



Nail Salon Wage Bond Coverage FAQs

1. Why is New York State requiring wage coverage?

The Department of State enacted new regulations imposing additional bonding and insurance requirements to prevent potential abuses by unscrupulous business owners. This coverage will provide protection to nail salon workers who may not be paid legal wages.

2. Who is required to obtain wage coverage?

All appearance enhancement businesses that employ two or more individuals on a full time basis to provide nail specialty services must procure wage coverage. This coverage generally can be obtained through purchase of a wage bond.

3. When did the requirement to maintain wage coverage become law?

The wage coverage requirement became effective on July 1, 2015.

4. Does every salon need to obtain wage coverage?

No, not all appearance enhancement businesses are required to obtain wage coverage. These requirements only apply to those businesses that employ two or more full time individuals to provide nail specialty services.

5. How much coverage is required?

The amount of coverage required depends on the number of individuals employed.

- At least \$25,000 if you employ the equivalent of two to five full time individuals who provide nail specialty services
- At least \$40,000 if you employ the equivalent of six to ten full time individuals who provide nail specialty services
- At least \$75,000 if you employ the equivalent of 11 to 25 full time individuals who provide nail specialty services
- At least \$125,000 if you employ the equivalent of 26 or more full time individuals who provide nail specialty services.

The Department of State has created a calculator to assist businesses in determining if they are required to purchase a bond and to calculate the amount of required coverage. The calculator may be found at the following link: http://www.dos.ny.gov/licensing/nails_wage_calc/wagebondcalc.html

6. Are wage bonds available?

Wage bonds may be obtained from surety companies authorized in New York, through insurance agents that are licensed by the Department of Financial Services to sell surety bonds.

7. How can I obtain the required wage coverage?

The Department of State has developed an approved wage bond form. A copy of the form can be found at <http://www.dos.ny.gov/forms/licensing/2027.pdf>. Appearance enhancement businesses that are required to maintain wage coverage should print out a copy of this form and take it to their insurance agent to seek assistance in obtaining the wage bond. The Department of Financial Services has identified several authorized surety companies and licensed surety bond agents that sell wage bonds and can be contacted to purchase them. A list of agents may be accessed at the Department of Financial Services website: <http://www.dfs.ny.gov/consumer/nail-salons.htm>. A nail salon is not required to use someone from the list. There may be other licensed agents and brokers that will sell these bonds, as well as other authorized insurance companies that may issue them.

8. How much will I need to pay for the wage bond?

The premium charged for the bond itself is generally 2% - 3% of the amount of the bond. However, surety companies have standards for issuance of bonds that vary by company and are based on the financial condition of the applicant. You may be asked to provide a percentage of the amount of the bond as collateral, in addition to the premium charged for the bond itself.

9. Are there penalties for not having required wage coverage?

The General Business Law authorizes the Department of State to impose sanctions against businesses that have not obtained required wage coverage. For first violations, the Department will seek to impose a fine of \$500 and require proof that the wage coverage has been obtained by a date certain. For a second infraction, the Department will seek an order to close the business, immediately suspend the business license, and assess a \$2,500 penalty. The Department may remove the suspension and permit the resumption of business activity upon proof of filing of wage coverage and payment of the assessed fine.

10. Will the State be checking for coverage?

Yes, the Department of State is taking steps to ensure that nail salons maintain appropriate wage coverage. New businesses are required to provide proof of appropriate coverage with their license application. During inspections, Department of State investigators will be asking nail salon businesses to present proof that they have obtained a wage bond, or other wage coverage, in compliance with the law.

11. How can I have my business listed on the DFS website to provide bonds?

You may call the Department of Financial Services hotline at 800-342-3736, or e-mail Licensing@dfs.ny.gov, and provide your entity name, business address, corresponding Department of Financial Services license number and contact information, and request to be added to the appearance enhancement bond insurer page.