

CREDIT-BASED INSURANCE

Important facts

about American Family's use of credit information.

Credit-based insurance scoring is common in the insurance industry. In states that allow it, it helps insurers like American Family accurately assess a customer's risk.

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. It is comprised of information from your credit report that helps American Family forecast how likely it is that you will have a future claim.

Why is American Family interested in your 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.*

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

What is included in a credit-based insurance score?

- **Payment History**
For example: credit cards, retail accounts, installment loans, mortgages, etc.
- **Amounts owed**
Total amount owed on all accounts listed on your credit report
- **Average age of accounts listed on your credit report**
- **Number of applications for new credit and accounts opened in the past 12 months**
- **Types of accounts listed on your credit report**
For example: bankcard, auto loan, mortgage, etc.



What's not included in a credit-based insurance score?

Some examples of personal information not used in the calculation of a credit-based insurance score are:

- Race
- Religion
- Gender
- Marital status
- Birthplace
- Age
- Employment information
- Any other information that is not found in your credit report

How will American Family use credit-based insurance scores?

American Family uses a credit-based insurance score as one of many factors in determining the rate for Personal Lines insurance policies in states that allow it. We will not use credit information to determine eligibility.

Where does American Family obtain credit information?

TransUnion, a third party vendor, provides American Family with a credit-based insurance score using a proprietary scoring model developed by Fair Isaac.

What does American Family do when a customer has little or no credit history?

American Family will not refuse a customer due to their lack of credit history and has procedures in place to appropriately assess their risk.

How does American Family using a credit-based insurance score impact my credit?

Your credit report will list American Family in the inquiry portion of the report, but it will not negatively impact your credit.

What is the difference between a Credit Score and a Credit-Based Insurance Score?

Each score evaluates information from an individual's credit report; however, the score calculation varies based on the use of the score.

Credit Score:

Used by lending institutions to determine how likely the consumer is to pay back the debt and at what interest rate.

Credit-Based Insurance Score:

Used by insurance companies to assess how likely the consumer is to file a claim and is used with other factors to determine a consumer's rate.



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. For a copy of your report, contact:

TransUnion PO Box 2000 Chester, PA 19022 | (888) 780-4854 | www.transunion.com

5 tips for Improving Your Credit Score

1. Check (and manage) your credit report.

Visit www.annualcreditreport.com or call **877-322-8228** to obtain a free credit report, and check it for accuracy. If you find errors, contact the credit reporting company in writing to identify what needs to be corrected. Visit the Federal Trade Commission at www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports for details on disputing credit report errors.

2. Pay on time. Paying your bills on time is one of the most important ways to improve your credit score. Setting up automatic payments from your bank account can help you stay on schedule, but remember to keep enough money in the bank to avoid overdrawing.

3. Pay down debt. Paying down debt often is easier said than done, but reducing your credit card debt, along with paying off student loans or mortgages can help raise your credit score.

4. Keep below your credit card limits. The amount you owe compared to your credit limit typically has a big impact on your credit score. If your monthly credit card debt usually is close to your credit limit, it can negatively affect your score — even if you pay off your credit card bills right on time. Try charging less each month to stay well below your credit limits.

5. Don't apply for too much too fast. Applying for a number of new credit cards might seem tempting, especially if you're trying to increase your available credit, but it could lower your credit score. Avoid opening too many accounts too quickly. It's better to gradually establish new accounts and pay them off regularly.

For more information about how American Family use's credit, contact us at 1-866-328-9577.

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