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**FOR IMMEDIATE RELEASE**

## **Credit Rating Can Affect Insurance Coverage For Wisconsin Consumers**

### *How Credit Information Can Affect Insurance Premiums*

MADISON, Wisconsin (January 2004) – Many Wisconsin consumers are unaware that their credit information may be used by insurance companies to determine insurance premiums or to issue, renew or decline insurance policies.

An increasing number of personal, auto and homeowners insurance companies are using consumer credit information as a key factor in determining insurance coverage. Research indicates that there is a direct link between financial health and insurance claims. For example, consumers with a good credit rating are likely to have fewer, less costly claims and as a result, are viewed as better risks by insurance companies. Consumers who are less fiscally responsible have more claims that cost more and as a result, may pay more for insurance.

Is this legal? “Yes it is,” says Ron Von Haden, Executive Vice President of the Professional Insurance Agents of Wisconsin (PIAW).

“The Fair Credit Reporting Act allows insurance companies to access credit information without permission from the consumer because they are requesting an insurance quote or policy,” says Von Haden. “Although this is a federal law, insurance companies must also comply with state insurance laws in how they apply this credit information.”

“In Wisconsin, state law prohibits insurance companies from using credit information as the sole factor in declining coverage or not renewing a policy,” states Von Haden. “However, it’s important for consumers to be aware that their credit can affect their insurance coverage.”

Here are some tips to help Wisconsin consumers navigate this credit scoring trend:

- Insurance companies use credit information such as bankruptcy, collections, foreclosures, payment history, length of credit history, home ownership, number of credit applications, number of open credit lines, types of credit in use and outstanding debt.
- Insurance companies must advise consumers if their credit rating has adversely affected insurance coverage. This includes an increase in rates, the cancellation of policies or denial of coverage. In addition, consumers must be informed which national credit bureau supplied the adverse information. (The credit report may be supplied at no cost.)
- It's a good idea to obtain annual credit reports from all three credit bureaus. This will help ensure there are no errors or if there are, they can be caught before they become big problems. These credit reports can be obtained annually for a modest fee. The three national credit bureaus are Equifax ([www.credit.equifax.com](http://www.credit.equifax.com) or 800-685-1111), Experian ([www.experian.com](http://www.experian.com) or 888-397-3742) and TransUnion ([www.transunion.com](http://www.transunion.com) or 800-888-4213).
- Educate yourself about the use of credit information. Ask your agent or insurance company if they have educational materials about their use of credit information. Contact the Federal Trade Commission for their consumer brochures on credit by calling 1-877-382-4357 or via the web at [www.ftc.gov](http://www.ftc.gov). Contact Wisconsin's Office of the Commissioner of Insurance at 1-800-236-8517 or via the web at [www.oci.wi.gov](http://www.oci.wi.gov).

The PIA of Wisconsin represents over 500 independent insurance agencies across the state. For more information about credit scoring or to locate a PIA member near you, go to [www.PIAW.org](http://www.PIAW.org).

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