ANSWERS

to Your Questions About Insurance Bureau Scores

[1] WHAT IS AN INSURANCE BUREAU SCORE?

YOUR SCORE WILL IMPROVE OVER TIME THROUGH A PATTERN OF RESPONSIBLE CREDIT USE.

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. Insurers use Insurance Bureau Scores along with motor vehicle records, loss reports or application information to evaluate new and renewal auto and homeowner insurance policies. It helps them decide, "If we accept this applicant or renew this policy, will we likely be exposed to more losses than our collected premiums will allow us to handle?"

Insurance Bureau Scores are based solely on information in consumer credit reports. The scores are dynamic, changing as new information is added to a consumer's credit report. Insurers will typically ask for a current score when they receive a new application for insurance so they have the most recent information available.

[2] WHERE DO INSURANCE BUREAU SCORES COME FROM?

Insurance Bureau Scores are based on information from consumer credit reports that insurers get from the three major credit bureaus: Equifax, Experian (formerly known as TRW) and Trans Union. Information used in scoring includes:

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

AN INSURANCE BUREAU SCORE IS A SNAPSHOT OF YOUR INSURANCE RISK PICTURE AT A PARTICULAR POINT IN TIME BASED ON CREDIT REPORT INFORMATION.

[3] WHAT'S NOT INCLUDED IN AN INSURANCE BUREAU SCORE?

Insurance Bureau Scores do not use the following information:

- Ethnic group
- Religion
- Gender
- Familial Status
- Handicap
- Nationality
- Age
- Marital Status
- Income
- Address

REVIEW YOUR CREDIT REPORTS ONCE A YEAR AND REPORT ANY ERRORS TO THE CREDIT BUREAUS.

[4] WHY DO INSURANCE COMPANIES USE INSURANCE BUREAU SCORES?

Insurance companies use scores to help them issue new and renewal insurance policies. Insurance Bureau Scores provide an objective, accurate and consistent tool that insurers use with other applicant information to better anticipate claims, while streamlining the decision process so they can issue policies more efficiently. By better anticipating claims, insurers can better control risk, enabling them to offer insurance coverage to more consumers at a fairer cost.

INSURANCE BUREAU SCORES PROVIDE UNDERWRITERS AN OBJECTIVE, ACCURATE AND CONSISTENT TOOL THAT, USED WITH OTHER UNDERWRITING INFORMATION, HELPS THEM ISSUE NEW AND RENEWAL INSURANCE POLICIES.

[5] HOW DO YOU KNOW IT WORKS?

Independent tests by insurance companies and a major consulting firm compared Insurance Bureau Scores against the claims history of policyholders. The tests demonstrated that the scores do predict the likelihood of claims.

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[6] HOW CAN I FIND OUT MY SCORE?

While you can get copies of your credit reports from credit bureaus, only insurance companies can get Insurance Bureau Scores. However, your insurance company or its agent can tell you the main reasons behind your score.

Keep in mind that your score is one of many pieces of information an underwriter uses to review a policy. Factors like motor vehicle reports and application information also impact an insurer's decision. Also, remember that the score changes as new information is added to your credit report.

[7] HOW CAN I IMPROVE MY SCORE?

An Insurance Bureau Score is a snapshot of your insurance risk picture based on information in your credit report that reflects your credit payment patterns over time, with more emphasis on recent information. To improve a score, you should:

- Pay bills on time. Delinquent payments and collections can have a major negative impact on a score.
- Keep balances low on unsecured revolving debt like credit cards. High outstanding debt can affect a score.
- Apply for and open new credit accounts only as needed.

You can increase your score over time by using credit responsibly. It's also a good idea to periodically obtain a copy of your credit reports from the three major credit bureaus to check for any inaccuracies.

[8] WHAT IF I AM TURNED DOWN FOR INSURANCE?

If consumer credit information played a role in an insurer's decision to decline your insurance policy, the federal Fair Credit Reporting Act (FCRA) requires that the insurer tell you, and give you the name of the credit bureau that provided the information. In these situations, you are entitled by law to receive a free copy of your credit report to review, in order to help you understand how to better manage your credit or to challenge any errors that might appear on your report.

[9] WHAT IF THE INFORMATION IN MY CREDIT REPORT IS WRONG?

If you find errors in your credit report, you should report the errors to the credit bureau. By law, the credit bureau must investigate and respond to your request within 30 days. If you are in the process of applying for an insurance policy, you should immediately notify your insurance company about any incorrect information in your report. Small errors may have little or no affect on the score. If there are significant errors, the insurance company may choose to disregard the score and rely more on other underwriting information to make a decision on your application.

Make sure the information in your credit report is correct by reviewing your credit report from each credit bureau at least once a year. Call these numbers to order a copy (*a fee may be required*):

Equifax: (800) 685-1111
Trans Union: (800) 888-4213
Experian (*formerly TRW*): (888) 397-3742

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 an Insurance Bureau Score, 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 FCRA and Equal Credit Opportunity Act.

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 decisions since the FCRA was enacted in 1970. An Insurance Bureau Score is simply a number that provides an objective and consistent summary of that credit information. In fact, by using scores, some insurance companies 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 "inquiries" are not considered by Insurance Bureau Scores and will not affect your score.

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