§ 1505. Transactions within a holding company system affecting controlled insurers. (a) Transactions within a holding company system to which a controlled insurer is a party shall be subject to the following:

(1) the terms shall be fair and equitable;

(2) charges or fees for services performed shall be reasonable; and

(3) expenses incurred and payments received shall be allocated to the insurer on an equitable basis in conformity with customary insurance accounting practices consistently applied.

(b) The books, accounts and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties.

(c) The superintendent's prior approval shall be required for the following transactions between a domestic controlled insurer and any person in its holding company system: sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent or more of the insurer's admitted assets at last year-end.

(d) The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period:

(1) sales, purchases, exchanges, loans or extensions of credit, or investments involving less than five percent of the insurer's admitted assets at last year-end, provided the transactions are equal to or exceed:

(A) the lesser of three percent of the insurer's admitted assets or twenty-five percent of capital and surplus at last year-end, with regard to an accident and health insurance company or a corporation subject to article forty-three of this chapter;

(B) three percent of the insurer's admitted assets at last year-end, with regard to a life insurance company; or

(C) the lesser of three percent of the insurer's admitted assets or

twenty-five percent of surplus to policyholders at last year-end, with regard to an insurer other than as specified in subparagraphs (A) and (B) of this paragraph;

(2) reinsurance treaties or agreements;

(3) rendering of services on a regular or systematic basis; or

(4) any material transaction, specified by regulation, that the superintendent determines may adversely affect the interests of the insurer's policyholders or shareholders.

Nothing herein contained shall be deemed to authorize or permit any transaction that, in the case of a non-controlled insurer, would be otherwise contrary to law.

(e) The superintendent, in reviewing transactions pursuant to subsections (c) and (d) hereof, shall consider whether they comply with the standards set forth in subsections (a) and (b) hereof and whether they may adversely affect the interests of policyholders.

(f) This section shall not apply to transactions subject to article sixteen or article seventeen or section one thousand four hundred eight or any sections of this chapter which impose notice or approval requirements greater than those in this section.