People's Trust Insurance to start checking customers' credit

Deerfield Beach-based People's Trust Insurance Co. plans to start running credit checks on new and renewing customers. Policyholders with poor credit will get surcharges, while people with good credit will get discounts.

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Sun Sentinel

AUGUST 14, 2017, 2:25 PM | DEERFIELD BEACH

If you have bad credit and buy homeowner's insurance from People's Trust Insurance Co., plan on paying more.

The Deerfield Beach-based insurer intends later this year to start running credit checks on new and renewing customers, according to plans filed with state regulators.

Unless the plan is rejected, People's Trust will begin levying surcharges on customers who have fallen behind or stopped paying bills unrelated to their insurance policies while giving discounts to customers who pay their bills on time.

Credit checks would begin Nov. 2 for new policies and Jan. 1, 2018 for renewals. People's Trust is the sixth largest insurer in South Florida, with 56,936 policies in Broward, Palm Beach and Maimi-Dade counties and 139,712 statewide at the end of March, according to state records.

The company is introducing credit-based insurance scoring — the use of credit histories to predict how often a policyholder will file claims — "to better understand and assess our risk as well as to develop more appropriate pricing for our customers based on that risk," according to a statement in its filing.

The amount of the surcharges or discounts will vary according to what the credit checks reveal, the filing states.

Insurers that support using credit scores to set prices say homeowners with poor credit are less likely to keep their homes maintained and as a result are more likely to file claims.

But not everyone buys that reasoning. Three states — California, Maryland and Massachusetts — prohibit the use of credit scores to price insurance.

Jay Neal, president and CEO of the Florida Association for Insurance Reform, a Fort Lauderdale-based insurance watchdog group, said he dislikes tying insurance pricing to credit scores because it disproportionately affects minorities and people with low incomes, who tend to have lower credit scores.

ies selling insurance in Florida that are not using credit scoring

Other property insurers that use credit histories as a pricing factor include State Farm Florida, Heritage Property & Casualty, United Property & Casualty, and Sawgrass Mutual.

Companies that do not check credit include state-run Citizens Property Insurance Corp., Universal Property & Casualty, Florida Peninsula, Security First, Homeowners Choice, Universal Insurance Co. of North America, and Federated National, state filings show.

In Florida, however, insurers have been slow to embrace credit scoring in part because of opposition by former Insurance Commissioner Kevin McCarty, who retired in 2016.

Under McCarty, the Office of Insurance Regulation started requiring companies to prove they weren't basing credit-check requests on race, color, religion, marital status, age, gender, income, national origin or place of residence. They also had to document how credit would be used to set prices, and attest that decisions would not be based on adverse credit scores resulting from unpaid medical bills.

Florida law also prevents use of credit scoring in setting prices for hurricane coverage, the most expensive portion of homeowner insurance here. But credit scores can be applied to the "All Other Perils" portion — which covers losses from vandalism, water, hail, fire, lightning, personal liability, theft, and other causes.

In states with fewer restrictions on how credit scores can be used, consumers with poor credit can end up paying hundreds, even thousands of dollars more than consumers with excellent credit, according to studies commissioned for the website InsuranceQuotes.com.

The study found the widest gap in South Dakota, where a homeowner policy cost 288 percent more for someone with poor credit than for someone with excellent credit.

The difference was less significant in Florida — homeowners with poor credit paid just 26 percent more than someone with excellent credit. That's likely a result of the law allowing credit scoring to affect only the non-hurricane portion of coverage.

Amy Rosen, chief marketing officer at People's Trust, said the company would be "careless" not to use behavioral predictors of risk in setting premiums.

In an email, Rosen said she could cite "fraudulent or overstated water claims due to the outrageous Assignment of Benefits issue that plagues our state" as the reason the company is turning to credit checks.

"But the truth is, even without these issues it's foolish for an insurance carrier to not use all tools available to them," she wrote. "We owe it to our policyholders to be as responsible in our risk assessment and pricing as possible, in any situation."

Editor's note: A previous version of this story incorrectly identified Universal Property & Casualty Insurance as one of the companies that use credit scores to set prices.

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