~~(IV)~~ (III) WHENEVER THE DERIVATIVE TRANSACTIONS ENTERED INTO UNDER THIS SUBSECTION ARE NOT IN COMPLIANCE WITH THIS SUBSECTION OR, IF CONTINUED, MAY NOW OR SUBSEQUENTLY, CREATE A HAZARDOUS FINANCIAL CONDITION TO THE INSURER THAT AFFECTS ITS POLICYHOLDERS, CREDITORS, OR THE GENERAL PUBLIC, THE COMMISSIONER MAY, AFTER NOTICE AND AN OPPORTUNITY FOR A HEARING, ORDER THE INSURER TO TAKE ANY ACTION AS MAY BE REASONABLY NECESSARY TO:

1. RECTIFY A HAZARDOUS FINANCIAL CONDITION; OR

2. PREVENT AN IMPENDING HAZARDOUS FINANCIAL CONDITION FROM OCCURRING.

(3) AN INSURER MAY ENTER INTO HEDGING TRANSACTIONS UNDER THIS SUBSECTION IF, AS A RESULT OF AND AFTER GIVING EFFECT TO THE TRANSACTION:

(I) THE AGGREGATE STATEMENT VALUE OF OPTIONS, CAPS, FLOORS, AND WARRANTS NOT ATTACHED TO ANOTHER FINANCIAL INSTRUMENT PURCHASED AND USED IN HEDGING TRANSACTIONS DOES NOT EXCEED 7.5% OF ITS ADMITTED ASSETS;

(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~~