

HOW CREDIT RELATES TO INSURANCE: A FACT SHEET FOR PENNSYLVANIA CONSUMERS

Brought to you by the Pennsylvania Insurance Department

What is a credit report?

A **credit report** is specific information relating to a consumer's use of credit. It contains things like where you live, how your bills are paid, the amount of your outstanding debt, the length of your credit history and whether there have been any legal actions such as financial judgements, tax liens or bankruptcy filings.

Each insurance company uses the factors of your credit report differently, so it's important to shop around for the best price for your policy. Also, if your insurance company or agent tells you that you have not qualified for their best insurance rate because of your credit score, ask what that means, exactly. You do want to be sure they have your most up-to-date credit information, and you also want to understand how they are using it.

What is a credit score?

A **credit score** is a number based on your credit history that ranks your credit worthiness. The factors in your credit report are multiplied and divided many ways to result in your credit score.

Can I get a copy of my credit report?

Yes. A good way to keep tabs on your credit information is to review your credit report from all three credit bureaus. Dispute anything that you find

incorrect -- there is no penalty for disputing incorrect information!

There are three different credit reporting agencies or "credit bureaus." Some creditors report to only one bureau, while others may report to more than one.

What is an insurance score?

Companies find **insurance scores** to be a good measure of your likelihood for filing property or casualty insurance claims. They are not the same as your credit score, but they are similar. Insurance scores help companies decide if you qualify for insurance and the initial rate they should charge you.



To make sure your report stays correct, you may consider ordering one free credit report every four months and alternate your requests from each company. You can now obtain your credit report free of charge.

In Pennsylvania, companies may use your insurance score at the initial time your policy is underwritten and may use it at the time of renewal to decrease your premium. Insurance scores cannot be used to increase your insurance premium at the time of renewal.

You can contact credit bureaus individually, or you can get a report from all three at once through the website: www.annualcreditreport.com.

Insurance companies may review your credit score when deciding whether or not to insure your home or vehicle. The higher your credit score, the lower the risk you are to an insurance company.

Did you know ...

Insurance scores depend on, but are not limited to:

- Payment history for credit cards, loans, mortgages, bankruptcies, liens, any past due payments or collection activity. It will also include accounts paid on time.
- Current debt levels
- Credit history
- New Credit
- Types of Credit