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## Credit Scores Raise Insurance Rates Nationwide

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A new report from the Consumer Federation of America (CFA) and the Climate and Community Institute has found that homeowners with lower credit scores are often paying significantly more for homeowners insurance even in areas with minimal natural disaster risk—compared to those with higher credit scores living in disaster-prone regions.

The report, which evaluated data from nearly every U.S. ZIP code, highlights how credit history plays a significant role in determining insurance premiums. The organizations behind the report are urging state and federal lawmakers to ban the use of credit scores in homeowners insurance pricing models and to enforce greater transparency in how rates are set.

“Charging more based on credit score rather than actual physical risk calls into question what the industry prioritizes,” said Douglas Heller, CFA’s director of insurance. “It effectively places a larger burden on those with lower scores, even if they live in safer areas.”

According to the report, residents in states like Pennsylvania, Arizona, and Oregon with lower credit scores typically around 630 could be paying over 100% more than residents with high scores, such as 820. In some cases, this may result in homeowners paying over \$2,000 more annually for insurance coverage.

While three states California, Maryland, and Massachusetts prohibit the use of credit-based scores in determining homeowners insurance rates, most states allow the practice, albeit

with varying levels of regulation and oversight.

The American Property Casualty Insurance Association (APCIA), a national industry group, disputes the report's conclusions. The organization claims that using credit information in insurance underwriting helps lower rates for the majority of policyholders.

"Insurers' use of credit-based insurance scores has been consistently shown to result in lower premiums for most consumers," said Bob Passmore, vice president of personal lines at APCIA. "These scores help insurers more accurately assess risk, improve competition, and ultimately benefit the marketplace."

Passmore also noted that many states have implemented consumer safeguards to ensure the fair use of credit-based scores. These include provisions for consumers experiencing significant life changes and protections for individuals with limited credit history.

"Eliminating the use of credit scores in insurance could lead to less accurate pricing and higher rates for responsible policyholders," Passmore added.

In response, Heller argues that some insurers increase their base rates and then use credit scores to apply selective discounts, rather than reducing costs across the board.

"If insurers are offering discounts to some based on credit, that cost must be made up by charging others more," Heller said in an interview with Real Estate News. "That means those with lower credit scores, even if they maintain safe homes, end up subsidizing the rest."

The CFA maintains that many consumers are unaware their credit history plays a role in how much they pay for insurance. The organization calls for broader public education and simpler mechanisms for addressing potential discrepancies or hardships in credit reporting.

As homeowners nationwide face increasing insurance costs, the debate over fairness in premium pricing continues to draw attention from both consumer advocates and industry leaders.