

## How Your Credit History Impacts Car Insurance Rates

When inquiring about car insurance, you assume the insurance carrier will ask for your demographic information and then to check your Motor Vehicle Report (MVR) to confirm that you have demonstrated safe driving practices in the past. But do you realize that many auto insurance companies also pull your credit report before approving your auto insurance policy?

In fact, some insurers are now contending that credit history, like driving history, can signify whether a policyholder actually acts in a cautious and practical manner in life-which can give some insight to the way they can be expected to act while driving. For example, maxed out credit cards can indicate a certain carelessness that is indicative of an extra layer of risk to the insurance company if they decide to insure that driver.

It's not a far leap to start to associate financial accountability with potential driving behavior and auto claims risk. Because of this, some companies apply an *insurance credit score* to decide whether an applicant is a valid candidate for insurance and, if so, what their premiums should be. These insurance credit scores are like the more well known FICO credit scores in that they examine the proposed insured's spending past, credit limits, kinds of credit in use, unused credit and other determinants.

If you know that your credit history is less than perfect or, if you have no credit history at all, then you should bring this up to your auto insurance agent before you seek for insurance coverage. Let him or her know any special conditions surrounding your compromised credit score or lack thereof. Your agent may suggest that you write a letter detailing the situation around your low-or-no credit score. This letter can be included with your application for insurance coverage for the underwriters to consider. Or, your agent may give you a quote that accommodates the additional premium you could be charged.

The reality that your credit score can effect your insurance is just another reason to periodically monitor your credit report and be sure that the content is accurate. It's also another great way to get your credit rating under control. You may discover that reducing your credit card spending and increasing your credit card payments for a few months will give you a score worthy of the safe driver you try to be.