



# House of Representatives

General Assembly

**File No. 65**

*January Session, 2007*

House Bill No. 7204

*House of Representatives, March 15, 2007*

The Committee on General Law reported through REP. STONE of the 9th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT CONCERNING THE ENFORCEABILITY OF AUTOMATIC CONTRACT RENEWAL PROVISIONS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective October 1, 2007*) A person seeking to  
2 enforce an automatic contract renewal provision shall provide written  
3 evidence documenting that the person against whom such provision is  
4 to be enforced initialed a statement immediately following the  
5 provision in the contract, stating "I have read this AUTOMATIC  
6 RENEWAL provision and I understand the meaning of it."

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2007</i>	New section
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**GL**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

The bill makes a change to the documentation needed for a private party to enforce an automatic renewal provision in any contract. There is no related fiscal impact.

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

**OLR Bill Analysis****HB 7204*****AN ACT CONCERNING THE ENFORCEABILITY OF AUTOMATIC CONTRACT RENEWAL PROVISIONS*****SUMMARY:**

This bill requires anyone seeking to enforce an automatic renewal provision in any contract to provide written evidence showing that the defendant initialed a statement that immediately follows the contract provision stating, "I have read this AUTOMATIC RENEWAL provision and I understand the meaning of it."

EFFECTIVE DATE: October 1, 2007

**BACKGROUND*****Consumer Contracts Containing Automatic Renewal Clauses***

Connecticut law requires anyone who sells or offers to sell consumer goods or services under a written contract that (1) will last longer than 180 days (six months) and (2) includes a provision automatically renewing it for more than 31 days, to provide a clear and conspicuous written notice informing the purchaser that he can cancel the contract (CGS § 42-126b). The notice must (1) include the cancellation procedure and (2) be provided at least 15, but not more than 60, days before the end of the contract term.

The law also requires anyone who sells or offers to sell consumer goods or services under a written contract that (1) will last up to 180 days and (2) includes a provision automatically renewing it for more than 31 days, to include in the contract a clear and conspicuous notice that the recipient may cancel the contract and the cancellation procedure. It prohibits requiring the consumer to exercise his cancellation right more than 60 days before the scheduled end of the contract term.

If contracts with automatic renewal clauses do not contain the required notices, the law deems products or services provided to the consumer after the scheduled end of the contract to be an unconditional gift without any obligation on the recipient's part. A violation of the law's requirements is deemed to be an unfair trade practice.

***Exemptions***

The law exempts the following consumer contracts from this requirement: (1) contracts offered by licensed health clubs; (2) contracts subject to the state's Truth-in-Lending Act; (3) contracts between a condominium or housing association and a person other than an individual; and (4) the sale of banking, insurance, and securities products and services, if the provision of the goods or services is subject to regulation or licensing by the state or a federal agency. By law, the term "person" may extend and be applied to communities, companies, corporations, limited liability companies, societies, and associations.

***Health Club Contracts***

No health club contract may contain an automatic renewal clause except for a renewal for a period up to one month. If the contract has a one-month automatic renewal clause, the renewal becomes effective only upon payment of the renewal price and the contract must allow the buyer to cancel any further renewal upon no more than one month's notice (CGS § 21a-219). The price of any such renewal may not increase or decrease unless the contract: (1) discloses the amount of such increase or decrease or the method of calculating it, or (2) such information is otherwise given to the buyer, in writing, at least one month before the renewal. Any renewal option for continued membership must be accepted by the buyer in writing, by electronic mail or facsimile, and becomes effective only upon payment of the renewal price.

**COMMITTEE ACTION**

General Law Committee

Joint Favorable

Yea 19    Nay 0    (03/06/2007)