

(II) THE AGGREGATE STATEMENT VALUE OF OPTIONS, CAPS, AND FLOORS WRITTEN IN HEDGING TRANSACTIONS DOES NOT EXCEED 3% OF ITS ADMITTED ASSETS; AND

(III) THE AGGREGATE POTENTIAL EXPOSURE OF COLLARS, SWAPS, FORWARDS, AND FUTURES USED IN HEDGING TRANSACTIONS DOES NOT EXCEED 6.5% OF ITS ADMITTED ASSETS.

~~(4) (I) AN INSURER MAY ENTER INTO THE FOLLOWING TYPES OF INCOME GENERATION TRANSACTIONS SUBJECT TO THE QUANTITATIVE LIMITS OF SUBPARAGRAPH (II) OF THIS PARAGRAPH:~~

~~1. SALES OF COVERED CALL OPTIONS ON NONCALLABLE FIXED INCOME SECURITIES, CALLABLE FIXED INCOME SECURITIES IF THE OPTION EXPIRES BY ITS TERMS PRIOR TO THE END OF THE NONCALLABLE PERIOD, OR DERIVATIVE INSTRUMENTS BASED ON FIXED INCOME SECURITIES;~~

~~2. SALES OF COVERED CALL OPTIONS ON EQUITY SECURITIES, IF THE INSURER HOLDS IN ITS PORTFOLIO, OR CAN IMMEDIATELY ACQUIRE THROUGH THE EXERCISE OF OPTIONS, WARRANTS, OR CONVERSION RIGHTS ALREADY OWNED, THE EQUITY SECURITIES SUBJECT TO CALL DURING THE COMPLETE TERM OF THE CALL OPTION SOLD;~~

~~3. SALES OF COVERED PUTS ON INVESTMENTS THAT THE INSURER IS PERMITTED TO ACQUIRE UNDER THIS SUBTITLE, IF THE INSURER HAS ESCROWED, OR ENTERED INTO A CUSTODIAN AGREEMENT SEGREGATING, CASH OR CASH EQUIVALENTS WITH A MARKET VALUE EQUAL TO THE AMOUNT OF ITS PURCHASE OBLIGATIONS UNDER THE PUT DURING THE COMPLETE TERM OF THE PUT OPTION SOLD; OR~~

~~4. SALES OF COVERED CAPS OR FLOORS, IF THE INSURER HOLDS IN ITS PORTFOLIO THE INVESTMENTS GENERATING THE CASH FLOW TO MAKE THE REQUIRED PAYMENTS UNDER THE CAPS OR FLOORS DURING THE COMPLETE TERM THAT THE CAP OR FLOOR IS OUTSTANDING.~~

~~(H) THE TRANSACTIONS DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH ARE SUBJECT TO THE FOLLOWING QUANTITATIVE LIMITS: IF AS A RESULT OF AND AFTER GIVING EFFECT TO THE TRANSACTIONS, THE AGGREGATE STATEMENT VALUE OF THE FIXED INCOME ASSETS THAT ARE SUBJECT TO CALL OR THAT GENERATE THE CASH FLOWS FOR PAYMENTS UNDER THE CAPS OR FLOORS, PLUS THE FACE VALUE OF FIXED INCOME SECURITIES UNDERLYING A DERIVATIVE INSTRUMENT SUBJECT TO CALL, PLUS THE AMOUNT OF THE PURCHASE OBLIGATIONS UNDER THE PUTS, DOES NOT EXCEED 10% OF ITS ADMITTED ASSETS.~~

~~(5) (4) AN INSURER SHALL INCLUDE ALL COUNTERPARTY EXPOSURE AMOUNTS IN DETERMINING COMPLIANCE WITH THE LIMITATIONS OF § 5-507 OF THIS SUBTITLE.~~

~~(6) (I) IN ACCORDANCE WITH REGULATIONS ADOPTED UNDER THIS SUBSECTION, THE COMMISSIONER MAY APPROVE ADDITIONAL TRANSACTIONS INVOLVING THE USE OF DERIVATIVE INSTRUMENTS IN EXCESS OF THE LIMITS OF~~