

CHAPTER 125—S.F.No. 420

An act relating to consumer protection; regulating membership travel contracts; amending Minnesota Statutes 2002, sections 325G.50; 325G.51; proposing coding for new law in Minnesota Statutes, chapter 325G.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2002, section 325G.50, is amended to read:

325G.50 MEMBERSHIP TRAVEL CONTRACTS; CANCELLATION.

Subdivision 1. **DEFINITIONS.** For purposes of ~~subdivision 2~~ this section and section 325G.505, the following terms have the meanings given them:

(a) "Membership travel contract" or "contract" means an agreement offered or sold in this state evidencing a buyer's right to make travel arrangements from or through a membership travel operator and includes a membership that provides for this use.

(b) "Membership travel operator" means a person offering or selling membership travel contracts paid for by a fee or periodic payments.

(c) "Travel arrangements" means travel reservations or accommodations, tickets for domestic or foreign travel by air, rail, ship, bus, or other medium of transportation, or hotel or other lodging accommodations for members.

Subd. 2. **BUYER'S RIGHT TO CANCEL.** In addition to other rights the buyer may have, the buyer may cancel a membership travel contract until midnight of the ~~third~~ tenth business day after the day on which the contract was signed by the buyer.

To be effective, a notice of cancellation must be given by the buyer in writing to the membership travel operator at the operator's address. This address must be included in the membership travel contract. The notice, if given by mail, is effective upon deposit in a mailbox, properly addressed to the operator and postage prepaid. The notice is sufficient if it shows, by any form of written expression, the buyer's intention not to be bound by the membership travel contract.

Cancellation is without liability on the part of the buyer and the buyer is entitled to a refund, within ten days after notice of cancellation is given, of the entire consideration paid for the contract. Rights of cancellation may not be waived or otherwise surrendered.

Subd. 3. **WRITTEN NOTICE TO MEMBERS.** A copy of the contract must be delivered to the buyer at the time the contract is signed. The contract must be in writing, must be signed by the buyer, must designate the date on which the buyer signed the contract, and must state, clearly and conspicuously, in boldface type of a minimum size of 14 points immediately adjacent to the buyer's signature, the following:

"MEMBERS' RIGHT TO CANCEL

If you wish to cancel this contract, you may cancel by delivering or mailing a written notice to the membership travel operator. The notice must say that you do not

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wish to be bound by the contract and must be delivered or mailed before midnight of the ~~third~~ tenth business day after you sign this contract. The notice must be delivered or mailed to: (Insert name and mailing address of membership travel operator). If you cancel, the membership travel operator will return, within ten days of the date on which you give notice of cancellation, any payments you have made.”

Subd. 3a. ORAL NOTICE TO MEMBERS. At the time the contract is signed by the buyer, the membership travel operator shall orally inform the buyer of the buyer's right to cancel the contract within ten business days of the contract signing.

Subd. 4. CANCELLATION AT ANY TIME. (a) A contract which does not contain the notice specified in subdivision 3 may be canceled by the buyer at any time by giving notice of cancellation by any means.

(b) If the oral notice required by subdivision 3a has not been given to the buyer at the time the contract was signed, the buyer may cancel the contract at any time by giving notice of cancellation by any means.

Sec. 2. [325G.505] MEMBERSHIP TRAVEL CONTRACTS IN EXCESS OF \$500.

Subdivision 1. SCOPE. This section applies to a membership travel operator who offers or sells membership travel contracts when the cost of the membership travel contract to the consumer is \$500 or more. This section does not apply to a membership travel club that offers travel benefits solely for motor vehicle use.

Subd. 2. PUBLIC OFFERING STATEMENT. A membership travel operator shall prepare and distribute to any prospective purchaser, before a membership travel contract is executed by the prospective purchaser, a public offering statement that clearly and prominently discloses the following:

(1) the name and principal address of the membership travel operator;

(2) the length of time that the membership travel operator has been in business and the length of time that the membership travel operator has been selling in Minnesota, and the length of time that the membership travel operator has been selling in states other than Minnesota, membership travel contracts substantially similar to the membership travel contracts offered to the prospective purchaser;

(3) the percentage of Minnesota purchasers of membership travel contracts during the previous two years who exercised their right to cancel, requested a refund, or made a complaint, based on the information kept pursuant to subdivision 4, or if the travel club has been operating in Minnesota for less than two years, the number of membership travel contracts that have been sold in Minnesota and the number of these customers who have exercised their right to cancel, requested a refund, or made a complaint as required to be recorded in subdivision 4;

(4) to the extent applicable to either the membership travel operator, or any parent or controlling entity of the membership travel operator, or any executive, partner, director, or owner of a 20 percent or more interest in the membership travel operator or in any parent or controlling entity of the membership travel operator, or any other

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membership travel operator in this or any other state which has an executive, partner, director, or owner of a 20 percent or more interest in common with the membership travel operator or in any parent or controlling entity of the membership travel operator, the existence and nature of the following types of legal actions:

(i) any indictment, conviction, judgment, decree, assurance of discontinuance or similar settlement document, or order of any court or administrative agency for, or pending lawsuit alleging, violation of a federal or state law or regulation in connection with activities relating to the rendition of travel services or involving any criminal law or involving any consumer fraud, false advertising, deceptive trade practices, or similar consumer protection law; or

(ii) any unsatisfied judgments or bankruptcy filing; and

(5) if the membership travel operator uses a third-party travel agent or membership travel operator to make travel arrangements provided for in the contract, the name, physical and Internet address, and telephone number of the third party or parties, and a statement of the services provided by the third party or parties that can be purchased directly from the third party or parties.

Subd. 3. ORAL DISCLOSURES. A membership travel operator shall orally disclose to any prospective purchaser, before a membership travel contract is executed by the prospective purchaser, the information in the public offering statement as required in subdivision 2, clauses (1), (2), and (3), and whether the membership travel operator uses a third-party travel agent or membership travel operator to make travel arrangements provided for in the contract.

Subd. 4. COMPLAINT RECORD KEEPING. A membership travel operator shall keep written records of all buyers of a membership travel contract who either exercised their right to cancel, requested, in writing or orally, a partial or full refund of the price paid for the contract, or made a written or oral complaint about their purchase of the the contract, the solicitation for the contract, or any aspect of the membership travel contract sale or service.

Subd. 5. FAILURE TO PROVIDE DISCLOSURES. The right to cancel provided under section 325G.50 shall continue until ten business days after the disclosures required under this section are fully provided to the purchaser.

Sec. 3. Minnesota Statutes 2002, section 325G.51, is amended to read:

325G.51 PENALTIES; REMEDIES.

A person who violates section 325G.50 or 325G.505 is subject to the penalties and remedies provided in section 8.31.

Presented to the governor May 24, 2003

Signed by the governor May 28, 2003, 12:50 p.m.

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