

SB2770

Measure Title: RELATING TO HEALTH CLUBS.

Report Title: Health Clubs; Surety Bond Requirement

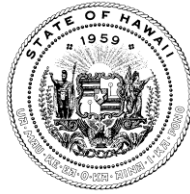
Description: Requires health clubs to maintain a surety bond of at least \$100,000 to be paid to any member who suffers loss of money paid due to the insolvency or cessation of operation of a health club.

Companion: [HB2343](#)

Package: Governor

Current Referral: CPH

Introducer(s): KOUCHI (Introduced by request of another party)



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TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Wednesday, February 14, 2018
9:00 AM

TESTIMONY ON SENATE BILL NO. 2770, RELATING TO HEALTH CLUBS.

TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department” or “DCCA”) appreciates the opportunity to testify on S.B. 2770, Relating to Heath Clubs. My name is Stephen Levins, and I am the Executive Director of the Department’s Office of Consumer Protection. The Department strongly supports this administration bill, which is a companion to H.B. 2343.

As currently written, Hawaii Revised Statutes (“HRS”) chapter 486N provides few protections for consumers when a health club ceases operations or becomes insolvent. Recently, Hawaii consumers experienced several health club closures. In those instances, consumers who paid for services had no recourse in recovering membership dues and initiation fees they paid in advance.

SECTION 1 of this bill adds a new section to HRS chapter 486N that requires health clubs to maintain a \$100,000 surety bond that names the Director of the DCCA (“Director”) as the obligee. Health clubs that do not collect payment for more than one month of service from a buyer; do not collect annual, initiation, enrollment, or other fees

that total more than \$200, and do not collect payments that are identified as payment for specific future monthly services are exempted from this requirement.

The surety bond would help consumers recover dues and fees they paid in advance to the health club when it goes out of business. The new section also defines which buyers may receive payment from the surety bond; authorizes the Director to adjudicate surety claims; outlines the form of the surety bond; establishes notice requirements for the release of the surety bond; and lists the information a health club must provide to the Director fifteen days after it ceases operation or has become insolvent.

SECTION 2 of this bill amends HRS section 486N-10 by adding a requirement that health clubs subject to chapter 486N must provide the Director with a surety bond before it may be considered fully operative.

Thank you for the opportunity to testify in strong support of this administration bill, and we ask for your favorable consideration.



**International
Health, Racquet &
Sportsclub Association**

Senator Rosalyn Baker
Chair
Senate Committee on Commerce, Consumer Protection & Health
Hawaii State Capitol, Room 320
415 South Beretania St.
Honolulu, HI 96813

RE: Senate Bill 2770 Relating to Health Clubs

Dear Members of the Committee,

My name is Joe Moore. I am the CEO of the International Health, Racquet & Sportsclub Association (IHRSA), the leader in education, research and advocacy for the health and fitness industry, representing health clubs and fitness businesses worldwide, including in Hawaii. On behalf of our member health clubs located throughout Hawaii, I am writing to express the industry's opposition to imposing a financial security requirement for health clubs of \$100,000.

IHRSA opposes Senate Bill 2770 because we believe that the bill would create a significant barrier to businesses that wish to open new locations, create new jobs, and provide much-needed fitness services to an increasingly sedentary population.

Senate Bill 2770 would require clubs to maintain at least a \$100,000 bond except if offering solely month to month agreements with no initiation fees totaling more than \$200. The bond is intended to protect consumers against a perceived threat of health clubs closing without notice and keeping prepaid membership fees.

We do agree with the intent to protect consumers, and appreciate the flexibility of the exemption for clubs offering month to month agreements. However, we oppose this legislation on the basis that an excessive bond requirement acts as a barrier for fitness professionals seeking to provide greater access to a supportive and safe environment to improve health. Meanwhile, the \$100,000 figure does little to protect consumers dollar for dollar. The industry has established itself as a key force in combating rising incidences of obesity and chronic disease. Health clubs allow Hawaiians to invest in "primary prevention" to mitigate their health care expenditures in the long term. Today, Hawaii has 119 health clubs, employing almost 5,000 people and offering an increasingly wide range of physical fitness services to over 264,000 Hawaiians. The health club industry continues to mature, fueled by a growing set of consumers who seek effective ways to take a proactive, preventative approach to their health and well-being.



**International
Health, Racquet &
Sportsclub Association**

We urge you to oppose this bill, and reiterate our position that an excessive bond requirement acts as a barrier for small businesses and fitness professionals while doing little to protect consumers dollar for dollar.

Thank you for considering our letter. If you have questions or information requests, please do not hesitate to contact Jeff Perkins in our office at jdp@IHRSA.org or (617) 951-0055.

Sincerely,

A handwritten signature in black ink that reads 'Joe'.

Joe Moore

IHRSA CEO & President