



**Sample Language Regarding Licensing of Advisory Organizations
NAIC Model, IL Statutes, OK Statutes
August 25, 2009**

**NAIC Model
Property & Casualty Model Rating Law (File and Use Version)
Model 775**

Section 2. Definitions

- A. “Advisory organization” means any entity, including its affiliates or subsidiaries, which either has two (2) or more member insurers or is controlled either directly or indirectly by two (2) or more insurers, and which assists insurers in ratemaking related activities such as enumerated in Sections 10 and 11. Two (2) or more insurers having a common ownership or operating in this State under common management or control constitute a single insurer for purposes of this definition.

Section 10. Consumer Information

The commissioner shall utilize, develop or cause to be developed a consumer information system(s) which will provide and disseminate price and other relevant information on a readily available basis to purchasers of homeowners, private passenger nonfleet automobile, or property insurance for personal, family or household needs. The commissioner may utilize, develop or cause to be developed a consumer information system(s) which will provide and disseminate price and other relevant information on a readily available basis to purchasers of insurance for commercial risks and personal risks not otherwise specified herein. Such activity may be conducted internally within the insurance department, in cooperation with other state insurance departments, through outside contractors and/or in any other appropriate manner. To the extent deemed necessary and appropriate by the commissioner, insurers, advisory organizations, statistical agents and other persons or organizations involved in conducting the business of insurance in this State, to which this section applies, shall cooperate in the development and utilization of a consumer information system(s).

Section 11. Licensing Advisory Organizations and Statistical Agents

- A. No advisory organization or statistical agent shall provide any service relating to statistical collection or the rates of any insurance subject to this Act, and no insurer shall utilize the services of such organization for such purposes unless the organization has obtained a license under Subsection C.
- B. No advisory organization or statistical agent shall refuse to supply any services for which it is licensed in this State to any insurer authorized to do business in this State and offering to pay the fair and usual compensation for the services.
- C. Licensing.
- (1) An advisory organization or statistical agent applying for a license shall include with its application:

- (a) A copy of its constitution, charter, articles of organization, agreement, association or incorporation, and a copy of its bylaws, plan of operation and any other rules or regulations governing the conduct of its business;
 - (b) A list of its members and subscribers;
 - (c) The name and address of one or more residents of this State upon whom notices, process affecting it, or orders of the commissioner may be served;
 - (d) A statement showing its technical qualifications for acting in the capacity for which it seeks a license;
 - (e) A biography of the ownership and management of the organization; and
 - (f) Any other relevant information and documents that the commissioner may require.
- (2) Every organization which has applied for a license shall notify the commissioner of every material change in the facts or in the documents on which its application was based. Any amendment to a document filed under this section shall be filed at least thirty (30) days before it becomes effective.
- (3) If the commissioner finds that the applicant and the natural persons through whom it acts are competent, trustworthy and technically qualified to provide the services proposed, and that all requirements of the law are met; he or she shall issue a license specifying the authorized activity of the applicant. The commissioner shall not issue a license if the proposed activity would tend to create a monopoly or to substantially lessen the competition in any market.
- (4) Licenses issued pursuant to this section shall remain in effect for one year unless the license is suspended or revoked. The commissioner may at any time, after hearing, revoke or suspend the license of an advisory organization or statistical agent which does not comply with the requirements and standards of this Act.
- (5) Advisory organizations wishing to operate as statistical agents may be so authorized under their license as an advisory organization. A separate license is not required.

Illinois Statutes

215 ILCS 5/123A-2

Definitions. As used in this Article, unless the context requires otherwise:

- (a) "Advisory Organization " means every person, other than an insurance company who as its primary functions (i) compiles insurance statistics, or (ii) prepares insurance policies, bond forms, and underwriting rules, and (iii) furnishes that which it compiles and prepares to insurance companies who are its only members and subscribers.

215 ILCS 5/123A-4

- (1) An advisory organization must be licensed by the Director before it is authorized to conduct activities in this State.
- (2) Any advisory organization shall make application for a license as an advisory organization by providing with the application satisfactory evidence to the Director that it has complied with Sections 123A-6 and 123A-7 of this Article.

- (3) The fee for filing an application as an advisory organization is \$50 payable to the Director.

215 ILCS 5/123A-6

Documents prerequisite to engaging in activities. No advisory organization and no group, association or other organization authorized in 123A-10 of this Code may engage in activities in this State unless it has filed with the Director

- (a) a copy of its constitution, of its articles of incorporation, agreement or association, and of its by-laws, rules and regulations governing its activities, all duly certified by the custodian of the originals thereof;
- (b) a list of its members and subscribers; and
- (c) the name and address of a resident of this State upon whom notices or orders of the Director or process may be served.

Every such organization shall notify the Director promptly of every change in its constitution, in its article of incorporation, agreement or association, and its by-laws, rules and regulations governing the conduct of its business; in its list of members and subscribers; and in the name and address of the resident of this State designated by it upon whom notices or orders of the Director or process affecting such organization may be served.

215 ILCS 5/123A-7

Eligibility for membership — activities of advisory organization. Subject to the approval of the Director, every advisory organization must make reasonable rules governing eligibility for membership and must make rules governing their activities. These rules must provide that the advisory organization will

- (a) permit any admitted company to become a member of or a subscriber to such organization at a reasonable cost and without discrimination, or to withdraw therefrom;
- (b) refrain from adopting any policy, the effect of which would be to require any member or subscriber as a condition to membership or subscribership, to adhere to its insurance statistics, insurance policies, bond forms, or underwriting rules;
- (c) neither practice nor sanction any plan or act of boycott or intimidation tending to result in the unreasonable restraint of or monopoly in the business of insurance; and
- (d) allow admitted companies who are not members or subscribers to the organization to purchase the same services of such organization as are made available to members and subscribers without discrimination as respects costs to members and subscribers.

Oklahoma Statute
Title 36, Chapter 1, Article 11B, Section 1140
Defining Advisory Organizations

- A. "Advisory organization" means a corporation, an unincorporated association, a partnership or an individual, whether located inside or outside of this state, organized and licensed for the purpose of making rates, loss costs, rating plans, statistical collection, furnishing statistical data, policy forms and endorsements or rating systems.
- B. The term "advisory organization" shall be synonymous with the terms "bureau", "statistical agent" and "rating organization".
- C. No advisory organization shall provide any service relating to the loss costs, rates, rating plans, manual rules, rating systems or policy forms of any property and casualty insurance products subject to the provisions of the Oklahoma Insurance Code and no insurer shall utilize the services of such organization unless the organization has obtained a license.
- D. No advisory organization shall refuse to supply any services for which it is licensed in this state to any insurer authorized to do business in this state and offering to pay the usual compensation for the services.
- E. 1. An advisory organization applying for a license shall include with its application:
 - a. a copy of its constitution, charter, articles of organization, agreement, association or incorporation, and a copy of its bylaws, plan of operation and any other rules or regulations governing the conduct of its business,
 - b. a list of its members and subscribers,
 - c. the name and address of one or more residents of this state upon whom notices, process affecting it, or orders of the Insurance Commissioner may be served,
 - d. a statement showing its technical qualifications for acting in the capacity for which it seeks a license,
 - e. a biography of the ownership and management of the organization, and
 - f. any other relevant information and documents that the Commissioner may require.
- 2. Every organization which has applied for a license shall notify the Commissioner of every material change in the facts or in the documents on which its application was based. Any amendment to a document filed under this section shall be filed at least thirty (30) days before it becomes effective.
- 3. If the Commissioner finds that the applicant and the natural persons through whom it acts are competent, trustworthy and technically qualified to provide the services proposed, and that all requirements of the law are met, the Commissioner shall issue a license specifying the authorized activity of the applicant. The Commissioner shall not issue a license if the proposed activity would tend to create a monopoly or to substantially lessen the competition in the market.
- 4. Licenses issued pursuant to this section shall remain in force for one (1) year unless suspended or revoked. The Commissioner may at any time, after a hearing, revoke or suspend the license of any advisory organization that does not comply with the requirements and standards of the applicable provisions of the Insurance Code.