



**House
Legislative
Analysis
Section**

Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

DISCLOSURE IN PRIZE OFFERS

House Bill 5127 as introduced
First Analysis (10-12-95)

Sponsor: Rep. Paul Tesanovich
Committee: Commerce

THE APPARENT PROBLEM:

Most people regularly receive mail announcing that they have just won a prize of some sort, perhaps entitling them to free accommodations at a resort in a sunny locale or a free television set. While many of these prize announcements are legitimate, they often fail to disclose that in order to claim the prize the consumer must agree to submit to a sales presentation or even, in some cases, to buy something else. Unwary consumers are told of such conditions often only after traveling hundreds or thousands of miles in order to claim the prize. Some people believe legislation is needed to prohibit these kinds of deceptive prize declarations, unless they are accompanied by disclosure of the conditions for claiming the prize.

THE CONTENT OF THE BILL:

The Michigan Consumer Protection Act currently prohibits persons from using unfair, unconscionable, or deceptive methods or practices in trade or commerce and defines what these are. The bill would add to the list of unlawful trade practices the offering of a prize to a consumer if the offer required the consumer to submit to a sales presentation, unless this condition was disclosed in writing to the consumer when he or she was notified about the prize. The written disclosure would have to:

- * be written or printed in bold type no smaller than ten-point;
- * fully describe the prize, including its cash value, won by the consumer;
- * contain all terms and conditions for claiming the prize, including a statement that the consumer would have to submit to a sales presentation; and
- * fully describe the product, real estate, investment, service, membership, or other item that was or

would be offered for sale, including the price range from the least to the most expensive items.

(The bill would also remove an obsolete reference to a section of law that has been repealed.)

MCL 445.903

FISCAL IMPLICATIONS:

The House Fiscal Agency says the bill would not affect state or local budget expenditures. (10-9-95)

ARGUMENTS:

For:

The bill is necessary to ensure consumers who are informed by mail or some other means of having won some prize are also told of conditions placed on being able to claim it. Such "prizes," in fact, may really be something provided in exchange for the consumer agreeing to buy something else or submitting to a sales pitch. A consumer notified of a prize often isn't told about certain conditions placed on claiming it until after traveling many miles. The bill not only would require written disclosure of such conditions up front, but also would require a price list to be included when a person was required to submit to a sales presentation. A similar law apparently was recently adopted by the state of New York.

POSITIONS:

The Michigan Consumer Federation supports the bill. (10-11-95)

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