

Insurance Score vs. Credit Score

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

Close. The Insurance Score includes the soft hit of the credit report but includes things like Motor Vehicle Records to see driving history and CLUE (Comprehensive Loss Underwriting Exchange) reports to see any prior home / auto loss history. The insurance company needs to know who they are taking on as a risk; these items help them make the eligibility, pricing, and offer of insurance more accurate for both you and them.

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. This is the same if you were applying for a mortgage, buying a car, or submitting an application for renting an apartment.

Why are insurance companies using credit information?

Many companies believe that there is a correlation between financial stability and risk adversity. Individuals with better credit are presumed to be a customer who would pay their bills on time & likely weigh the pro's and con's of submitting an insurance claim, leading to better loss ratios for the insurance company. As such, the eligibility / pricing could change for an insurable risk if credit was found to be less than ideal.

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