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The Best Car Insurance for Drivers With Bad Credit

Drivers with poor credit scores pay an average of almost \$1,200 per year more than drivers with good credit. But some insurance companies charge higher rates than others. MoneyGeek found that drivers with poor credit could save thousands of dollars per year by switching insurance companies.

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Bad credit can cause problems in almost every part of your finances and your car insurance is no exception. In many states, drivers with lower credit scores can expect to pay more — sometimes significantly more — for their car insurance than drivers with high credit scores.

One way to find the best car insurance for bad credit is to get multiple quotes from different providers. For instance, MoneyGeek collected quotes for a sample driver and found that **GEICO** charges an average of \$1,676 per year for drivers with poor credit, while **MetLife** charges \$4,208. Read on to learn about the cheapest car insurance companies for different credit scores, why credit scores impact insurance and strategies to get lower rates if you do have poor credit.

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KEY TAKEAWAYS



The cheapest insurers on average for drivers with poor credit are GEICO and Nationwide. A full coverage policy with GEICO cost our sample driver \$1,676 per year.

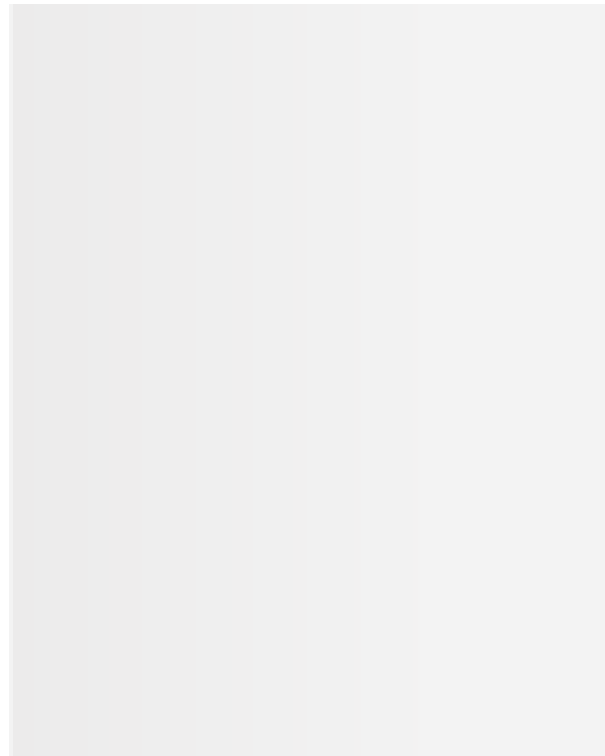
The cheapest company may depend on where you live. We



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Car insurance companies say that drivers with poor credit are more likely to file claims and charge them higher rates as a result. But you can still save by comparing quotes and taking advantage of discounts.



The Cheapest Car Insurance Companies for Drivers With Poor Credit

If your insurance rate is high because of your credit score, switching companies could help you save money. MoneyGeek's analysis compares rates for a driver with a [full coverage policy](#) to narrow down a list of the most affordable companies for drivers with a credit score between 524 and 577. We found that **GEICO** and **Nationwide** have cheapest rates for most drivers. If you come from a military



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GEICO

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GEICO

In MoneyGeek's study, GEICO provides the lowest rates on average for most drivers with poor credit, charging our sample driver \$1,676 per year. Like many insurers, GEICO uses credit history as one of many factors to set insurance rates in most states.

The company assures customers that they won't be denied coverage because of their credit score alone. GEICO's numerous coverage options and wide available mean that you can find affordable coverage even with a low credit score.



Nationwide

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Nationwide

MoneyGeek's study found that Nationwide's rates were among the lowest for drivers with poor credit at \$1,760 per year. Nationwide can help you save in extreme scenarios too, as it also performs premium reconsideration for extraordinary life circumstances like catastrophic emergencies, divorce, overseas deployment and other events.

AVERAGE CAR INSURANCE COST WITH POOR CREDIT*



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2.	GEICO	\$1,676
3.	Nationwide	\$1,760
4.	Allstate	\$2,197
5.	Travelers	\$2,411
6.	State Farm	\$2,476
7.	Progressive	\$2,482
8.	Farmers	\$3,262
9.	MetLife	\$4,208

**In this study, a poor credit score is defined as a score in the range of 524–577.*

Rates are for a driver with 100/300/100 liability insurance and comprehensive and collision coverage. Keep in mind that if you're not just looking for the cheapest quote, the [best car insurance company](#) for you will combine a strong customer service experience with affordable rates.



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your credit score should impact your insurance premium. This means your credit can impact your rate differently from one company to another.

Generally speaking, GEICO has the cheapest car insurance for bad credit and MetLife has the highest rates, but this can vary widely from state to state or even ZIP code to ZIP code. Excluding USAA, MoneyGeek found that **GEICO** is the cheapest, widely-available option in 23 states and Washington D.C. **Nationwide**, the cheapest option on average in nine states, came in second. But State Farm, Allstate and Farmers were the cheapest companies for drivers with poor credit in several states, showing the importance of where you live in determining the most affordable option.

For military families who are eligible, **USAA** is a great option. If you include it in our analysis, it is the cheapest option in 28 states.

Finding the cheapest car insurance company in your state can help you find coverage that fits your needs.

CHEAPEST CAR INSURANCE FOR DRIVERS WITH POOR CREDIT IN YOUR STATE

State	Company	Annual Premium
Alabama	GEICO	\$1,196
Alaska	GEICO	\$966
Arizona	GEICO	\$1,116
Arkansas	GEICO	\$1,356
Colorado	GEICO	\$1,286
Connecticut	GEICO	\$1,422

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The Best Car Insurance Companies for Drivers With Fair Credit

Because drivers with higher credit scores tend to pay less for car insurance, taking steps to improve your credit could help you save money. In MoneyGeek's study, when all other factors remain the same, such as driving record and vehicle type, drivers with a fair credit score paid less than drivers with a poor score.

MoneyGeek found that the two cheapest insurance companies for drivers with fair credit are the same as those for drivers with poor credit: **USAA** and **GEICO**. However, **State Farm** is much more affordable for drivers with fair credit, overtaking Nationwide, Allstate and Travelers.

AVERAGE CAR INSURANCE COST WITH FAIR CREDIT*

Company	Annual Premium
1. USAA	\$896
2. GEICO	\$1,208
3. State Farm	\$1,452
4. Nationwide	\$1,501



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6.	Travelers	\$1,667
7.	Farmers	\$1,765
8.	Progressive	\$1,797
9.	MetLife	\$2,310

**In this study, a fair credit score is defined as a score in the range of 710–740.*

Why Does Credit Score Impact Insurance Rates?

There are a number of reasons your credit score may impact your insurance premium. [FTC studies show](#) a correlation between a driver's credit score and the frequency and cost of claims, causing insurance companies to rate people with lower credit scores as higher-risk drivers. According to the FTC, the lower a driver's credit score, the more likely they are to file a claim.

For insurance pricing, a higher credit score means you are more likely to be able to pay your bills, which means you are less likely to miss payments or commit insurance fraud. Essentially, an insurance company is designating you as [higher risk](#).

Insurance companies also know that credit scores and income tend to climb or fall together, which means that a higher credit score makes you more likely to pay for minor damages out of pocket rather than file a claim.

As a result, people with low credit scores will typically see higher insurance premiums in all but three states. California, Massachusetts



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your credit score is only one factor in determining your insurance rates. If you're curious about [how car insurance works](#) and impacts your rates, there are several factors that play a part in how you're rated such as your ZIP code, age, and driving history.

That said, your credit score can still have a large impact on your monthly premium. Take a look at the table below to see how having a slightly higher credit score can save you hundreds of dollars each year on your car insurance.

AVERAGE CAR INSURANCE COSTS BY CREDIT SCORE

Period	Poor	Below Fair	Fair	Good	Excellent
Monthly	\$209	\$165	\$135	\$110	\$89
Semi-Annual	\$1,254	\$991	\$811	\$660	\$533
Annual	\$2,509	\$1,982	\$1,623	\$1,321	\$1,066

How to Find the Best Car Insurance With Poor Credit

In all but a few states, bad credit can and will raise your insurance rates. There are, however, some ways to help mitigate that price increase and find lower rates:

- 1 Change your coverage type**
Raising deductibles and reducing unnecessary coverages are effective methods of lowering your premiums.
- Get multiple quotes**



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3

Consider your vehicle.

Your credit score may not be the only factor contributing to higher rates. Depending on your type of coverage, a more expensive car can cost significantly more to insure. Finding a more affordable car or paying off your auto loan could help you lower your premium.

Ways to Save on Car Insurance With Bad Credit

Just because your credit rating is low doesn't mean you can't shop for the best possible [auto insurance](#). There are many ways to lower your insurance rates, including:

- **Take advantage of discounts.** Most insurance companies offer a wide variety of discounts to their customers. Good driving discounts, employer discounts and loyalty discounts are all excellent ways to help reduce your insurance costs.
- **Improve your credit rating.** Spend the next six months to a year working on raising your credit score to reduce your insurance costs.
- **Pay Your Full Annual Premium at Once.** Many insurance companies offer discounted rates to individuals who pay their entire premium upfront rather than paying in monthly increments.

5 Tips for Improving Your Credit Score

For drivers with low credit scores, working to [improve your credit](#) is the best way to reduce your insurance premiums. There are a number of ways to work toward improving your credit score, including:

- **Set up automatic bill pay.** If your credit score is low because your payments are consistently late, setting up automatic payments is an easy way to address that problem.

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payments to your credit score. Call the agencies directly and ask how to make sure your positive payment history is working in your favor.

- **Don't apply for new accounts for a while.** Every application you make for additional credit causes a hard inquiry on your credit report, lowering your score. If you need to raise your credit score, it is important not to open any new accounts for a while to prevent those hard inquiries.
- **Dispute any errors.** Every year you have the right to get a free copy of your credit report. It is worth the time to get these reports and go over them to make sure everything is correct. If a creditor is erroneously reporting you as delinquent, or you have been the victim of identity theft, you can clean up your credit report and see an increase in your credit score.

Expert Advice: Credit Score Influence on Insurance Rates



Catherine Valega

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Why do companies use credit as one factor to set car insurance rates?

Because they want their money! Lower credit scores can be an indicator of payment history – they want their insurance bills paid on time.

What steps can drivers take to improve their credit and lower their car insurance premiums?

Pay your bills on time (the easiest way is to set up auto-pay – when that card bill comes in, it gets paid from a checking account)



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Car Insurance Guide for the Savy Consumer



Liability Car Insurance



What Is a Car Insurance Deductible and How Does It Work?

AUTO INSURANCE



Can You Pay Car Insurance With a Credit Card?

About the Author



Rachael Brennan is a professional freelance writer. She has been published on a number of websites, including Adweek, Glamour, and Cracked. She has also worked in the insurance industry for more than a decade, earning her P&C license in all 50 states and her Life, Health, and AD&D license in New York and the surrounding states.

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