

367.906 Form and amount of surety bonds -- Exemptions from bonding requirement -- Effect of change in membership, ownership.

(1) The surety bond required by KRS 367.905(1)(b) shall be in favor of the Attorney General's Division of Consumer Protection and shall be held for compensation to any member who suffers loss of money paid due to the insolvency of the health spa, cessation of operation of the health spa, or failure of the health spa to open for business within ninety (90) days from the sale of the first contract.

(2) The bond shall be in a form prescribed by the Attorney General's Division of Consumer Protection and shall be issued by a company authorized to transact business in the Commonwealth of Kentucky.

(3) The amount of the bond shall be computed as follows:

Number of unexpired contracts	Amount of bond
150 or fewer	\$10,000
151 to 300	\$25,000
301 or more	\$50,000

(4) The Attorney General's Division of Consumer Protection shall exempt a spa from the bonding requirement if all of its unexpired contracts and present membership plans meet the following criteria:

- (a) No initiation fee, or similar nonrecurring fee, is charged at or near the beginning of the contract term or renewal period, and
- (b) At no time is any member charged for use of facilities or services more than thirty-one (31) days in advance.

(5) If, because of an increase in membership or change in membership plans, a spa is required to file a bond or increase the amount of its bond, it shall notify the Attorney General's Division of Consumer Protection in writing at least thirty (30) days prior to the expected change. No contract in excess of the limits stated in subsection (3) of this section or not in compliance with subsection (4) of this section shall be sold until a new bond in the required amount has been provided.

(6) A change in ownership shall not release, cancel or terminate liability under any bond previously filed unless the Attorney General's Consumer Protection Division agrees in writing to the release, cancellation or termination because the new owner has filed a new bond for the benefit of the previous owner's members, or because the former owner has paid the required refunds to its members.

Effective: July 15, 1988

History: Created 1988 Ky. Acts ch. 367, sec. 1, effective July 15, 1988.