



Many insurance companies use insurance scoring when accepting and rating new policies.

In most cases, when applying for insurance, personal applications are processed using objective information about you. For instance, if you need auto insurance, an insurance score, driving record, the type of car driven, miles driven, previous insurance claims filed and other objective factors are used to find the insurance product you need at a fair price based on your individual situation.

Credit & Insurance

The Results Are In

State insurance commissioners, independent consulting firms and insurance associations have extensively studied the use of insurance scoring.

Conning Corporation, one of the largest asset managers in the United States specializing in insurance company investments, recently released a study that shows 92% of insurers are using insurance scoring.

Tillinghast-Towers Perrin, a worldwide consulting firm, conducted a study for the Arizona Department of Insurance and the National Association of Insurance Commissioners, which found that insurance scoring accurately predicts future claims that a person may file.

Studies by the Virginia Department of Insurance and the American Insurance Association showed that insurance scoring does not discriminate on the basis of income, ethnic group, race, religion, gender, marital status, nationality, age, or address. Instead it relies on objective information such as outstanding debt or late payments, contained in a person's credit profile to determine an insurance score.

It also protects your privacy because instead of seeing a full credit report, an insurer only sees a snapshot of the information needed to find the right product at the right price. Some companies may also provide an in-depth analysis of the customer's full credit report when requested by the customer.

Understanding Insurance Scoring

Traditionally, lenders used a credit report to determine an applicant's qualification for a mortgage, auto loan or credit card. A credit report shows your payment history for all types of loans, amount of outstanding debt, credit history, types of credit, and other credit information including bankruptcies, late payments, and collections.

Insurance & Credit

About ten years ago, Fair Isaac, Inc. introduced Insurance Bureau Scores (IBS) and changed the way many insurers price auto, home or other insurance products. An IBS is a credit-based score, which predicts the likelihood that an individual will file an insurance claim.

Consumer credit information¹, in combination with other objective factors like driving history, is commonly used by insurance companies when determining a fair price for the type of insurance needed.

In other words, an insurance score accurately predicts that consumers with a good credit history are less likely to file an insurance claim.

Footnote 1

¹ Fair Credit Reporting Act allows insurance companies to use consumer credit information in making an offer to a consumer for insurance.

INSURANCE SCORING

- is one of many rating factors used to determine eligibility and rates. Some other factors are age, driving record, type of vehicle, previous claims filed, and/or mileage driven
- is a numerical rating based on factors such as timely payment of bills, bankruptcies, public notices, credit inquiries and may include prior claims history
- doesn't hurt your credit score. Insurance company inquiries aren't counted against you

- doesn't consider factors such as race, nationality, religion, gender, marital status, age, income, net worth or home address when determining your score²
- isn't the same as a credit score that calculates the odds that you'll pay your bills on time—it's about predicting the likelihood that you may experience a loss and file a claim

Footnote 2

² Fair Isaac & Company, Inc.

FINANCIAL COUNSELING RESOURCES

- Contact Myvesta.org^(TM) - Financial Help for Everyone
- Call 1-800-680-DEBT
- Visit their website at www.Myvesta.org
- Email: info@myvesta.org
- Contact the National Foundation for Credit Counseling to locate a Consumer Credit Counseling Service (CCCS) in your area
- Call 1-800-388-2227
- Visit their website at www.nfcc.org

GET A COPY OF YOUR CREDIT REPORT

Contact the companies below for a copy of your credit report. A fee may apply.

Equifax:

(800) 685-1111

www.equifax.com/

TransUnion:

(800) 888-4213

www.tuc.com/Personal/PersonalSolutions.asp

Experian: (formerly TRW):

(800) 422-4879

www.experian.com/consumer/index.html?ushome

GET A COPY OF YOUR CREDIT SCORE

My FICO:

<http://www.myfico.com/>

Note: Insurance Bureau Scores are not available for purchase at this time from FICO.

Using Credit Wisely

According to Gerri Detweiler, author of the Ultimate Credit Handbook, www.ultimatecredit.com, and Educational Advisor to Myvesta.org, consumers today have countless choices when making credit decisions. Using credit wisely is the best financial strategy for maintaining a healthy credit profile. Sometimes life changes may hurt your credit profile. She recommends these tips that can help reshape it.

TIPS FOR RESHAPING YOUR CREDIT PROFILE

- Give yourself at least a full year to improve it
- Pay bills early to avoid late payments
- Avoid frequent requests for new credit
- Obtain a copy of your credit report, check and dispute errors
- Avoid "credit surfing" (frequently shifting credit card balances to low-rate cards)
- Keep 2-4 credit card accounts open to maintain a healthy credit score
- Don't exceed credit limits or carry high balances
- Settle tax liens or judgements



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WIC Consumer Hotline at 1-800-664-4942

<http://www.wiconline.org/>

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