§ 1712. Relationships and transactions between parent corporation and subsidiary. (a) The business operations, corporate proceedings and fiscal and accounting records of subsidiaries shall be conducted or maintained so as to assure the separate legal and operating identities of the parent corporation 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. All transactions between the parent corporation 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 parent corporation on an equitable basis in conformity with customary insurance accounting practices consistently applied. The books, accounts and records of each party to all such transactions shall be so maintained as to disclose clearly and accurately 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.

(b) The following transactions between a parent corporation and any subsidiary may not be entered into unless the parent corporation 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 subsidiary, provided the transactions are equal to or exceed:

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

(B) the lesser of three percent of the parent corporation's admitted assets or twenty-five percent of capital and surplus at last year-end, with regard to a domestic corporation subject to article forty-three of this chapter; or

(2) loans or extensions of credit to any person who is not a subsidiary, where the parent corporation 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 parent corporation making the loans or extensions of credit, provided the transactions are equal to or exceed:

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

(B) the lesser of three percent of the parent corporation's admitted assets or twenty-five percent of capital and surplus at last year-end, with regard to a domestic corporation subject to article forty-three of this chapter; or

(3) reinsurance treaties or agreements with a subsidiary that the parent corporation has not otherwise submitted to the superintendent. This shall include agreements that may require, as consideration, the transfer of assets from a parent corporation to a non-subsidiary, if an agreement or understanding exists between the parent corporation and non-subsidiary that any portion of the assets will be transferred to one or more subsidiaries of the parent corporation; and

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