
A BILL FOR AN ACT

RELATING TO HEALTH CLUBS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 486N, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§486N- Surety bond requirements for health clubs. (a)

5 Every health club shall maintain a surety bond naming the
6 director as the obligee, unless the health club:

7 (1) Does not collect payment for more than one month of
8 service;

9 (2) Does not collect annual, initiation, enrollment, or
10 other fees that total more than \$200; and

11 (3) Does not collect payments that are identified as
12 payment for specific future monthly services.

13 (b) The surety bond shall be:

14 (1) In an amount no less than \$100,000;

15 (2) Conditioned to provide payment to any buyer who:



- 1 (A) Is contractually obligated to pay for services
- 2 more than one month in advance of the date the
- 3 services are provided to the buyer; and
- 4 (B) Suffers loss of money paid to a health club due
- 5 to the insolvency of the health club or cessation
- 6 of operation of the health club;
- 7 (3) In a form approved by the director; and
- 8 (4) Issued by a surety authorized to do business in the
- 9 State.
- 10 (c) A health club shall not provide the required coverage
- 11 through multiple surety bonds but shall provide a single surety
- 12 bond.
- 13 (d) A change in ownership shall not release, cancel, or
- 14 terminate liability under any surety bond previously filed
- 15 unless the director agrees in writing to the release,
- 16 cancellation, or termination. The director may agree to the
- 17 release, cancellation, or termination of the bond if:
- 18 (1) The new owner has filed a new surety bond in
- 19 accordance with subsection (b); or
- 20 (2) The former owner has refunded all unearned advance
- 21 fees paid by the buyers.



1 (e) The surety on a surety bond filed under this section
2 shall be released sixty days after the surety serves written
3 notice of the release to the director at the director's office
4 by certified mail. Service shall be effective upon the receipt
5 of the written notice by the director.

6 (f) The surety shall provide payment to any buyer who the
7 director finds to have met the conditions of subsection (b)(2),
8 but only if the buyer files a claim no later than one year from
9 the date on which the health club becomes insolvent or ceases
10 operation.

11 (g) The health club shall provide the following
12 information to the director within fifteen business days of the
13 insolvency or cessation of operation of the health club:

14 (1) A list of the names, electronic mail addresses, and
15 postal mail addresses of all members of the health
16 club;

17 (2) The original or a copy of all health club contracts;
18 and

19 (3) A record of all payments received under the health
20 club contracts."



1 SECTION 2. Section 486N-10, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) No health club shall be considered fully operative
4 until [~~substantially~~]:

5 (1) Substantially all of the equipment and services listed
6 in accordance with section 486N-9 are actually
7 available for use by buyers[-]; and

8 (2) The health club:

9 (A) Has provided the director with a surety bond
10 meeting the requirements of section 486N- ; or

11 (B) Is exempt from the surety bond requirement
12 pursuant to section 486N- (a)."

13 SECTION 3. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on January 1, 2019.

16



Report Title:

Health Clubs; Surety Bond; Requirements

Description:

Requires health clubs to maintain a surety bond of at least \$100,000 to be paid to any member who suffers loss of money paid due to the insolvency or cessation of operation of a health club. Effective 1/1/2019. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

