

WITH---A---BONA---FIDE---INTEREST,--IN--MAKING--AN--EQUITABLE DISTRIBUTION--OF--THE--OWNERSHIP--RIGHTS--OF--THE--INSOLVENT INSURER,--IN--SUCH--A--DETERMINATION,--CONSIDERATION--SHALL--BE GIVEN--TO--THE--WELFARE--OF--THE--POLICYHOLDERS--OF--THE--CONTINUING OR--SUCCESSOR--INSURER.

(2)--A---DISTRIBUTION---TO---STOCKHOLDERS--OF--AN IMPAIRED--OR--INSOLVENT--INSURER--MAY--NOT--BE--MADE--UNTIL--AND UNLESS--THE--TOTAL--AMOUNT--OF--VALID--CLAIMS--OF--THE--ASSOCIATION FOR--FUNDS--EXPENDED--IN--CARRYING--OUT--ITS--POWERS--AND--DUTIES UNDER--§--527--WITH--RESPECT--TO--THE--INSURER--HAVE--BEEN--FULLY RECOVERED--BY--THE--ASSOCIATION.

(E)--(1)--IF--AN--ORDER--FOR--LIQUIDATION--OR--REHABILITATION OF--AN--INSURER--DOMICILED--IN--THIS--STATE--HAS--BEEN--ENTERED,--THE RECEIVER--APPOINTED--UNDER--THE--ORDER--SHALL--HAVE--A--RIGHT--TO RECOVER--ON--BEHALF--OF--THE--INSURER,--FROM--ANY--AFFILIATE--THAT CONTROLLED--IT,--THE--AMOUNT--OF--DISTRIBUTIONS,--OTHER--THAN--STOCK DIVIDENDS--PAID--BY--THE--INSURER--ON--ITS--CAPITAL--STOCK,--MADE--AT ANY--TIME--DURING--THE--5--YEARS--PRECEDING--THE--PETITION--FOR LIQUIDATION--OR--REHABILITATION--SUBJECT--TO--THE--LIMITATIONS--OF PARAGRAPHS--(2)--THROUGH--(4).

(2)--THE--DIVIDEND--MAY--NOT--BE--RECOVERABLE--IF--THE INSURER--SHOWS--THAT--WHEN--PAID--THE--DISTRIBUTION--WAS--LAWFUL--AND REASONABLE,--AND--THAT--THE--INSURER--DID--NOT--KNOW--AND--COULD--NOT REASONABLY--HAVE--KNOWN--THAT--THE--DISTRIBUTION--MIGHT--ADVERSELY AFFECT--THE--ABILITY--OF--THE--INSURER--TO--FULFILL--ITS--CONTRACTUAL OBLIGATIONS.

(3)--ANY--PERSON--WHO--WAS--AN--AFFILIATE--THAT CONTROLLED--THE--INSURER--AT--THE--TIME--THE--DISTRIBUTIONS--WERE PAID--IS--LIABLE--UP--TO--THE--AMOUNT--OF--DISTRIBUTIONS--HE RECEIVED,--ANY--PERSON--WHO--WAS--AN--AFFILIATE--THAT--CONTROLLED THE--INSURER--AT--THE--TIME--THE--DISTRIBUTIONS--WERE--DECLARED,--IS LIABLE--UP--TO--THE--AMOUNT--OF--DISTRIBUTIONS--HE--WOULD--HAVE RECEIVED--IF--THEY--HAD--BEEN--PAID--IMMEDIATELY,--IF--TWO--PERSONS ARE--LIABLE--WITH--RESPECT--TO--THE--SAME--DISTRIBUTIONS,--THEY--ARE JOINTLY--AND--SEVERALLY--LIABLE.

(4)--THE--MAXIMUM--AMOUNT--RECOVERABLE--UNDER--THIS SUBSECTION--SHALL--BE--THE--AMOUNT--NEEDED--IN--EXCESS--OF--ALL--OTHER AVAILABLE--ASSETS--OF--THE--INSOLVENT--INSURER--TO--PAY--THE CONTRACTUAL--OBLIGATIONS--OF--THE--INSOLVENT--INSURER.

(5)--IF--ANY--PERSON--LIABLE--UNDER--PARAGRAPH--(3)--IS INSOLVENT,--ALL--ITS--AFFILIATES--THAT--CONTROLLED--IT--AT--THE--TIME THE--DIVIDEND--WAS--PAID--ARE--JOINTLY--AND--SEVERALLY--LIABLE--FOR ANY--RESULTING--DEFICIENCY--IN--THE--AMOUNT--RECOVERED--FROM--THE INSOLVENT--AFFILIATE.

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THE--ASSOCIATION--IS--SUBJECT--TO--EXAMINATION--AND REGULATION--BY--THE--COMMISSIONER,--THE--BOARD--OF--DIRECTORS SHALL--SUBMIT--TO--THE--COMMISSIONER--BY--MAY--1--OF--EACH--YEAR--A FINANCIAL--REPORT--FOR--THE--PRECEDING--CALENDAR--YEAR--IN--A--FORM