



Millions of US residents, particularly those with low or moderate incomes, including new immigrants and minority households, either have no insurance or have too little to protect themselves against loss. New innovations in insurance product design and distribution may offer opportunities for low-income populations to insure against financial crisis and also save, build net worth and create retirement income.

At the same time, the insurance industry is widely adopting credit-based insurance scores to decide whether or not to insure applicants and to set the premiums for new and renewing customers. Insurers maintain that credit-based insurance scores help them more accurately predict the likelihood a customer will file claims and therefore provide lower rates to consumers with better credit. However, consumer advocates argue that independent studies are not available to justify this method, that credit-based insurance pricing makes insurance more expensive and less available to those who need it the most, and also unfairly penalizes minority groups.

Highlighted Articles and Research

The Insurance Industry and the Underbanked

By: Rachel Schneider and Kimberly Gartner; Center for Financial Services Innovation

Did you know? Insurance can build assets by protecting against financial losses while building net worth.

Many people, particularly those with low or moderate incomes, including new immigrants and minority households, either have no insurance or have too little to protect themselves against loss. To determine how to address insurance needs, CFSI reviewed trends in the insurance industry, interviewed industry experts and identified innovative practices. This paper describes potential innovations in product design, marketing and distribution. One strategy seems especially promising: to develop products that combine asset-building and insurance features. This could help consumers understand the value of insurance with respect to their long-term prosperity while giving insurers and other financial service providers an entry into new markets.

Insurance Credit Scoring: 21st century redlining and the end of insurance?

By: Birny Birnbaum, Center for Economic Justice

Did you know? Insurance rates can shoot up at the next renewal because of credit history.

Insurance is essential for individual and community economic development as a key financial security tool that enables individuals and businesses to avoid financial ruin in the aftermath of a catastrophic event. The Center for Economic Justice argues that insurance scoring undermines the key public policy goals of insurance by making it less accessible and more expensive to those that need it the most.

The [Center for Economic Justice](#) (CEJ) in Austin, Texas is a leading voice for consumers regarding insurance credit scoring.

The Impact of Credit-Based Insurance Scoring on the Availability and Affordability of Insurance

Federal Testimony before the House Financial Services Committee

By Lisa Rice, National Fair Housing Alliance

Did you know? Studies show that credit-based insurance scoring has a negative impact on minority consumers.

Rice argues that the use of credit scoring by insurers discriminates against low-income and minority consumers as she describes what she calls the “bifurcated lending system” that has historically excluded minorities from the mainstream credit industry. She explains that credit bureau data does not fully capture the experiences of low-income and minority consumers and thus, credit scoring models cannot be good predictors of low-income borrowers’ financial situations or insurance risk. Her work is based on reviews of studies by the Texas and Missouri Departments of Insurance that have concluded that credit-based insurance scoring has discriminatory effects on minority populations.