It?s All about the Numbers: Why Credit Is Important?To Your Insurance, and Your Life

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NEW YORK, August 21, 2014 ? Having good credit can help you in a surprising number of ways. A good credit history can result in getting that dream job, lower interest rates on car loans and mortgages, and better rates on your insurance, according to the Insurance Information Institute (I.I.I.).

With a solid credit rating in hot markets like Boston, New York City and Seattle, renters will have an easier time finding an apartment and homebuyers may be the first to view properties, giving them an inside edge. It can also lower insurance costs.

While insurance represents only about 5 to 7 percent of a typical housing payment, when you?re buying a home, you want to save wherever you can. Many insurance companies give discounts on homeowners policies for those with good credit. (See How to Save Money on Home Insurance for more information.)

Credit Scores vs Insurance Scores

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.

How to Build and Maintain a Good Credit History

1. **Pay bills on time.** The best way to build a solid credit score is to make a habit of always paying your bills on time in full each month. Your goal should be to build a long history of reliable bill paying behavior.
2. **Limit the number of credit cards**. Have no more than three or four credit cards and hold on to them for a long period of time.
3. **Keep balances low and use no more than 30 percent your available credit.** This, of course, means resisting the temptation to accept pre-approved card offers in the mail or retail credit cards even though there may be a discount available for opening a new account.
4. **Check your credit report annually**. Look for errors and correct them as soon as possible. By law, you are entitled to one free credit report from each of the three reporting agencies once a year. Go to www.myfico.com for more information.

The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies?Equifax, Experian, and TransUnion?to provide you with a free copy of your credit report, at your request, once every 12 months. For more information, go to the Federal Trade Commission?s Web site on credit.

Free annual credit reports can be ordered from AnnualCreditReport.com. For information about your credit score, go to MyFICO.com.

If you find yourself unable to meet your financial obligations, contact your creditors to see if you can negotiate a more manageable payment schedule. By contacting your creditors as soon as problems arise, you might avoid a ?Bad Debt? report to the credit bureau. Also consider working with a legitimate credit counselor. The sooner you can begin to manage your credit and pay on time the better your credit report will be over time.

RELATED LINKS

Issues Update: Credit Scoring Video: College Students and Credit

The I.I.I. has a full library of educational videos on itsYou Tube Channel. Information about I.I.I. mobile apps can be foundhere.

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Back to top