

Insurance Scoring At A Glance

What is an Insurance Bureau Score, and where does it come from?

An Insurance Bureau Score is a snapshot of a consumer's insurance risk picture at a particular point in time based on credit report information.

Credit report information used in insurance scoring comes from:

- ❖ Outstanding debt
- ❖ Length of credit history
- ❖ Late payments, collections, bankruptcies
- ❖ New applications for credit
- ❖ Type of credit in use

U.S. law is very specific about what should not go into an Insurance Bureau Score. The following information is prohibited and not used:

- | | |
|------------------|---------------|
| ❖ Ethnic Group | ❖ Nationality |
| ❖ Religion | ❖ Age |
| ❖ Gender | ❖ Income |
| ❖ Marital Status | ❖ Address |

Why do insurance companies use Insurance Bureau Scores?

Tests by insurance companies and a major consulting firm compared Insurance Bureau Scores against the claims history of policyholders. The tests demonstrated the scores do predict the likelihood of claims. Good scores can allow insurance companies to give lower rates to customers when other factors like type of vehicles and driving record would normally require higher rates.

How can I find out my Insurance Score?

Only insurance companies have access to Insurance Bureau Scores. However, your agent or insurance company can tell you your score and the reasons behind it.

How can I improve Insurance Score?

One way to improve your insurance score is to improve your credit report. You can do this by:

- ❖ Paying bills on time.
- ❖ Keeping balances low on unsecured revolving debt like credit cards.
- ❖ Applying for and opening new credit accounts only as needed.

What if the information on my credit report is incorrect?

If you find errors in your credit report, you should report them to the credit bureau. By law, the bureau must investigate and respond to you within 30 days. To order a copy of your credit report, call any of these toll free numbers. Some fees may apply. Alternatively, you can go to their web site and find more information there on how to obtain your credit report.

Credit Bureau	Toll Free Number	Credit Bureau Web Site
Equifax:	1-800-685-1111	http://www.equifax.com
Trans Union:	1-800-888-4213	http://www.transunion.com
Experian:	1-800-422-4879	http://www.experian.com

Also, you are entitled to obtain a free credit report annually. You can order online at <http://www.annualcreditreport.com>, or by calling 1-877-322-8228. If you'd prefer, you can mail a request to:
Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

For frequently asked questions about this annual free credit report, visit <https://www.annualcreditreport.com/cra/helpfaq> for more information.

Insurance Scoring Facts and Fallacies

FALLACY: With scoring, computers are making the underwriting decisions.

FACT! Computers don't make underwriting decisions, people do. While a computer does calculate Insurance Bureau Scores, the score is only one of several pieces of information that underwriters use to help make a decision on new and renewal policies. Some insurance companies use scores to help them decide when to ask for more information from the applicant.

FALLACY: A poor score will haunt me forever.

FACT! Just the opposite is true. An Insurance Bureau Score is a snapshot of your insurance risk picture at a particular point in time. Your score changes as new information is added to your credit bureau file. Over time, your score changes gradually as you change the way you handle your credit responsibilities. Because recent credit information is more predictive than older information, past credit problems will impact your score less as time passes. Insurance companies typically request a current score when you submit a new application so they have the most recent information available.

FALLACY: Insurance Bureau Scores are unfair to minorities.

FACT! Insurance Bureau Scores do not consider ethnic group, religion, gender, marital status, nationality, age, income or address. Only credit-related information is included and its use is governed by the Fair Credit Reporting Act (FCRA) and Equal Credit Opportunity Act (ECOA). Insurance Bureau Scores have proven to be an accurate and consistent measure of insurance risk for all people who have some credit history. In other words, at a given score both non-minority and minority applicants present an equal level of insurance risk, or the likelihood of future insurance claims.

FALLACY: Scoring is an invasion of my privacy.

FACT! Insurance companies have used consumer credit information to assist in their underwriting decision since the FCRA was enacted in 1970. An Insurance Bureau Score is simply a number that provides an objective and consistent summary of credit information. In fact, by using scores, some insurance don't need to ask for as much information on their application forms.

FALLACY: My Insurance Bureau Score will be hurt if I contact several insurance companies who each access my credit report.

FACT! Insurance company requests or “Inquires” are not considered by Insurance Bureau Scores and will not affect your score.

Some content obtained from Mutual of Enumclaw Insurance Company