

By Mr. Rouse of Boston, petition of Richard J. Rouse and another relative to the bonding requirements for licensed career schools. Education.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Seven.

AN ACT AMENDING BONDING REQUIREMENTS FOR LICENSED CAREER SCHOOLS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 Chapter 93, Section 21F, is hereby amended by striking out
2 Section 21F, and inserting in place thereof a new Section 21F:

3 No license shall issue under the provisions of section twenty-
4 one B until the prospective licensee, or two or more prospective
5 licensees who intend to secure a joint indemnification, shall
6 furnish either a bond with surety or a form of indemnification
7 acceptable to the commissioner or his designee in the amount
8 determined by the state auditor in a sum not less than five
9 thousand dollars and not more than fifty thousand dollars in the
10 case of a school's license, and in the amount of one thousand
11 dollars in the case of a license for a representative of a private
12 trade school; provided, however, that the liability of the
13 indemnification shall be limited to indemnifying the claimant only
14 for his actual damages. The state auditor shall require additional
15 security in those cases where he is of the opinion that the cash
16 resources of the licensee may not be sufficient to make tuition
17 refunds to students as required under section thirteen K of chapter
18 two hundred and fifty-five; provided, that the amount of the
19 indemnification in the case of the school shall not exceed the
20 anticipated maximum unearned tuitions.

21 For the purposes of this section the forms of indemnification
22 other than a surety bond which the auditor shall approve licensure
23 are the following:

- 24 1. a letter of credit from a lending institution payable to the
25 commonwealth in the amount of the recommended bond;
26 2. a line of credit from a lending institution payable to the
27 commonwealth in the amount of the recommended bond;
28 3. a certificate of deposit in the amount of recommended bond
29 payable to the commonwealth;
30 4. a personal guarantee by the principals of the school to be
31 licensed and pledged to the commonwealth.

32 A joint indemnification shall be defined as an indemnification
33 issued to cover all prospective licensees to be insured under the
34 indemnification in an amount sufficient to cover the tuition
35 refunds of the participating schools.

36 Each such indemnification shall be conditioned to provide that
37 the obligor shall satisfy all judgements rendered against it in
38 actions to recover damages sustained by students resulting from
39 a breach of contract; provided, however, that the aggregate
40 liability of the surety for all breaches of the conditions of the
41 indemnification shall in no event, exceed the sum of such
42 indemnification. The surety on any such indemnification may
43 cancel the indemnification upon giving thirty days' notice in
44 writing to the commissioner and thereafter shall be relieved of the
45 liability for any breach of condition occurring after the effective
46 date of said cancellation. Such indemnification shall not limit or
47 impair any right of recovery otherwise available pursuant to law
48 nor shall the amount of the indemnification be relevant in
49 determining the amount of damages or other relief to which any
50 plaintiff may be entitled.

51 The indemnification shall be procured only from companies or
52 institutions doing business in the commonwealth.