

National Home Service Contract Association

Minutes of Regular Board of Directors Meeting

Monte Carlo Hotel

Las Vegas, NV

9:00 AM PST Thursday, June 23, 2011

Present

2-10 Home Buyers Warranty

American Home Shield

BPG Home Warranty

Fidelity National Home Warranty

First American Home Buyers Protection

HISCO/CRES

HMS National/Cross Country

Home Security of America

Home Warranty of America

Old Republic Home Protection

Michael Bartosch

Jay Coggins

Revell Fraser, Stewart Miller

Bill Jensen

Deb Nagasawa, Jeff Powell

Ed Adams, Dave Miller

Doug Stein

Mark Celichowski

Marc Roth

Gwen Gallagher, Lorna Mello

Absent:

Universal Home Protection

James Imhoff

Staff:

Joy Moore, Chartrand Legal Management, Administrative Staff

Art Chartrand, Chartrand Legal Management, Regulatory Counsel

Nancy Besa, Besa Public Relations

Art Ansoorian, Ansoorian & Associates Public Relations

Guests:

Ray Adams (Charter member of NHSCA)

Mike Belote, California Advocates

Steve Mora, Warranty App

Ken Trepeta, NAR

Presentation by Steve Mora with Warranty App.

Call to Order – Celichowski

Celichowski called the regular board meeting to order at 9:00 AM PST at the conclusion of the annual membership meeting. Roll call was made and the above Board of Directors were present. A quorum was present.

National Association of REALTORS - Ken Trepeta

Chartrand introduced Ken to the NHSCA members present. Ken has been Director of Real Estate Services for the NAR since 2007. He has been very kind to work with the NHSCA on RESPA issues and the Association intends to continue the good relationship with Ken and NAR given how important they are to the service contract industry.

Adoption of Previous Board Minutes

The minutes of the Jan. 27, 2011 board meeting were reviewed. Upon motion by Stein and second by Powell the minutes were unanimously adopted without amendment.

Membership Committee Report- Roth

Celichowski welcomed Ed Adams and Dave Miller with HISCO/CRES Home Warranty as new NHSCA members along with Sharon Harrison with Nations Residential Service. Both companies joined in January 2011. Nations Residential Services was a previous member of the dissolved TWA.

Contacts have been made with Scott Smith, One Guard, Phoenix, Arizona and Jed Rovin, HomeServe USA, Miami, Florida. HomeServe USA may not be a good fit for the Association at this time given their approach to state laws. Chartrand recently talked to Andrew White with Allied out of Texas. They have some issues with the Associations policies and need to think about joining. We need to continue to grow so let staff know of any companies we need to contact.

Roth noted if we start to integrate Utility Line companies in to the Association, we would need to change the way we report our data and statistics. Chartrand noted more and more companies will be entering the home service contact industry selling limited product lines. It may be good for the consumer if they come in as home service contracts, but they do not function like the current member companies.

Treasurer's Report – Miller

Miller reported the Association is in good shape. The treasurer's report was included in the membership packet. The current balance in the General Account is \$42,467.90. **(Attachment A1)** The State Fund Account is \$248,138.82 **(Attachment A2)** which includes the reserve fund monies, final TWA & HWAC deposits and the money market fund.

Staff and Miller are looking for investment opportunities for the surplus funds in the state fund. The priority is to maintain principal. There is nothing worth the risk for the amount of return at the present. The Association is currently earning a very small dividend in the money market account. But, the principal is secure.

Account status by state for lobbyist assessments was also included in the booklet.
(Attachment A3)

Upon motion by Mello and second Nagasawa to adopt the treasurer's report, it passed unanimously.

Official Corporate Business – *Chartrand*

Member state status updates that were distributed to each member for the 2011-2012 legislative year need to be returned to the staff office by email or fax.

The Association Not for Profit (NFP) Organization Liability Insurance with State Farm policy was renewed at the same rate as last year. Chartrand noted the policy covers Officers and Directors as well as general association liability.

The 2010 IRS Form 990 tax return will be prepared by NHSCA outside accountant, KPMG and filed properly by the deadline.

National Meeting Committee – *Mello & Miller*

The members thanked Mello for her fine work and applauded her staff for a job well done. Staff and the committee welcome input for 2012 meeting. Chicago was mentioned as a possible option since it is easy to get to and has lots of wonderful venues to visit. Roth would be happy to help getting information available.

Media and Website Committee Report - *Mello & Besa*

Besa reported the following activity since last year's annual board meeting:

Media

Chartrand was interviewed by a reporter with the Washington Times last September. The article was entitled "Sign on the Dotted Line for Peace of Mind." It was a positive piece and can be found in various locations on the Internet. He was also interviewed by a freelance reporter with the AP that published a very fair and balanced article.

THSCA contracted to advertise in TAR magazine for a year. A copy of the upcoming August ad is in the booklet. Harrison asked Besa if the Texas member companies could be rotated each month so that no company is listed first all the time. It was agreed the ad will be revised each month. Chartrand reminded members to check to make sure the company name they are using in Texas is the same name they are registered under. If not, members need to file a dba with the Secretary of State.

Roth questioned whether NHSCA should develop a strategy plan to communicate with the media. Chartrand indicated any national media approach or campaign would be too expensive. NHSCA currently has an adopted policy to talk to the media, which in turn sends out a “positive” message.

Besa suggested NSHCA focus more on media bloggers since they are a better resource. She will look for freelance writers not the traditional journalists or outlets. Besa asked members if they would be interested in adding an interactive blog to the NSHCA website.

Website Additions & Changes

Four new press releases have been added to the newsroom. Besa will be adding some new items to keep the website fresh and interesting for consumers. THSCA now has their own page on the NSHCA website as does the newly formed CHSCA.

Website – General Activity

Besa reviewed the Google Analytics statistical report for members. There have been spikes and valleys throughout the year. Notably when press releases were posted and specifically when Angie’s list released an article in the Indianapolis newspaper February 2011. There is no immediate task to increase traffic to the website. The site was principally formed to create notoriety and standing for NHSCA. Meta-tagging was added last year to aid the search function.

The new web password will be effective Monday, June 24. Please call the office or email staff if you lose your password.

Angie’s List

NHSCA posture towards Angie’s List is they are NOT the media. They are a for profit, private company selling consumer services in the market place.

Besa reported she received a call from an Angie’s List researcher in January working on a piece about home service contracts and wanted to see if we could answer some questions. NHSCA members prepared a carefully crafted article and submitted it to them. They in turn included it in their weekly column in the Indianapolis paper.

Prior to the release of the Angie’s list piece, NHSCA issued (May 31) on our

website a release about rating sites being misleading. There has been no secondary effect from the article. Staff will continue to monitor.

Market Data Collection Committee – Gallagher

The 2010 full year & 2011 Q1 reports were included in booklets of participating members distributed at the meeting. Chartrand reminded members if a member company does not submit a market data report, they will not receive a copy of the final summary report.

Subcommittee on Taxation- Gallagher

The tax tip sheet continues to be available on the NHSCA web site for members to download. It is a state summary to put members on notice in case they have a tax issue. It has been a challenge to flesh out the sales tax issue and build up our resources. Members decided to pursue resources to track and monitor new sales tax legislation.

Subcommittee on Unauthorized Activity – Chartrand & Committee

Staff continues to send out letters to companies who may be operating without a license. Copy of letter is included in the booklet. The letter is part marketing and part unauthorized in scope.

HPPD –A Division of a group called East Coast Warranty - Mike Belote

At the direction of NHSCA, Belote sent a letter on March 9 to CA DOI Chief Deputy Commissioner of Enforcement, Rick Cline. Belote's office received a letter June 10 indicating the DOI had concluded the investigation and have referred it to the legal department. It was their opinion a violation occurred and they will be issuing a cease & desist order.

Chartrand noted a company named Allied Home Warranty, President Andrew White, has been posting a trade association on their website that is not really in existence. The icon is misleading as it looks much like our THSCA logo. Chartrand asked him to change the name to an education foundation since it looks so much like us and may mislead consumers. Members suggested staff write a letter to Mr. White and take a firmer stance letting Allied know they should disband the bogus trade association.

NHSCA Company Number System

Chartrand suggested to members the NHSCA develop a provider code number for each member. It would not be an endorsement, but a way to identify a company. When outside companies come up with names that are very similar in title, it is a way to identify who is who. In essence, it would mean your company is **registered**

with the NHSCA. This could be a marketing tool for the Association. There would be no cost, just a NHSCA provider number issued. The members agreed such a system would be a good idea. Chartrand will draft a memo and numbering system and contact members by conference call for a final vote in the near future.

Committee Member Update and Assignments

Disbanded the following Committees:

Angie's List Ad Hoc
RESPA Issues
State Associations

Standing Committees are as follows: (new committees in bold type)

Arbitration Clause	Bartosch, Celichowski, Coggins, Nagasawa
Legislative	Lightfoot, Jensen, Celichowski, Gallagher
Market Data Collection	Gallagher, Nagasawa
Media	Mello, Stein, Gallagher
Membership	Roth, Stein, Imhoff
National Meeting	Mello, Miller
Public Relations Committee	Powell, Mello, Celichowski, Roth
Taxation	Lightfoot, Roth, Gallagher
Unauthorized Activity	Nagasawa, Gallagher, Lightfoot, Jensen Celichowski, Fraser

Legislative Committee Report – Chartrand

*(*related documents in booklet handed out at the meeting)*

NSHCA State Legislative Summary –Reminder: please do not reproduce or give to other people. Private research for use of members only.

Arizona

Additional amendments to close the contractor loophole was handled at no charge by our lobbyist, Dave Childers via SB 1195. It required carving out some additional language to appease Sprint with regard to electronic personal communications and accessories. The language accomplishes our goal that you cannot just be a contractor and exempt from the law.

CHSCA **Jeff Powell, State Chair**

Powell pointed out the new CHSCA logo. He referred to the trouble Art Ansoorian is having getting data submitted from CHSCA members for the statutory DOI reports. Jensen suggested if members don't participate in

the reporting they should not receive a report, just like the NHSCA data collection report policy.

Mike Belote, California Advocates

Belote reported the new California Insurance Commissioner Dave Jones is consumer oriented and ambitious. To date, legislative efforts have primarily focused on loans and foreclosures. The state is deeply in the red financially and is looking for additional sources of revenue which come in the form of local jurisdiction taxing. There is a huge coalition fighting this tax issue. There is nothing in the hopper with regards to service contracts. There is a fight between car dealers and manufactures over auto service contracts but nothing on home service contracts.

Art Ansoorian, Public Relations for CHSCA

Art recently followed up with a news release on the absorption of HWAC in to NHSCA. Ansoorian also issued press materials focusing on key areas of complaints and contractor issues in California. The release was based on the NHSCA press release posted on the home page of the NHSCA.

A press release is on the way highlighting the historic highs in home warranty sales nationwide. Ansoorian will again be using NHSCA release and angling towards California.

The plan is to start targeting some media releases to buyers and brokers because of the changing market. Releases will focus on how to recognize legitimate service contract providers.

Chartrand noted that Ansoorian's articles have received good secondary impact in the electronic media. A standing conference line is available for CHSCA. Call staff anytime and they will set up a call.

Florida

Members who hold both licenses under 634.3 & 634.4. can now drop the 634.4 license via SB 2176 effective January 1, 2011. You now only need **one** home warranty license under 634.3. However, 634.4 was not repealed. Chartrand noted the Florida DOI has been ambivalent about whether companies have to pay both the 2 % premium and 6% sales tax. It is unresolved and the Dept. of Revenue has not issued an opinion.

Gallagher reported Old Republic received written notice that every warranty company has to pay both the 6% and 2 % tax. Gallagher will share the letter with Chartrand. Companies are being double taxed and it is an expensive process to change. Chartrand will start interviewing some lobbyists and will come back to the members with a budget.

Secondary tax issue: There is a 5.5 % corporate income tax for insurance companies where they can apply their income tax payments as credits against their premium tax liabilities. The credit *does not apply* to service contract providers. This is not fair, but the status nonetheless. This may be another issue to address.

Chartrand informed members about a group in Florida called Step Up for Students that gives direct income tax offset credits for sending money to them. The group provides educational opportunities for children. Chartrand is very impressed with the group and will send out information to the members.

Maine

The home exemption we obtained at 1997, cC 592, §9 is retained in a service contract bill that was passed by SCIC via LD 1507.

Mass

A copy of the new application form under the model law adopted January 14, 2011 via H 4957 is in the materials. Chartrand noted this is the last SCIC combination exemption bill of it's kind. From now on NHSCA will stick with the NHSCA home service contract bill model.

Missouri

Lots of inside politics going on. The head of the Insurance Committee says the bill to clarify the home service contract exemption will be passed next year. A full summary of the history and issues are in the materials. Chartrand will monitor any DOI action carefully and asks members to advise him of any contacts by them.

New Jersey The SCIC has proposed a model bill and various auto renewal bills have also been marked up. Chartrand will meet with key legislatures later in the summer. This may be the NHSCA number one priority for this next year. We may have to reassess fees for this effort.

North Carolina

HB 575 passed and is effective July1, 2011. This is our NHSCCA bill which put back in the reserve option.

Oklahoma

Our NSHCA Model bill was adopted and in effect Nov. 1, 2011. There is a totally new administration in Oklahoma that appears to be a much better group to work with. Chartrand reminded members they will need to re-file under the new law for November 1.

Oregon

Home service contracts are exempt in Oregon. Details or recent developments are set forth on the web site. Chartrand recently obtained an Oregon Department Interpretive Letter (for a non NHSCA member client) dated June 14, 2011. This letter reaffirms the exemption and clarifies that it applies to all appliances and systems whether inside the home or on the home property.

Pennsylvania

The NHSCA exemption bill passed last year and was effective August 30, 2010. This was a huge victory for the entire industry. A copy is in the 2011 annual meeting materials.

Tennessee

The NHSCA sponsored and obtained passage in record time of our exemption model via SB 1569. It passed April 12, 2011 and was effective immediately.

THSCA

Lorna Mello, State Chair

NSHCA held a meeting March 29, 2011 with the THSCA in Austin, Texas. No significant legislative issues are currently going on in the industry. [See related issues above under media report.] We determined to not continue the paid retainer with Mark Lehman and TAR but will continue a good relationship. Karl Moeller is the THSCA lobbyist and monitoring issues for us with TREC.

Other Issues

Alaska

We continue to monitor but hold that our exemption obtained in 2003 via HB 120 remains solid law. Members should advise Chartrand if the insurance department contacts them otherwise.

Reserves

Members should stand firm against the states attempt to change the reserve formula. NY has not pursued a case against NHSCA members. Let Chartrand know if you hear from any state on this issue. NHSCA has a legal memo on the matter and Chartrand urges members not to capitulate.

Auto Renewal Legislation

Iowa

Not going anywhere

New Jersey

Advancing as noted above under NJ legislative report. Lightfoot has suggested NHSCA be more active in trying to monitor and possibly put more resources in to tracking and fighting auto renewals when appropriate. Chartrand noted auto renewals need to be disclosed and asked members if a NHSCA policy should be made. No response was offered from members.

Electronic Filing

It was noted that more companies are required to file electronically. There was no further discussion or action plan suggested.

Old Business

None

New Business

Arbitration Clause in Consumer Contracts

Bartosch asked members if there was any support to putting together a small committee to look at adding an arbitration clause in home service contracts. If written properly, it would virtually eliminate class action lawsuits. Legal counsel would need to figure out language that would work for the service contract industry. New Arbitration Clause Committee was formed to include Bartosch, Coggins, Celichowski and Nagasawa.

Extended Warranty Innovations Conference

Chartrand and Celichowski will be attending and speaking at the 2011 Extended Warranty Innovations Conference Aug 3-4 in Chicago. SCIC is also on the list of speakers. NHSCA will plan to put the NHSCA banner up and pass out cards. The conference fee has been waived for both to attend.

Chartrand asked members to possibly consider sponsoring and establishing the National Conference on Home Service Contracts. This would be an annual event for the home service industry with keynote speakers, etc. Chartrand knows the dynamics of such an event and suggested members think about it. It would be a flagship event for the NHSCA that would make money and increase exposure. The members generally agreed we should consider pursuing this concept.

Member Recognition

A beautiful green marble membership plaque was issued to HISCO/CRES Home Warranty & Nations Residential Service. Marble paper clip containers were given to each member to take back home to keep on their desk with the NHSCA logo on them.

Chartrand and staff gave members an ArtandJoyofMovies .com coffee mug. Chartrand's nationally syndicated radio show runs a free, minute long PSA spot for the NHSCA every week. A copy will be emailed to all members.

Next Meeting Date and Location- TBA

Motion to Adjourn

No other business was raised. Upon motion by Nagasawa and second by Mello, the meeting was adjourned at 1:30 PM PST.

Sunday, June 19, 2011
Bank GEN.qdfm - FNB Kansas Gen

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Income Statement
1/1/11 through 6/19/11
General Checking Account

Category	1/1/11 - 6/19/11
Income/Expenses	
Income	
Dues Income:	
AHS	
BPG Home Warranty	
Fidelity	
First Am	
HBW 2-10	
HISCO	
HMS National-Cross Country	
HSA	
HWA	
Nations Residential Service	
Old Repub	
Universal	
Total Dues Income	72,000.00
Income - Other	4,000.00
Total Income	76,000.00
Expenses	
Association Mgmt:	
Fees	55,800.00
Travel, Meals & Ent	2,553.93
Total Association Mgmt	58,353.93
Insurance:	
D&O Policy	1,403.00
Total Insurance	1,403.00
Misc	-4,500.00
National Meeting:	
Food & Bev	200.00
Printing & Copy	26.68
National Meeting - Other	2,158.67
Total National Meeting	2,385.35
Public Relations	3,000.00
STATE FUND TRANSFERS	4,500.00
Telephone	113.22
Web Site	1,141.00
Expenses - Other	0.00
Total Expenses	66,396.50

Sunday, June 19, 2011
Bank GEN.qdfm - FNB Kansas Gen

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Income Statement
1/1/11 through 6/19/11

Category	1 / 1 / 1 1 - 6 / 1 9 / 1 1
Total Income/Expenses	9,603.50

Checking Account Balance as of 6/19/11 is: \$ 42,467.90

Monday, June 20, 2011

ATTACHMENT A2

Page: 1

Bank STATE FundsMMact.qdfm - All Accounts

NHSCA State Fees Income/Expense

6/10/10 through 6/20/11

Category	6/10/10- 6/20/11
Income/Expenses	
Income	
MISC:	
AHS	4,000.00
BPG	-3,000.00
HWAC	19,462.27
TWA	158,026.76
Total MISC	178,489.03
STATE FEES:	
	28,500.00
	11,000.00
	2,500.00
	10,500.00
	10,500.00
	2,500.00
	28,500.00
	9,500.00
	30,500.00
	27,500.00
Total STATE FEES	161,500.00
Total Income	339,989.03
Expenses	
STATE EXP:	
advertising	8,176.50
bank fee	49.00
Copy & Printing	193.19
Lobbyist Fees	135,000.00
Lobbyist & Exp	8,115.50
Public Relations	9,250.00
Total STATE EXP	160,784.19
Expenses - Other	4,000.00
Total Expenses	164,784.19
Total Income/Expenses	175,204.84

State Fund Checking Account Balance: \$248,138.82

ATTACHMENT A3

**NHSCA Treasurer's Report
Annual Meeting June 23, 2011
Las Vegas, NV**

Account Status by State for Lobbyist Assessments

<u>State</u>	<u>Amount</u>	<u>Lobbyist</u>
Massachusetts	\$ 334.02	Pierce Haley
Missouri	\$ 13,877.34	John Loudon
**New Jersey	\$ (700.00)	Pete Lilo
North Carolina	\$ 2,799.00	George Teague
Pennsylvania	\$ 1,288.35	Joe Steighner
RESPA	\$ 12,891.21	Jay Varon
Tennessee	\$ 11,500.00	Jim Schmidt

** Still waiting for funds from members to be received.