



General Assembly

Substitute Bill No. 5419

February Session, 2012

* _____HB05419JUD__042512_____*

**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:

Section 1	<i>October 1, 2012</i>	New section
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BA *Joint Favorable Subst.*

JUD *Joint Favorable*