

Article - Insurance

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§7-703.

(a) (1) Before a domestic insurer and another member of the same insurance holding company system enter into any of the transactions specified in subsection (d) of this section, including amendments or modifications of affiliate agreements previously filed under this section, the domestic insurer shall notify the Commissioner in writing of its intention to enter into the transaction.

(2) The notice for amendments or modifications shall include the reasons for the amendments or modifications and the projected financial impact of the amendments or modifications on the domestic insurer.

(3) A domestic insurer that intends to terminate an agreement or other transaction previously filed under this section shall provide the Commissioner with written notice within 30 days after the termination of the agreement or other transaction.

(b) The insurer shall notify the Commissioner under subsection (a) of this section:

(1) at least 30 days before the transaction is to be entered into; or

(2) if the Commissioner allows a shorter notice period, within the time that the Commissioner sets.

(c) A domestic insurer and another member of the same insurance holding company system may enter into, amend, or modify a transaction or an agreement under this section only if, within the notice period under subsection (b) of this section, the Commissioner does not disapprove the transaction.

(d) The following transactions are subject to subsections (a), (b), and (c) of this section:

(1) a sale, purchase, exchange, loan, or extension of credit, if, as of the December 31 immediately preceding the transaction, the amount of the transaction equals or exceeds:

(i) with respect to a life insurer, 3% of the insurer's admitted assets;
and

(ii) with respect to an insurer other than a life insurer, the lesser of 3% of the insurer's admitted assets and 25% of surplus as regards policyholders;

(2) a loan or extension of credit by an insurer to a person that is not an affiliate if:

(i) the parties have an agreement or understanding that the proceeds of the transaction, as a whole or in substantial part, are to be used to make loans or extensions of credit to purchase assets of or to make investments in an affiliate of the insurer; and

(ii) as of the December 31 immediately preceding the transaction, the amount of the transaction equals or exceeds:

1. with respect to a life insurer, 3% of the insurer's admitted assets; and

2. with respect to an insurer other than a life insurer, the lesser of 3% of the insurer's admitted assets and 25% of surplus as regards policyholders;

(3) in accordance with subsection (h) of this section, a reinsurance agreement, or a modification to a reinsurance agreement, including an agreement that requires as consideration the transfer of assets from an insurer to a person that is not its affiliate, if, as of the December 31 immediately preceding the transaction, the amount of the reinsurance premium or change in the insurer's liabilities or the projected reinsurance premium or change in the insurer's liabilities in any of the next 3 years equals or exceeds 5% of the insurer's surplus as regards policyholders;

(4) all reinsurance pooling agreements;

(5) a management agreement, service contract, tax allocation agreement, or cost-sharing arrangement;

(6) subject to subsection (i) of this section, guarantees made by a domestic insurer;

(7) direct or indirect investments in a person that controls the insurer or an affiliate of the insurer in an amount that, together with its present holdings in the investments, exceeds 2.5% of the insurer's surplus as regards policyholders;

(8) notwithstanding item (7) of this subsection, any direct or indirect investment in or acquisition of a subsidiary of the insurer; and

(9) a material transaction, as specified by regulation, that the Commissioner determines may adversely affect the interests of the insurer's policyholders.

(e) In reviewing transactions under subsection (d) of this section, the Commissioner shall consider whether a transaction:

(1) complies with the standards stated in § 7-702 of this subtitle; or

(2) potentially adversely affects the interests of policyholders.

(f) (1) A transaction that does not conform to this section is a violation of this title.

(2) In addition to the sanctions in §§ 7–802, 7–803, 7–805, and 7–807 of this title, the Commissioner may set aside and rescind a transaction that the Commissioner finds does not conform to this section at the initiative of the Commissioner or otherwise under applicable law.

(3) Within 90 days after the date that the Commissioner receives information about a transaction that the Commissioner finds does not conform to this section, the Commissioner shall give the insurer notice of the proposed action to set aside or rescind the transaction and an opportunity for a hearing.

(g) (1) A domestic insurer and another member of the same insurance holding company system may not enter into a transaction that is part of a plan or series of like transactions if the purpose of making separate transactions is to avoid exceeding limitations under this section and the review of the transaction that otherwise would occur.

(2) If the Commissioner determines that separate transactions were entered into during any 12-month period in violation of paragraph (1) of this subsection, the Commissioner may impose any sanction authorized by §§ 7–802, 7–803, 7–805, and 7–807 of this title.

(h) A reinsurance agreement subject to subsection (d)(3) of this section includes an agreement that requires as consideration the transfer of assets from an insurer to a nonaffiliate if an agreement or understanding exists between the insurer and nonaffiliate that any portion of the assets will be transferred to one or more affiliates of the insurer.

(i) (1) A guarantee that is quantifiable as to amount is not subject to the notice requirements of subsection (d)(6) of this section unless the guarantee exceeds the lesser of 0.5% of the insurer's admitted assets or 10% of the insurer's surplus as regards policyholders as of the December 31 immediately preceding the guarantee.

(2) All guarantees made by a domestic insurer that are not quantifiable as to amount are subject to the notice requirements of subsection (d)(6) of this section.

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