

**NYC**  
Department of  
Consumer Affairs

Jonathan Mintz  
Commissioner

February 5, 2010

[REDACTED]  
Staff Counsel  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

42 Broadway  
9th Floor  
New York, NY 10004

Re: Legality of life insurance policy as a subject of Pawn

Dear Ms. [REDACTED]

[REDACTED] tel  
[REDACTED] fax

[nyc.gov/consumers](http://nyc.gov/consumers)

I am writing in response to your inquiry whether a borrower's pledge of a life insurance policy as collateral for a loan may be the proper subject of a pawn transaction in New York City. The Department of Consumer Affairs is presently not in a position to answer the question until you obtain clarification from the New York State Insurance Department whether your proposal would be permissible under Article 78 of the Insurance Law as amended by Chapter 499 of the Laws of 2009.

In amending Article 78, the New York State legislature and the Governor created a comprehensive statutory scheme for the regulation of transactions in life settlements. Article 78 addresses problems of widespread fraud and abuse in the life settlement industry. The pawn of a life insurance policy appears to constitute a life settlement contract within the meaning of section 7802 (k)(1) of the Insurance Law. Transactions in life settlement contracts may be undertaken only by licensed brokers pursuant to Article 78, which will be effective on May 10, 2010.

Accordingly, the Department of Consumer Affairs cannot consider whether the pledge of life insurance policy is a proper subject of a pawn in New York City until you secure an opinion letter from the Superintendent of Insurance that such a transaction would be legal under Article 78 of the Insurance Law, as amended.

Sincerely,

[REDACTED]  
Staff Counsel