

From: Charlotte Burnett
Sent: Monday, July 05, 2004 2:13 PM
To: FACTAscoringstudy
Subject: FACTA Scores Study

I am responding to an article in the Dallas Morning News today entitled, "A high price for a low score". I am glad to have the opportunity to respond to this issue. I have wanted to for sometime but did not know who to respond to.

I do not think that insurance companies should be able to charge our rates based on our credit scores. I think it should be based on how we have paid our insurance premiums, how long we have been a loyal customer and how many claims have we had. Have they been average, below average or above average.

We have been a very loyal Farmers Insurance customer for 20+ years with the same agent. We have only had 3 claims during this time and we have always paid our insurance on time. Yet, in the past year alone our premiums for our car insurance has gone up \$268.00 for a 6 month period for the same coverage. Our homeowners insurance for 2004 for the same home and same coverage went up \$302.00 for the year. The reason they went up was based on our credit scores. I called our agent and he said he could not help us that it was based only on our scores.

We have always had excellent credit until approximately 1 year ago. We opened a new business right around the time of the 9/11 disaster. After a year of struggling we had to close the business. We had no choice but to take a bankruptcy on the business. We had already cashed out our savings and 401K to pay bills. There was nothing left to use or anything that could be sold. As a result we now have bad credit scores. Yet, if someone looks at our background on our credit report they will find impeccable, excellent prior credit to the business for many years and impeccable credit since that time on our personal obligations.

Just because of some unfortunate circumstances we are considered high risk. According to the article and I quote, "Study after study has proven that those people who have less-than-desirable credit scores are in fact worse risks for insurers." "They have more traffic accidents, they have more occurrences with their home." We have had one claim on our homeowners insurance in the past several years which was for hail damage to our roof. We have had 2 accidents both of which were the other person's fault and I have been driving for 45 years and have had one speeding ticket in all that time for going 12 miles over the speed limit which was at the speed of 47 in a 35 speed zone. Just because we have had some bad luck and have low credit scores does not put us in the category as "dead beats" who do not pay their bills, who are negligent. We are not people who have had repeated accidents or occurrences with their home. We have lived at the same address for 25 years. Maybe, we are a rule to the exception but I don't really believe that to be true. I think there are many other people out there just like myself and husband who have had some bad times financially due to the failings of a business, a job layoff, illness or many other reasons that can happen. Bad things do happen to good people who are not risks for their insurance.

I realize there must be some guidelines to have people are granted insurance but using a credit score alone is not the guideline to use. I will repeat that it should be based on all the circumstances of how long the person has been a customer, how long have they been home owners, what is their work history, how many claims have they filed, and the good credit they have and the reason taken into account when the credit history changes.

According to the newspaper article, Mr. Johns, president of Southwestern Insurance Information Service in Austin, which represents insurance companies is quoted as saying, "Credit scores are only one factor insurers consider." When talking to my agent and some other agents at other leading insurance companies I am told they do go by the FICO score and do not consider other things.

I want the laws changed. Don't lump everyone into one category based on a credit score. Consider all the facts. Texas has the highest rates of any state. That in itself should tell you something.