

numbers, that is a mistake. If they stay with those rating bureau's numbers, they can run themselves into the ground. They need to particularize their own filing to take into account their own experience, and their own investment income, and the like. Why would an insurance company charge less than it needed on a policy? An interesting question. Well, in fact, insurance companies do that. They move through a cycle of boom and bust, if you will. And when an insurance company needs to expand its market, it will sometimes, in order to compete, undersell its product in the belief that its investment income will make up for the fact that they are selling their insurance at under the cost of, in fact, the product they are selling.

SPEAKER BAACK: Time.

SENATOR LANDIS: Okay. I will renew my light.

SPEAKER BAACK: Other discussion? Senator Wesely.

SENATOR WESELY: Maybe it'd be...let me defer to Senator Landis to finish his discussion and then I will follow up then.

SPEAKER BAACK: Senator Wesely defers to Senator Landis. Senator Landis.

SENATOR LANDIS: Thank you, and if I have extra time, I will give it back to Senator Wesely. Senator Wesely is the head, as I said, of the NCSL committee and has a lot of contacts on the national level and I am interested in his comments as well. I was on the point of why an insurance company would undersell its product, and that is so it can expand its market share in hopes that its investment income, by drawing in the premium dollars, doing the business, will allow it to make money basic on its investments and, thereby, make up the loss. This bill says that you shouldn't undersell insurance. If there is one place where insurance companies get into trouble, it is underselling their product. They want volume. They want market share. They sell their product at less than the cost that is needed to undertake that risk. They go to the markets for investments. They hope to make it up with their investment income, and they take a beating on the market, and the company goes belly-up. Loss cost rating intends to make sure that individual companies do their own rate setting with the oversight of the department, without using the bureaus to set these rates and, thereby, hopefully ensure that the rates that are set will produce an amount of