Credit and insurance scores

Financial Planning

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Insurance scores and credit scores differ. Credit scores predict credit delinquency while insurance scores predict insurance losses. Both are calculated from information in a credit report, such as outstanding debt, bankruptcies, length of credit history, collections, new applications for credit, number of credit accounts in use, and timeliness of debt repayment. Insurers or scoring agencies then calculate the insurance or credit score by assigning differing weights to the favorable or unfavorable information in the credit report. Information such as income, ethnic group, age, gender, disability, religion, address, marital status and nationality are not considered when calculating an insurance score.

Credit and insurance scores measure how well individuals manage their money?not how much money they make. And actuarial studies show that how a person manages his or her financial affairs is a good predictor of insurance claims. Statistically, people with a low insurance score are more likely to file a claim.

The good news is, most people have good credit *and* most people will pay less for insurance than they would if insurance scores weren?t considered.

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