



## Credit-based insurance scoring

What you need to know



### American Family wants you to be an informed customer

Chances are, you probably have heard about the use of credit information in determining insurance rates. This practice, known as credit-based insurance scoring, is now very common in the insurance industry. It helps insurers like American Family make sure customers receive a more accurate price.

We know you are concerned about the cost of your insurance. That's why American Family looks for new ways to help ensure that you pay the rate that best matches your individual insurance characteristics.



## Important facts about American Family's use of credit information

### *What is a credit-based insurance score?*

A credit-based insurance score provides an assessment of your insurance risk at a particular point in time. Only credit-related information is used in determining a credit-based insurance score. This information reflects credit management patterns. Keep in mind, insurers are only interested in how well you manage credit rather than how much money you make.

### *Why is American Family interested in my credit-based insurance score?*

Credit information and insurance have a strong connection because insurers have discovered an individual's credit information helps predict how often he or she is likely to file claims, and how expensive those claims might be. In fact, studies have found consumers with lower credit-based insurance scores were up to twice as likely to file an insurance claim as those with more favorable scores. Researchers believe that a connection may exist because people who are financially prudent tend to demonstrate the same level of responsibility in other aspects of their lives.

### *How will American Family use my credit-based insurance score?*

American Family uses your credit-based insurance score to evaluate the risk on your property policy(ies), and auto policy(ies) if applicable in your state. It is used as one of

many factors in determining the rate for insurance policies. We will not use credit information to determine eligibility.

***What kinds of credit information are used by American Family?***

American Family contracts with a third party vendor, TransUnion, to use a proprietary scoring model developed by Fair Isaac to determine our customers' credit-based insurance score. The score is developed from specific credit information, such as payment history, outstanding debt, credit history length, pursuit of new credit and credit mix.

***How will American Family treat customers who have little or no credit history?***

Most states have laws governing how consumers with little or no credit history must be treated. If a consumer lacks sufficient credit history for rating purposes, American Family will treat the customer neutrally with respect to credit.

***Will American Family's request for my credit report affect my credit-based insurance score?***

American Family's request to view a customer's credit score for insurance rating purposes will be considered a "soft inquiry." This means consumers will see American Family listed on their credit reports, but our inquiry won't influence customers' credit-based insurance scores in any way.

**General facts provided by Property Casualty Insurers Association of America (PCI) about the use of credit information for insurance purposes**

***What's not included?***

Only credit-related information is used in determining a credit-based insurance score. The Equal Credit Opportunity Act prohibits the use of race, religion, gender, marital status and birthplace in determining an insurance score.

***Insurance scores are not the same as credit scores***

Although both scores use credit information, insurance scores are developed by using a unique mathematical formula that helps insurers predict the likelihood of insurance claims being filed.

***Consumers benefit regardless of income or race***

A study by a major insurance company shows great similarity in the average insurance score for all income groups, as well as for people living in rural, urban and suburban areas. Remember, factors such as income and race are not used to calculate an insurance score. This tool is designed to examine credit management patterns and provides an objective tool for decision-making. The information insurers receive is based solely on credit-related material.

***Who can I contact to find out more information about my credit report and/or credit-based insurance score?***

Credit reporting agencies maintain your credit report. American Family has contracted with the credit reporting agency TransUnion to provide credit-based insurance scores.

- For a copy of your report from TransUnion, call 888-780-4854 or
- Log onto TransUnion's website at [www.transunion.com](http://www.transunion.com).
- To contact TransUnion in writing, address your letter to:  
TransUnion  
P.O. Box 2000  
Chester, PA 19022

For more information about how American Family uses credit, contact your agent or visit [www.amfam.com](http://www.amfam.com).

***The bottom line – credit-based insurance scoring works!***

- It is an accurate predictor of future claim filing.
- It allows American Family to charge people appropriately based on their level of risk of filing future claims.

Some information in this brochure was provided by Property Casualty Insurers Association of America (PCI).



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