§ 1608. Relationships and transactions between parent and subsidiary. (a) The business operations, corporate proceedings and fiscal and accounting records of subsidiaries organized or acquired pursuant to this article shall be conducted or maintained so as to assure the separate legal and operating identities of the parent and subsidiary, but nothing herein shall preclude arrangements for common management or the cooperative or joint use of personnel, property or services otherwise consistent with this chapter.

(b) All transactions between the insurer and its subsidiaries shall be fair and equitable, charges or fees for services performed shall be reasonable and all expenses incurred and payments received shall be allocated to the insurer on an equitable basis in conformity with customary insurance accounting practices consistently applied.

(c) 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.

(d) The superintendent may promulgate regulations relating to such subsidiaries, their management and their relationships and transactions with their parent insurance companies and their affiliates to the extent that the same may affect the operations, management or financial condition of domestic insurers. Subsidiaries that are persons within a holding company system, as such terms are defined in article fifteen of this chapter, shall be subject to the provisions of such article.

(e) The following transactions between a domestic insurer and any subsidiary 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, extensions of credit, or investments with a subsidy, provided the transactions are equal to or exceed the lesser of three percent of the insurer's admitted assets or twenty-five percent of surplus to policyholders at last year-end;

(2) loans or extensions of credit to any person who is not a

subsidiary, where the insurer makes loans or extensions of credit with the agreement or understanding that the proceeds of such transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, purchase assets of, or make investments in, any subsidiary of the insurer making the loans or extensions of credit, provided the transactions are equal to or exceed the lesser of three percent of the insurer's admitted assets or twenty-five percent of surplus to policyholders at last year-end;

(3) reinsurance treaties or agreements with a subsidiary that the insurer has not otherwise submitted to the superintendent, provided, however, the insurer need not submit a copy of a reinsurance agreement unless requested by the superintendent where the reinsurance premium or a change in the insurer's liabilities, or the projected reinsurance premium or a change in the insurer's liabilities in any of the next three years, is less than five percent of the insurer's surplus to policyholders at last year-end. This shall include agreements that may require, as consideration, the transfer of assets from an insurer to a non-subsidiary, if an agreement or understanding exists between the insurer and non-subsidiary that any portion of the assets will be transferred to one or more subsidiaries of the insurer; and

(4) management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements.