

to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

(b) Any such material transaction which, after notice and an opportunity to be heard, is found to be not in conformity with subsection (a) shall constitute a violation of this subtitle, and in addition to the penalties contained in Section 500, may be set aside and rescinded at the initiative of the Commissioner or otherwise under applicable law.

(c) (B) For purposes of this subtitle, in determining whether an insurer's assets and surplus as regards policyholders are reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, the following factors, among others, shall be considered:

(1) the size of the insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria;

(2) the extent to which the insurer's business is diversified among the several lines of insurance;

(3) the number and size of risks insured in each line of business;

(4) the extent of the geographical dispersion of the insurer's insured risks;

(5) the nature and extent of reinsurance of the insurer's risks;

(6) the quality, diversification, and liquidity of the insurer's investment portfolio;

(7) the recent past and projected future trends in the size of the insurer's surplus as regards policyholders;

(8) the surplus as regards policyholders maintained by other, comparable insurers, and;

(9) the financial position of the insurer ~~when~~ IN THE LIGHT OF investments in and other transactions with affiliated persons ~~are~~ excluded from assets.

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Every insurance company shall give the Department not less than thirty days advanced notice of the proposed declaration by its directors of any extraordinary dividend or distribution to stockholders which together with those made within the preceding 12 months exceed in value the lesser of 10% of the insurer's surplus as regards policyholders as of the 31st day of December next preceding, or 100% of the net income for the 12 month period ending the 31st day of December next preceding. Such notice period shall commence to run from the date of receipt of such notice by the Department. Any such dividend declared within the thirty day notice period, or declared without first giving such notice to the Department, shall be invalid and shall confer no rights or benefits upon the holder of any such stock. The insurer's assets and surplus following any dividends or distributions to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and shall be adequate to meet its financial needs.