Model Legislation

Resolution Supporting Territorial Rating

Summary

“Redlining” originally referred to the refusal to insure an area identified on a map by red lines. Redlining also is used to refer to discrimination in insurance coverage because of race, sex, or other arbitrary factors. However, redlining is illegal in all fifty states.

Territorial rating, which should not be equated with “Redlining”, refers to the legitimate business practice of factoring in the location of risk in determining an insurance premium. The frequency and severity of theft, natural disaster, arson, or other factors may be greater in one area than another.

Model Resolution

WHEREAS, the U.S. insurance industry provides coverage in the voluntary market and through assigned risk plans so that all persons have the opportunity to acquire insurance; and

WHEREAS, territorial rating refers to the practice of factoring the location of the risk in determining an insurance premium; and

WHEREAS, territorial rating is a legitimate and legal business practice used by the insurance industry; and

WHEREAS, territorial rating is not the illegal practice of redlining which refers to discrimination in insurance coverage due to ethnicity or other arbitrary factors; and

WHEREAS, insurance premiums differ from one area to another because of differences in the expected level of risk; and

WHEREAS, in a competitive insurance market, territorial rating ensures that insurance prices are fair and reasonable and adequate coverage is provided;

THEREFORE, BE IT RESOLVED that the American Legislative Exchange Council recommends that the legal practice of territorial rating not be confused with the illegal practice of redlining; and

BE IT FURTHER RESOLVED that the American Legislative Exchange Council endorses the practice of territorial rating in the competitive insurance market as a means to ensure that insurance prices are fair and reasonable and adequate coverage is provided.

1995 Sourcebook of American State Legislation

Did you know that global corporation Kraft Foods served as corporate co-chair in 2011?