



**Commonwealth of Massachusetts
Division of Occupational Licensure
Office of Private Occupational School Education
One Federal Street, Suite 600
Boston, Massachusetts 02110-2012**

**TECHNICAL ASSISTANCE HANDOUT
SURETY - Accepted Types, Increases/Decreases, and Cancellations**

Each school licensed under M.G.L. c. 112, s. 263 must hold sufficient surety to protect students. The amount of surety to be held by each school is determined by the Office of the State Auditor (OSA) as part of each school's initial and annual financial reviews.

Obtaining Surety

After reviewing schools' financial statements and financial projections, the OSA will determine the amount of surety the school is required to maintain.

The Division of Occupational Licensure (DOL) recommends obtaining a **Surety Bond** to satisfy this requirement because it is generally the easiest form of surety to obtain and maintain.

Surety Types

DOL will accept as surety (indemnification) either an insurance bond, a certificate of deposit, or a letter of credit. Please review the applicable requirements and instructions below before obtaining or submitting any surety instrument.

Bonds. Insurance bonds may be obtained from an insurance company authorized by the Massachusetts Division of Insurance to operate within the Commonwealth of Massachusetts. To determine whether the insurance company is approved to operate within the Commonwealth, visit [Massachusetts Licensed Insurance Companies | Mass.gov](http://Mass.gov).

Schools must use the following bond form:

- [Bond Form for M.G.L. c. 112 § 263 Private Occupational Schools](#)

Schools must sign and date the insurance bond where indicated (principal).

Letter of Credit (LOC). Please review the **Memorandum of Instruction for Letters of Credit** and provide it, along with the **Sample Letter of Credit**, to your banking institution.

Before the LOC is executed, the bank must email a draft of the LOC to DOL for review and approval. DOL will not accept a LOC that does not comply with the stated requirements.

- [Memorandum of Instruction for Letters of Credit](#)
- [Sample Letter of Credit](#)

Certificate of Deposit (CD). Please review the **Memorandum of Instruction for Certificates of Deposit** and provide it to your banking institution.



Before the CD is executed, the bank must email a draft of the CD and the applicable signature card to DOL for review and approval. DOL will not accept a CD that does not comply with the stated requirements.

- [Memorandum of Instruction for Certificates of Deposit](#)

Submission of Original Surety Documents

In addition to uploading the OSA's determination letter and a copy of the surety instrument to the preliminary license application, the organization must submit the original surety document to DOL's Office of Private Occupational School Education by first-class mail.

Changes in Surety Amount or Type

Organizations that hold occupational school licenses under M.G.L. c. 112, sec. 263, must maintain surety in the amount determined by the OSA as part of its annual financial review. If the OSA notifies the organization that the school's surety must be increased or decreased, below are instructions that must be completed within thirty (30) days of the OSA's notification:

Surety Increases

If the OSA increases the amount of surety a school must maintain, the school shall submit additional surety to DOL within thirty (30) days.

Upon notification of a surety increase by the OSA, a school is obligated to increase that surety amount within thirty (30) days and to submit evidence of the same to DOL. 230 CMR 13.03(4). Failure to submit evidence of the additional surety by the close of business on the thirtieth day may result in the immediate suspension of the organization's occupational school license pursuant to DOL's authority under G.L. c. 30A, § 13(3) and G.L. c. 112, § 263.

Please be advised of the following regarding specific situations:

- 1) **Increase to the existing surety.** Email DOL a copy of the amended surety instrument documenting the increase.
- 2) **Replacement of the existing surety.** Email DOL a copy of the new surety instrument and mail the original to DOL. The original must be signed and dated by the school (by one of its principals).
- 3) **Using multiple forms of surety.** If more than one type of surety is used to satisfy the total surety requirement, comply with the applicable surety form and instructions for each instrument.

Surety Decreases

If the OSA determines that a school may reduce the amount of surety it is required to maintain, the school may choose one of the following options. The school must notify DOL by email of the option it selects as well as provide DOL documentation of the continuing surety.

- 1) **Reduce the existing surety.** Email DOL a copy of the bond rider or other documentation reflecting the reduction.
- 2) **Replace the existing surety.** Email DOL a copy of the new surety instrument and mail the original to DOL. The original must be signed and dated by the school.
- 3) **Maintain the existing surety.** The school may leave its existing surety in place at the current amount even if it exceeds OSA's requirements. If the school chooses this option, no further action is required at that time.

Pursuant to M.G.L. c. 112, § 263(g), a school may not operate without valid surety in the amount determined by the State Auditor.

Surety Cancellation

If a school receives notice that its surety will be cancelled, the school must obtain replacement surety **at least 30 days before the effective cancellation date**. See 230 CMR 13.03(5).

The school must submit evidence of the replacement surety to DOL in accordance with the applicable surety requirements. Failure to submit the required original evidence of replacement surety by the applicable deadline may result in the immediate suspension of the organization's occupational school license pursuant to DOL's authority under G.L. c. 30A, § 13(3) and G.L. c. 112, § 263.

Surety Expiration

If a school's surety is scheduled to expire and will not be renewed, the school must obtain replacement surety **at least 30 days before the effective expiration date**. See 230 CMR 13.03(5).

The school must submit evidence of the replacement surety to DOL in accordance with the applicable surety requirements. Failure to maintain continuous valid surety or to submit the required original evidence of replacement surety by the applicable deadline may result in the immediate suspension of the organization's occupational school license pursuant to DOL's authority under G.L. c. 30A, § 13(3) and G.L. c. 112, § 263.

Preliminary Application Fields

Applicants must provide the following information about the school's surety instrument as part of the preliminary application for an occupational school license:

Type of Surety Instrument

Select the applicable type of surety:

- Bond
- Letter of Credit (LOC)
- Certificate of Deposit (CD)

Surety Instrument Number

Enter the number assigned to the surety instrument by the issuing insurance company or bank.

Surety Company Name and Address

Enter the name and address of the institution that issued the surety instrument:

- For a **bond**, enter the name and address of the insurance company.
- For an **LOC or CD**, enter the name and address of the bank.

Issue Date

Enter the date on which the surety instrument was issued.