§ 7815. Stranger-originated life insurance. (a) In this chapter, "stranger-originated life insurance" means any act, practice or arrangement, at or prior to policy issuance, to initiate or facilitate the issuance of a policy for the intended benefit of a person who, at the time of policy origination, has no insurable interest in the life of the insured under the laws of this state, including:

(1) the purchase of life insurance with resources or guarantees from or through a person that, at the time of policy initiation, could not lawfully initiate the policy;

(2) an arrangement or other agreement to transfer the ownership of the policy or the policy benefits to another person; or

(3) a trust or similar arrangement that is used, directly or indirectly, for the purpose of purchasing one or more policies for the intended benefit of another person in a manner that violates the insurable interest laws of this state.

(b) Stranger-originated life insurance arrangements do not include lawful life settlement contracts as permitted by this article or those practices set forth in paragraph three of subsection (k) of section seven thousand eight hundred two of this article, provided that such contracts or practices are not for the purpose of evading regulation under this article.

(c) No person shall directly or indirectly engage in any act, practice or arrangement that constitutes stranger-originated life insurance.

(d) The failure to follow the provision of subsection (c) of this section shall be a defined violation under article twenty-four of this chapter.