

## inCREDITable

It may surprise you to learn that your credit rating is probably impacting the amount you're paying for insurance more than your driving record or the condition of your home. This is called "credit-based insurance scoring." The worse your score, the higher your premium. There is no logical connection between your credit standing and your likelihood of having an accident or a home fire, so advocates believe insurers are using credit scoring to discriminate and overcharge. But despite years of efforts by United Policyholders and other consumer groups to ban the practice it remains legal and very common in all but a few states.

What can a careful consumer do?

- Review your credit report and fix any errors you find. You are entitled to get one free credit report annually from each of the three big credit bureaus. Beware – most sites that promise a free credit report are not free because they require you to purchase something. [www.annualcreditreport.com](http://www.annualcreditreport.com) is the official site sponsored by the credit bureaus and you can use it to obtain and compare credit reports to see what information is missing or incorrect – particularly the report from the bureau your insurance company used to get your score. You can also get a free report and score via [www.creditkarma.com](http://www.creditkarma.com). Errors on credit reports can be hard to fix, especially if you're not a "V.I.P.", as a recent [New York Times](#) article points out, but be persistent.
- Seek out insurance companies that give discounts for positive actions such as pay-by-the-mile auto insurance which gives you the power to drive less and pay less for your insurance.

Insurance credit scoring penalizes victims of medical catastrophes and people that have suffered a job loss. The practice also penalizes consumers for rational and thrifty behavior. If you shop around for insurance, each insurer you get a quote from will make a credit inquiry. Their inquiries will be recorded and in turn hurt your credit score. If you like to use one credit card for rewards, you'll get a worse credit score than if you spread the charges over two or three cards. If you open a card account at a department store to take advantage of a 10% discount on first time purchases, your credit score will drop because of the inquiry and credit line.

Bottom line: Encourage your state lawmakers to ban credit scoring, and support United Policyholders' Advocacy and Action program by making a tax-deductible [donation](#) today. To learn more about this issue, read a special UP report by Economist Birny Birnbaum titled; [Credit Scoring in Insurance: An Unfair Practice](#).

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Additional Reading:

- MoneyGeek.com: Guide to Checking Your Credit Score
- MoneyGeek.com: Guide to Raising Your Credit Score

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The information presented in this publication is for general informational purposes and is not a substitute for legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the "Find Help" section of [www.uphelp.org](http://www.uphelp.org). United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

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