

# Your credit rating may drive up your auto-insurance tab

Richard Burnett  
Sentinel Staff Writer  
September 12, 2009

When her car-insurance company raised her premium 50 percent, Kimberly Abbes fought back.

The [Clermont](#) woman repeatedly challenged the insurer. She complained to state regulators and even [Gov. Charlie Crist](#)'s office. Nothing justified such an increase, she insisted. She had no wrecks, traffic tickets or other violations. And she had filed no claims.

Nothing had changed — except her credit score had dipped, her insurer told her. And that made all the difference.

"How is that fair? I'm a conscientious driver," said Abbes, 40, a cosmetologist whose business has been pinched by the recession. "There are a lot of people these days like me who used to have terrific credit scores. I just don't think they should use that against you now."

Government regulators and consumer advocates agree. They are calling once again for the insurance industry to abandon its controversial practice of using credit scores when determining how much to charge people for their auto and homeowner policies.

Many people's credit scores have fallen as banks tighten their lending standards amid the industry's financial turmoil. A recent study by TransUnion LLC, one of the three big credit-reporting companies, noted that consumers in Florida and other large states hit hardest by the recession have lost an average of about 10 points from their scores in the past year. And the situation is expected to worsen, the study warned.

The practice of using credit scores to determine insurance rates has been disputed since insurers first adopted it in the early 1990s. The industry insists that the lower a driver's credit score, the greater that person's risk of having an accident. Consumer groups and many state regulators insist that theory is full of holes.

But beyond the statistical argument, people simply need to catch a break these days amid double-digit unemployment rates and the worst economic conditions in decades, said Walter Dartland, a Tallahassee-based consumer advocate and former Florida deputy attorney general.

### 'Now is the wrong time'

"Regardless of any validity insurers may have in using credit scores, now is the wrong time to do it," he said. "Foreclosures are skyrocketing. Credit-card defaults are at record levels. If you miss one payment, they sock it to your credit score. So it is just overkill for companies to tie your insurance rates to credit scoring."

Insurers argue that everyone would be hurt if companies weren't allowed to use credit data in determining who was and wasn't a high-risk customer. Auto-insurance premiums would rise by as much as 70 percent across the board if the practice was prohibited, according to the Florida Insurance Council, a Tallahassee-based trade group.

Insurers don't rely exclusively on credit scores, but they are part of a formula used to calculate what is known as an "insurance score." That rating also takes into consideration factors such as your driving record — though your credit score clearly carries more weight.

"Past accidents and tickets are predictive, but they barely make it into the top 10 factors," industry consultant and actuary Mike Miller told a Florida regulatory panel earlier this year. "Credit-based insurance scores are far more powerful as a predictor, and rank in the top three for every kind of coverage."

Consumer advocates and many regulators are not buying it, however. They say the industry's research ignores the frequent errors that can depress someone's credit rating. And it fails to adequately consider many of the contributing factors — such as catastrophic medical expenses — that can skew someone's credit score.

Florida attempted to address insurance-related credit scoring in 2005, when the Legislature passed a law that, among other things, barred insurers from denying coverage or raising rates based solely on a customer's credit history. It also outlawed any use of someone's credit history if the customer had lost a spouse or accumulated bills from a catastrophic illness or injury.

### Sink: 'That's just wrong'

But regulations based on that law are snarled in legal challenges brought by the industry. Current regulations permit credit scoring as long as a company can document that the rate increases are not excessive or unfairly discriminatory and are supported by some research.

State officials acknowledge that doesn't go far enough.

"People whose credit is reduced or who have been hit hard financially could see their auto-insurance rates jacked up or find they are not even able to get coverage — and that's just wrong," state Chief Financial Officer Alex Sink, who oversees insurance regulation, said in a statement. "I am opposed to the use of credit scoring

when determining the availability and cost of auto insurance. We should not be kicking Floridians when they are down."

Regulators say they hope to get sponsors later this year for a bill in the Florida Legislature that would strengthen the law and perhaps ban the practice entirely.

Kimberly Abbes would like that. After her insurance company rebuffed her objections to the rate increase in her auto coverage, the Clermont woman went shopping for a new policy. Fortunately for her, a new company has offered her coverage for the same amount she was paying her current insurer before the price increase, Abbes said.

"I'd been with the other company for more than four years," she said. "But I'm not going to sit around and send my money to a company that would treat me this way."

Richard Burnett can be reached at [rburnett@orlandosentinel.com](mailto:rburnett@orlandosentinel.com) or 407-420-5256.  
Copyright © 2009, [Orlando Sentinel](#)