



What is Insurance Scoring?

You probably take for granted that when you apply for a loan, a bank will assess your credit score to determine the amount of risk they'll be taking in lending you money. Similarly, an insurance company reviews your insurance score to help determine the amount of risk they'll be taking in issuing you a policy.

While insurance scores and credit scores are both based on credit reports, insurance scores are calculated using different variables than those used to calculate credit scores. For example, driver age is a common variable used to determine risk in auto policies. Because younger drivers, as a group, have more accidents and claims than more experienced drivers, they are a greater risk and therefore, must pay a higher rate. Similarly, those with lower insurance scores tend to have more claims than those with higher scores; therefore, those with lower insurance scores pose a greater risk as a group. As with all classification systems, individual performance may vary from that of the group.

Grange considers approximately 15 factors so that one adverse item does not affect your insurance score. A thorough examination of these factors includes analyzing account information (e.g. number of accounts, how they've been established and account characteristics), adverse public records (e.g. bankruptcies, foreclosures, liens, and garnishments) and inquiries. This objective measure has proven to be an indicator of characteristics such as responsibility and stability, which generally have shown to affect the likelihood of filing insurance claims and the amounts of those claims.

Facts about insurance scoring

There is no doubt that insurance scoring is a statistically valid tool. Since insurance scoring was introduced, Grange's results reflect that the tool does predict the likelihood of claims. Here are some additional facts about insurance scoring.

- Insurance scoring is fair to all consumers. Studies have shown that all socio-economic levels include people with good insurance scores and people with poor insurance scores.
- Insurance inquiries do not affect your score. When you apply for credit (e.g. auto loan, credit card), an inquiry appears on your credit report that shows a creditor requested your credit score. This type of inquiry affects your credit score. Insurance scores are different than credit scores and an inquiry from an insurance company does not affect your credit score.
- Underwriting becomes more accurate. Insurance scoring adds another level of sophistication to the underwriting process. In the past, many insurance companies have relied on underwriters to make objective judgments about risk characteristics to determine eligibility and premiums. Insurance scoring, an objective evaluation, allows the same factors to be weighed consistently for every customer.

- Steps can be taken to eliminate errors. The Fair Credit Reporting Act and the Fair and Accurate Transactions Act of 2003 protects consumers by prohibiting insurers from using erroneous information contained in their credit report. A process has been established that requires customers to be notified of any adverse action as a result of the information contained within their credit report. In addition, customers can obtain a free copy of their credit report and have the right to dispute the accuracy or completeness of any information contained within their credit report.
- Insurance scoring can lower your premiums. Grange uses insurance scoring to determine proper pricing for each customer. Grange does not use insurance scores to disqualify customers or reject business.

About Grange

Grange Insurance, with \$2 billion in assets and in excess of \$1 billion in annual revenue, is an insurance provider based in Columbus, Ohio. Through its network of independent agents, Grange offers auto, home, life and business insurance protection. Established in 1935, the company and its affiliates serve policyholders in Georgia, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and Wisconsin. For more information, visit grangeinsurance.com.

Review your credit score

Periodically obtain copies and review your credit report for accuracy.

Your privacy

The only personal information included with insurance score inquiries is your name, current and previous addresses, Social Security number, and date of birth. This is the same information that is collected when you apply for a policy.

