

stylistic changes, makes reference to new procedures by insurance companies which our older law did not address directly and, therefore, the department was forced to sort of pigeonhole new conditions into old rules. But at the heart of it, this bill does one basic thing. Until recently, there have been industrywide rating systems or bureaus, bureaus that would take a look at all the national statistics on losses and risks. Insurance companies would pay for the services of these rating bureaus. The rating bureaus would analyze the data, then they would write what they thought were the appropriate premium levels and rates to charge for insurance, and then the rating bureaus, themselves, would file the rates. And insurance companies, basically, by agreeing to do business with the rating bureau, would have the pass-through effect of having their rates be approved when the rating bureaus rates were approved. This meant that at any particular time a rating bureau could speak for dozens and dozens of insurance companies. Well, one of the goals of insurance regulation insolvency control is to make sure that there are competitive rates that are set out there, and the use of the industrywide rating bureau, in its old format, was somewhat anticompetitive in that it had a natural flow-through. Once the bureau made their decision, the companies rates were set accordingly. What this bill says is that you may have a rating bureau. The rating bureau needs to file with the department. It must meet the registration terms that are outlined in the bill. It can file its information but it may not file rates. Instead, the individual insurance companies must file their own rates and have them approved. Now we have a system in which the rate is filed, there is a 30-day period in which it can be reviewed by the department and turned down. In the event we don't use that 30-day period of time, the rate can be used by the company. The movement to this system is called loss cost rating. Now that is a technical term. I am not exactly sure I can tell you what it means other than what we want is to make sure that individual insurance companies take this industrywide rating information and then make individual variations for their own circumstances. How has their investment income been? How has their loss ratio been? The reason being if they have flaws in their management, in their underwriting, in the way they are doing business, and that filed rate won't make them solvent,...

SPEAKER BAACK: One minute.

SENATOR LANDIS: ...and they are using the rating bureau's