



Insurance Score vs. Credit Score

I've heard the term "insurance score" before. Is this the same thing as a credit score?

The two are related in that both scores utilize information from your credit file with one of the major credit bureaus. The vendor or insurer developing your Insurance Score uses this data along with data from other sources like Motor Vehicle Records from the DMV and past claims information from the CLUE system (Comprehensive Loss Underwriting Exchange) to produce your score. The insurance company uses this score along with other factors to help them determine eligibility for and pricing of their offer to insure you.

Will this process affect my current credit score in any way?

No. When the report is run, it is merely seeing the type of credit history you have & how best to price your insurance. It's a "soft hit" and invisible to existing creditors & prospective lenders.

Is it legal for an insurance company to look at my credit information?

Yes. The Fair Credit Reporting Act (FCRA) states this in Section 604 "Permissible purposes of consumer reports [15 U.S.C. § 1681b]" which can be found on page ten of this document.

What kinds of credit information are the insurance companies using?

Major negative items (bankruptcy, foreclosures, liens), payment history, length of credit, credit inquiries, number of lines, and outstanding debt are all potential parts of the credit report and eligible for consideration.

Why are insurance companies using credit information?

Most companies believe that there is a correlation between financial stability and risk adversity. Individuals with better credit are presumed to be better potential customers who would pay their bills on time & take better care when making decisions and taking care of their insured property. These characteristics would, in turn, lead to better loss ratios for the insurance company and therefore justify lower overall rates for individuals with the best insurance scores.

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