

[(j)] (L) Any such material transaction which, after notice and an opportunity to be heard, is found to be not in conformity with this section shall constitute a violation of this subtitle, and in addition to the penalties contained in § 500, may be set aside and rescinded at the initiative of the Commissioner or otherwise under applicable law; provided, however, that notice of any proposed action by the Commissioner to set aside or rescind a material transaction shall be given to the insurer within ninety days of the date such material transaction is communicated to the Commissioner.

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(a) Transactions [by insurers with their affiliates] WITHIN A HOLDING COMPANY SYSTEM TO WHICH AN INSURER SUBJECT TO REGISTRATION IS A PARTY are subject to the following standards:

(1) The terms shall be fair and reasonable in consideration of the purposes of this subtitle;

(2) The books, accounts, and records of each party shall be so maintained as to clearly and accurately disclose the precise 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; [and]

(3) The insurer's assets and surplus as regards policyholders following any such transactions including dividends or distributions to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs;

(4) CHARGES OR FEES FOR SERVICES PERFORMED SHALL BE REASONABLE; AND

(5) EXPENSES INCURRED AND PAYMENT RECEIVED SHALL BE ALLOCATED TO THE INSURER IN CONFORMITY WITH CUSTOMARY INSURANCE ACCOUNTING PRACTICES CONSISTENTLY APPLIED.

(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;