

Honolulu, Hawaii

, 2018

**MAR 22**

RE: S.B. No. 2770

S.D. 1

H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 2770, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HEALTH CLUBS,"

begs leave to report as follows:

The purpose of this measure is to require health clubs, beginning on January 1, 2019, 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.

The Department of Commerce and Consumer Affairs supported this measure. The International Health, Racquet & Sportsclub Association opposed this measure.

Your Committee has amended this measure by:

- (1) As an alternative to a surety bond, requiring health clubs to maintain a letter of credit or a guaranty agreement secured by a certificate of deposit of at least \$100,000;
- (2) Clarifying that a surety bond, irrevocable letter of credit, or certificate of deposit shall be issued by a



surety authorized to do business in the State or from a Hawaii state or federally chartered bank;

- (3) Removing the requirement that a health club pay its members who suffered loss of money due to the health club's insolvency;
- (4) Changing its effective date to July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2770, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2770, S.D. 1, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Consumer  
Protection & Commerce,



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ROY M. TAKUMI, Chair



