

HOUSE RESEARCH

Bill Summary

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Overview

This bill replaces an existing section of law providing a purchaser of membership travel services with the right to cancel with broader regulation of travel clubs and the agreements their members enter into. It requires certain disclosures to be made to purchasers; provides members with the right to cancel; requires clubs to post a bond; prohibits certain practices, most of which involve misrepresentations; and allows enforcement either by the attorney general or by private individuals.

Section

- 1** **Definitions.** Defines terms including "travel club" and "travel services agreement." A travel club is defined as a for-profit organization that provides the opportunity to have travel services arranged in return for a membership fee or annual charge of more than \$100. It does not include major credit card issuers. Travel services include transportation, accommodations, motor vehicles, or other travel-related services.
- 2** **Registration; fees.** Requires that a travel club must register with the attorney general, pay an annual fee of \$350, and provide certain information before it can enter into travel services agreements.
- 3** **Bond or letter of credit.** Requires travel clubs to file and maintain a bond with the attorney general. The bond varies from \$60,000 to \$100,000 depending on the number of contracts the club enters into.
- 4** **Escrow of deposits.** Requires deposits made with execution of travel services agreements to be held in escrow during the cancellation period in a separate bank account maintained by the club for that purpose. Requires that the club disclose in the agreement that the deposit will not be held in escrow after the cancellation period, and that the deposit may be lost after that time. Requires the club to post a fidelity bond to protect deposits in escrow.

5 Travel services agreement; disclosure; cancellation.

Subd. 1. Sets requirements for what must be included in a travel services agreement. Required disclosures include information about the travel club, descriptions of the services to be provided; the amounts due and dates those amounts are due under the contract; any conditions under which the services or club membership may be cancelled; the rights and obligations of the parties in the event of cancellation; and a general description of any other limitations and conditions of the agreement.

Subd. 2. Gives the consumer a right to cancel the agreement until midnight of the seventh calendar day after the contract is executed. Lays out the process for cancellation according to the requirements of subdivision 3.

Subd. 3. Provides the required form for a purchaser to provide notice of cancellation.

Subd. 4. Requires a refund to the purchaser within 45 days after notice of cancellation. The club is permitted to keep payments specifically made for services actually used.

Subd. 5. Prohibits the purchaser from waiving the right to cancel.

6 Public offering statement. Sets out information that must be included in a public offering statement that must be provided to prospective purchasers before a travel services agreement is executed. This information includes disclosures about the travel club and its principal operators, a description of its services and features, certain financial disclosures specific to smaller clubs, statements of the right to cancel, descriptions of insurance coverage, and other disclosures. Requires specific disclosures that must be made in the event that the club offers the opportunity to participate in time-share arrangements. These disclosures include whether time-share participation is mandatory or voluntary, certain financial relationships between the travel club and the exchange company involved in the time-share agreement, and clarification that the travel club agreement and the time-share agreement are distinct.

7 Prohibited practices by travel club. Prohibits practices including:

- ▶ offering promotional inducements that result in the club member paying more than would have been paid without membership;
- ▶ misrepresenting features of the travel being offered, including the size or type of vehicles used for transport, times of departure and arrival, features of accommodations, stops to be made, route to be traveled, and others; provided that this does not include good-faith representations based on representations made to the club by the person offering the services;
- ▶ misrepresenting fares and charges;
- ▶ misrepresenting that special priorities for reservations are available to club members when that is not the case;
- ▶ selling charter transportation under the misrepresentation that the arrangements have been finalized;
- ▶ misrepresenting requirements for special fares or other offers;
- ▶ offering accommodations in lodgings where the club has no legal right to offer accommodations; and
- ▶ using certain terms (including "time-share" and others) in promotional materials.

8 Investigations. Grants the attorney general certain powers to investigate the practices of travel clubs.

- 9** **Production of records.** Requires clubs to provide records on the request of the attorney general.
- 10** **Penalties; remedies.** Makes the provisions of the bill enforceable through the remedies and penalties of an existing law allowing the attorney general or a private individual to obtain relief for violations.
- 11** **Repealer.** Repeals the existing law that more narrowly defines a purchaser's right to cancel a membership travel agreement.