.** If any member receives a CDI inquiry or notice on this issue, Chartrand needs to be advised and our position held.

Arizona

Our bill HB 487 passed and is effective Aug 3, 2018 to allow the deduction of benefits paid in event of consumer cancellation. Contracts should be modified to allow.

Nevada

No progress has been made via SCIC and their lobbyist. Chartrand reports that senior staff supports us, but Insurance Commissioner Richardson has failed to act. There is no authority in statute or regulation for a prohibition to deduct benefits paid upon consumer cancellation. Motion by Celichowski and second by Wasson to pursue our own lobbyist in Nevada. Motion approved. This may result in a conclusion that there is no traction to pursue. It is a very difficult state legislatively.

The Nevada DOI is also attempting to reduce the applicable cancellation fee. Chartrand also noted the recent regulation change on the emergency rule 3-day letter to now include notice to the Commissioner. Celichowski also reminded members that the CDI now wants 60-day notice of registration renewal. Chartrand concluded that if the stars ever line up, we should consider being out of the insurance department regulation entirely under 690 C or otherwise.

Florida

See legislative summary. Our lobbyist is keeping our income tax offset alive and will pursue if possible. While the Florida Building Commission ruled in our favor, we yet need to satisfy Senator Broxson that there is no need for additional restrictions on our industry.

Louisiana

The issue is SCIC trying to replicate our success in eliminating regulation in favor of a super bond and registration with the Secretary of State. We conceded to SCIC to move forward but not to affect our law. We had to hire a local lobbyist to rewrite the SCIC proposal to a separate bill which passed.

District of Columbia

A bill of some type will pass in the fall. A copy of our latest proposal is in the binder. We feel we have the votes in the DC Council to overrule DISB's desire for form and rate filing and the SCIC draft. SCIC has now conceded to our draft.

Virginia

Transition memos are included in the binder for new member convenience.

Sales Tax Issues

Missouri

The legislature was active, but all bills related failed to pass.

Kentucky

SCIC pre-empted a resolution by speaking with the Kentucky DOR who (of course) opined the new sales tax applies to all service contracts. It was unclear how the “meeting” was held or if home warranty was even explained or addressed properly.

This is very similar to the case we won in 2005 in Washington State. Our position is that the new law does not apply to home warranty and to retain the status quo. Motion by Celichowski and second by Wasson to hire lobbyist to obtain more certain definition and resolution on applicability of new sales tax bill on “extended warranties.”

The state by state summary of state classification and cites is included in the binder and should not be shared with outside parties.

North Carolina

There is no question North Carolina charged upfront taxation of home service contracts last year. The rate remains high. Motion by Wasson and second by Martin for Chartrand to explore feasibility to lowering sales tax rates in North Carolina.

Executive Session – Management Contract

The proposed contract with Chartrand Legal Management, Inc. was approved for renewal through June 2020. Chartrand stated that he and Joy Moore consider it an honor and a privilege to work the NHSCA. He pledged to continue to earn everyone’s trust on a daily basis.

Meeting Appreciation Gift

NHSCA logo binoculars were distributed to everyone present.

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

Motion to Adjourn

Upon motion by Martin and second by Courtney the meeting was adjourned at 2:30 EDT.

ATTACHMENT A

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

	<u>Jun 1, '17 - Jun 1, 18</u>
Income	
Membership Dues	219,100.00
Expense	
Business Registration Fees	40.00
Contract Services	
Accounting Fees	2,000.00
Association Management Fee	156,000.00
Total Contract Services	<u>158,000.00</u>
Insurance - Liability, D and O	1,403.00
Meeting Expenses	
Annual Meeting	
2017	911.81
2018	3,660.94
Total Annual Meeting	<u>4,572.75</u>
NAR	
2018	3,600.00
CAR	
2017	3,216.54
TAR	
2017	2,891.47
Total Meeting Expenses	<u>14,280.76</u>
Printing and Copying	854.70
Rent facilities	3,250.00
Other Travel Expense	5,850.88
Website Mgmt	
Website Hosting	1,850.00
Website Updates	525.00
Total Website Mgmt	<u>2,375.00</u>
Total Expense	<u>186,054.34</u>
Net Income	<u><u>33,045.66</u></u>
Bank Balance as of June 1, 2018	67,153.06

ATTACHMENT B

**National Home Service Contract Association
State Fund Income & Expense
June 1, 2017 - June 1, 2018**

Income	122,400.00
Expense	
Lobbyist Fees	
Arizona	31,940.00
California	50,931.53
DC	15,000.00
Florida	10,000.00
Louisiana	8,000.00
Texas	28,048.73
Virginia	2,500.00
Total Lobbyist Fees	146,420.26
Bank Balance as of June 1, 2018	\$68,561.88

ATTACHMENT C

**National Home Service Contract Association
State by State for Lobbying Assessments
as of June 1, 2018**

State	Total in Fund by State
Alaska	(293.48)
Arizona	(17,416.32)
Arkansas	430.51
California	11,411.87
Florida	(1,365.00)
Indiana	(3,047.80)
Kansas	1,250.01
Louisiana	(1,935.09)
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	5,690.11
Virginia	(2,373.51)
Washington	858.37
Wisconsin	1,475.00
Federal Issues	(2,108.79)
Total	3,040.07
Reserve Fund	65,521.81
Bank Balance	68,561.88