



House of Representatives

General Assembly

File No. 648

January Session, 2007

Substitute House Bill No. 7204

House of Representatives, April 30, 2007

The Committee on Judiciary reported through REP. LAWLOR of the 99th Dist., Chairperson of the Committee on the part of the House, that the substitute 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 for a contract that
3 renews for a term greater than thirty-one days shall provide written
4 evidence documenting that the person against whom such provision is
5 to be enforced initialed a statement immediately following the
6 provision in the contract, stating "I have read this AUTOMATIC
7 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
-----------	------------------------	-------------

JUD Joint Favorable Subst.

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:

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**sHB 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 that renews for longer than 31 days 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 or she 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 or her

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.

Legislative History

The House referred the bill (File 65) to the Judiciary Committee, which favorably reported a bill that narrows the bill's applicability to contracts that renew for more than 31 days from all renewals of all contracts.

COMMITTEE ACTION

General Law Committee

Joint Favorable

Yea 19 Nay 0 (03/06/2007)

Judiciary Committee

Joint Favorable Substitute

Yea 39 Nay 0 (04/13/2007)