Understanding Insurance Scores

Studies have shown a strong correlation between a consumer's financial history and his or her future insurance loss potential. As a result, insurance companies use credit information to underwrite and rate applicants at a cost that reflects their anticipated chance of loss.

Insurance scores provide an objective tool that insurers use along with other applicant information to predict the likelihood of a consumer filing claims. By accurately predicting the likelihood of future claims, insurers can better control risk and price that risk accordingly.

Insurance Score or Credit Score?

A credit score is based on your ability to repay amounts you have borrowed. An insurance score predicts the likelihood of you becoming involved in a future accident or insurance claim — it is based on information gathered from policyholders with similar credit characteristics who have had previous claims with us.

When banks and other lenders determine credit scores, they may factor in your income, job history, and other matters that might affect your ability to repay a loan. Banks also can deny you a loan based on your credit score. Insurance companies do not take into account a consumer's income or job history. It is not uncommon for an insurance score to be quite different from a credit score. An insurance company only considers those items on a credit report that are predictive of the potential for future loss.

What credit factors can affect an insurance score?

Favorable credit factors that gives the best ratings to consumers with a limited number accounts that are long-established, no late payments or past due accounts, and low use of available credit. Unfavorable credit factures include collection accounts, numerous past-due accounts, high use of available credit, and recent credit applications.