



Ask Kim

## How Credit Scores Affect Insurance Rates

by [Kimberly Lankford](#)

*How is the credit score that insurance companies use when setting premiums different from the one that lenders use when determining your rates on a loan?*

The version insurers use is slightly different from the one that lenders use. Both types of scores are based on information from your credit report, but insurers weigh the items differently. For example, insurers look a lot more closely at how you've managed credit over time rather than how much credit you've applied for recently, says Steven Katz, director of consumer communications for credit bureau TransUnion.

Insurers have found a strong correlation between credit scores and insurance claims. People with low scores are more likely than people with high scores to file claims. And when insurers looked more closely, they discovered that people who made late payments were the ones who tended to have more claims. They didn't find as strong a correlation with other factors, such as taking on too much new credit, which lenders care about because they worry that you won't be able to keep up with your payments.

Your insurance score can vary from insurer to insurer, based on the company's claims history. Companies won't reveal all of the details of what goes into their scores, but you can get a [version of your insurance score](#) from TrueCredit, available through TransUnion for \$9.95. The site provides separate scores for auto and homeowners coverage, which weigh the factors a bit differently, plus advice for improving your insurance score. Even though your insurer may use its own calculation, the general advice can help anyone improve his or her score.

Improving your score can make a big difference in your auto insurance premiums. More insurers now consider your credit score when setting your insurance rates, and others look at your score a lot more closely than they had in the past (although a few states limit the use of scores when setting insurance rates). For more information about the new criteria insurers use when setting rates, see [The New Math of Auto Coverage](#).