



General Assembly

**Substitute Bill No. 5419**

February Session, 2012

\* \_\_\_\_\_HB05419BA\_\_\_\_\_032012\_\_\_\_\_\*

**AN ACT CONCERNING NONRECOURSE CIVIL LITIGATION  
PURCHASE AGREEMENTS.**

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

1 Section 1. (NEW) (*Effective October 1, 2012*) (a) As used in this  
2 section:

3 (1) "Nonrecourse civil litigation purchase agreement" means a  
4 transaction in which a civil litigation funding company purchases and  
5 a consumer assigns to the civil litigation funding company the  
6 contingent right to receive a portion of the potential proceeds of any  
7 realized settlement, judgment, award or verdict resulting from the  
8 consumer's pending civil action.

9 (2) "Consumer" means a person who (A) resides or is domiciled in  
10 this state, (B) has a pending civil action, and (C) is represented by an  
11 attorney at the time such person receives any funds from the civil  
12 litigation funding company.

13 (3) "Civil litigation funding company" means a person or entity that  
14 enters into a nonrecourse civil litigation purchase agreement with a  
15 consumer.

16 (b) Each nonrecourse civil litigation company and any employee,  
17 agent, subsidiary, successor or assign of the company, who enter into

18 nonrecourse civil litigation purchase agreements, shall comply with  
19 the following: (1) A nonrecourse civil litigation purchase agreement  
20 shall comply with sections 42-152 to 42-158, inclusive, of the general  
21 statutes; and (2) such agreement shall be filled in completely and  
22 contain the following disclosures on the first page, in twelve-point or  
23 larger bold type, with a heading entitled "Disclosure Statement" and in  
24 a form approved by the Department of Consumer Protection in  
25 accordance with the provisions of this section: (A) The total amount to  
26 be advanced to the consumer; (B) itemization of all fees; (C) percentage  
27 fee or rate of return, and stated on an annualized basis, including  
28 frequency of compounding; and (D) the total amount to be repaid by  
29 the consumer, calculated at six-month intervals, carried forward to  
30 thirty-six months, including all fees and any minimum required  
31 payment amount.

32 (c) (1) A nonrecourse civil litigation purchase agreement shall  
33 provide that the consumer may cancel the agreement not later than  
34 five business days following the consumer's receipt of funds, without  
35 penalty or further obligation. Such agreement shall contain the  
36 following notice, written in a clear and conspicuous manner:  
37 "CONNECTICUT CONSUMER'S RIGHT TO CANCELLATION: YOU  
38 MAY CANCEL THIS AGREEMENT WITHOUT PENALTY OR  
39 FURTHER OBLIGATION NOT LATER THAN FIVE BUSINESS DAYS  
40 AFTER THE DATE YOU RECEIVE FUNDING FROM (insert the name  
41 of the nonrecourse civil litigation company)". (2) Such agreement shall  
42 specify that, in order for the cancellation to be effective, the consumer  
43 must either (A) return the full amount of the disbursed funds to the  
44 nonrecourse civil litigation company by delivering the nonrecourse  
45 civil litigation company's uncashed check to the office address  
46 designated on the disclosure statement, or (B) mail a notice of  
47 cancellation and include with the mailing a return of the full amount of  
48 disbursed funds, in the form of the nonrecourse civil litigation  
49 company's check, a registered or certified check or a money order, by  
50 insured, registered or certified United States mail, postmarked not  
51 later than five business days after receiving the funds from the

52 nonrecourse civil litigation company, at the address specified for such  
53 cancellation in such agreement.

54 (d) The consumer shall initial each page of a nonrecourse civil  
55 litigation purchase agreement. All nonrecourse civil litigation purchase  
56 agreements shall contain a legend, immediately above the consumer's  
57 signature, in twelve-point or larger bold type, reading: "DO NOT SIGN  
58 THIS NONRECOURSE CIVIL LITIGATION PURCHASE  
59 AGREEMENT BEFORE YOU READ IT COMPLETELY OR IF IT  
60 CONTAINS ANY BLANK SPACE. YOU SHOULD OBTAIN THE  
61 ADVICE OF AN ATTORNEY BEFORE YOU SIGN THIS  
62 AGREEMENT. YOU ARE ENTITLED TO A COMPLETELY FILLED  
63 IN COPY OF THIS AGREEMENT."

64 (e) A nonrecourse civil litigation purchase agreement shall contain a  
65 written acknowledgement by the consumer's attorney of record stating  
66 the attorney has reviewed the agreement and explained its terms to the  
67 consumer, including the annualized rate of return used to calculate the  
68 amount to be paid by the consumer.

69 (f) Except when oral negotiations are conducted in another  
70 language, a nonrecourse civil litigation purchase agreement shall be  
71 printed in both English and Spanish. In the event oral negotiations are  
72 conducted in any other language (1) the principal terms of the  
73 agreement shall be translated in writing into the consumer's native  
74 language; (2) the consumer shall sign the translated document  
75 containing the principal terms and initial each page; and (3) the  
76 translator shall sign a notarized affirmation confirming that the  
77 principal terms have been presented to the consumer in his or her  
78 native language and acknowledged by the consumer, in writing. For  
79 purposes of this subsection, "principal terms" includes all of the items  
80 required by subsections (b) to (e), inclusive, of this section.

81 (g) If a nonrecourse civil litigation purchase agreement provides for  
82 attorney's fees and costs in the case of a breach of the agreement by  
83 either party, the agreement shall provide that such attorney's fees and

84 costs shall be reasonable and may be recovered by the prevailing  
85 party. Any limitation placed on such attorney's fees and costs shall  
86 apply equally to both parties.

87 (h) A nonrecourse civil litigation purchase agreement shall not  
88 require mandatory arbitration to resolve disputes between the parties.

89 (i) A nonrecourse civil litigation company shall register its name,  
90 address and principal place of business with the Department of  
91 Consumer Protection and shall provide its standard nonrecourse civil  
92 litigation purchase agreement form to be used in this state to the  
93 Commissioner of Consumer Protection.

94 (j) No nonrecourse civil litigation company shall assess interest or  
95 fees for any period exceeding thirty-six months from the date the  
96 company enters into a nonrecourse civil litigation purchase agreement  
97 with a consumer. Such agreement shall contain the following notice,  
98 written in a clear and conspicuous manner: "ASSESSMENT OF  
99 INTEREST AND FEES: NO INTEREST OR FEES SHALL BE  
100 ASSESSED FOR ANY PERIOD EXCEEDING THIRTY-SIX MONTHS."

101 (k) Any action on the part of a nonrecourse civil litigation company  
102 that arises out of a nonrecourse civil litigation purchase agreement  
103 with a Connecticut consumer shall be subject to the jurisdiction of this  
104 state.

105 (l) Failure to comply with any provision of subsections (a) to (k),  
106 inclusive, of this section shall (1) be an unfair trade practice pursuant  
107 to subsection (a) of section 42-110b of the general statutes, and (2)  
108 render the nonrecourse civil litigation purchase agreement void with  
109 regard to any rights or claims of the nonrecourse civil litigation  
110 company.

111 (m) Nothing in this section shall be construed to render a  
112 nonrecourse civil litigation purchase agreement a loan or subject to the  
113 provisions of section 37-4 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2012</i>	New section
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***Statement of Legislative Commissioners:***

Changes were made for consistency throughout the bill and with the general statutes.

**BA**      *Joint Favorable Subst.*