



Southwestern Insurance Information Service

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Letter to the Editor

Good credit ratings

Re: Oct. 18 editorial "Fix the flaws in credit scoring."

There is simply no justification for asking people who strive to maintain a good credit record to pay higher insurance premiums and subsidize those who pose a greater risk by filing more claims.

In 2002, the University of Texas conducted an extensive study verifying that credit characteristics are highly accurate predictors of insurance losses. The study found that there was a "significant relationship" between low credit scores and above-average losses.

Insurance has always been about matching price to risk. Credit-based insurance scores do that by providing insurers with one more piece of information. Credit characteristics is only one of many variables consider when they consider assuming risk.

When people pay in proportion to the risk they present, unfair subsidies are eliminated and rates are more equitable for all.

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