Comment #: 53

From: Jeff Smith
Sent: Monday, July 05, 2004 1:32 PM
To: FACTAscoringstudy
Subject: Public Comment: Credit Scoring

The insurance industry points to studies inferring that credit scores are good predictors of insurance risk; that a lower FICO score translates well to increased insurance risk. While there may some validity to this argument, within very well-proscribed limits, the industry's long history of suspect (and often, frankly specious) practices leads one to wonder whether the application of credit scores could ever be objective and impartial.
From personal experience, I can make the observation that credit scores definitely are NOT necessarily good predictors of insurance risk. Prior to a divorce several years ago, my credit was pristine, with no derogatory information whatsoever. The divorce and ensuing financial problems forced my to file for Chapter 13 bankruptcy protection, which of course ruined my credit rating overnight. At no time, either prior to that incident or thereafter (now over 4 years), have I filed any insurance claims with either my auto or homeowners carriers. My habits have not changed and I remain the responsible person was prior to the events that destroyed my credit rating. Based on the insurance industry's claims, I should pay higher premiums, simply because my credit score suffered from an unavoidable setback. I believe that I (and many others) have proved this to be inaccurate.
I urge the FTC to bar insurers from the consideration of FICO scores when computing premiums.

Thank you,

Jeff S. Smith, RN, MSN