

Credit And Insurance: It Can Benefit You

What does my credit have to do with my home and auto insurance?

Independent studies have proven a strong connection between a person's credit history and an individual's likelihood of filing a claim. People who use credit wisely are generally responsible in other areas of their lives. Those with better insurance scores tend to have fewer and less expensive claims.

Why do insurance companies use credit in decision making?

To make fair and objective decisions, insurance companies need a lot of information. Credit history provides a tool that does not discriminate against any specific group of customers.



Why don't insurance companies just look at my driving record and claims history?

There are many traditional risk factors used to determine the cost of insurance. For example, most people think that insurance companies can obtain all the information they need from state motor vehicle departments. However, a recent study indicated that one in five traffic violations may not appear on a Motor Vehicle Record (MVR). Credit information is generally more accurate and works to the advantage of most policyholders.

How does the use of credit benefit me?

Insurance scoring allows insurance companies to offer discounts to consumers who have managed their assets well. Two-thirds of policyholders have a lower premium because of good credit.

What is an insurance score?

Developed from information contained in your credit report, an insurance score provides a numeric assessment of your credit risk. It reflects credit payment patterns, outstanding debt, length of credit history, types of credit and number of new applications for credit. Insurance companies consider only those items that are relevant to insurance loss potential. Unlike a lender, an insurance company is not assessing your income and debt. They are evaluating how you manage your assets and credit.



Can I be denied insurance based on my credit?

In Michigan, state law prohibits insurance companies from refusing to insure you based on your credit information. Insurance companies here can use credit information to provide discounts.

How is my privacy protected?

Access to specific credit information is very limited. Most insurance companies only get the score, not the information that went into developing it. All companies must follow the Fair Credit Reporting Act and state laws that apply to the use of credit information. These measures ensure there is confidentiality, accuracy and a legitimate need for the information.

Does the use of insurance scores discriminate against certain people?

Insurance scores are objective tools. They do not discriminate against any ethnic or income groups. Information such as a person's age, ethnic group, religion, gender or marital status is not factored into

credit-based insurance scores. A study by the American Insurance Association found that the average credit-based insurance score for people making \$25,000 a year is about the same as for those making \$100,000.

Are insurance scores reliable?

The Consumer Data Industry Association reports that less than 1 percent of all credit report challenges result in a change once the inquiry has been fully investigated.

What if there is a mistake in my credit report?

Credit reports are generally very accurate; however, mistakes do happen. If you discover an error on your report, contact the reporting agency to have it corrected. To make sure that your credit report is accurate, review it from each 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) 888-1213, and Experian (888) 397-3742.



What can I do to improve my score?

You can improve your insurance scores over time by using credit responsibly. Make sure you pay bills on time, keep balances low and apply for and open new credit accounts only as needed.

● Most people benefit from insurance scoring

● Insurance scores are reliable

● Insurance scoring can help make insurance affordable

● Two-thirds of policyholders pay less because of insurance scoring

● It increases competition in the insurance industry.

Know Your Credit



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You can improve your insurance scores over time by using credit responsibly. It is important to pay your pay bills on time, keep balances low and apply for and open new credit accounts only as needed.



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Understanding Credit and Your Insurance

It's Easy As A,B,C

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