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What Is Insurance Scoring?

Insurance scoring is based on your credit score and the likelihood that you will file an insurance claim within a given period of time in the future. Actuaries have proven a definite correlation between low credit scores and a higher than average incidence of claims. More accurate pricing helps responsible consumers. Without credit scoring most people would be forced to pay more than they should for insurance. Insurance scores are the result of consumer choices.

- φ All of the variables used in the score are the direct result of consumer choices and behaviors.
- φ Scores reflect a pattern of behavior - one or two late pays have a minimal impact on a score.

Most people benefit from insurance scoring because most consumers manage their debt well and therefore have good credit scores.

How are Insurance Scores Assigned?

Credit information received from the three national credit bureaus is incorporated into a "model" developed by each insurance company to determine the individual insurance score for that company. Insurance companies are required to file their underwriting model with the states department of insurance.

Insurance companies and agents only look at the final score and do not examine the details of your credit history. Private and sensitive information is not disclosed to the company or to your agent.

What Determines Your Credit Score?

- 35% Payment history: Have you paid your bills on time? Do public records show that you filed bankruptcy or have been the target of foreclosure, lawsuits, wage attachments, liens or court judgments?
- 30% Debt owed: Owing a lot of money on many accounts may show that you're overextended.

- 15% Credit history length: In general, a longer credit history increases your score.
- 10% New credit/pattern of credit use: Opening several new credit accounts in a short time period reflects a negative pattern of credit use.
- 10% Type of credit in use: Do you have a healthy mix of credit - credit cards, retail accounts, installment loans, a mortgage loan?

Negative impacts on credit score:

- Late payments
- High outstanding debt
- Tax liens
- Short credit history
- Too many credits cards
- High credit limits
- Bankruptcies
- Judgments
- Foreclosures & Lawsuits
- Numerous address & job changes
- Wage attachments
- New applications for credit (consumer initiated)

Credit score does not include:

- Race
- Color
- Religion
- Sex
- National origin
- Marital status
- Age
- Salary
- Occupation
- Employer
- Date employed
- Employment history
- Insurance or employment inquires
- Where you live
- Disabilities

What You Can Do To Maintain A Good Score?

- Pay bills on time
- Keep balances low on unsecured revolving debt (credit cards)
- Apply for new cards only as needed (avoid carrying excess cards)
- Close old unused accounts
- Keep balances far below the card limit
- Don't move around too much (change your address)
- Don't apply for credit unless you've been at your address for 6 months
- Always pay at least the minimum due
- Don't change jobs frequently
- Have a verifiable address
- Check your credit report and correct any mistakes
- Get "charge offs" removed by paying them back

How Do I Fix My Credit Score?

- Don't try to "Quick Fix" your credit overnight, or you could end up hurting your score
- Do create a plan that will improve your credit over time
- Pay your bills on time (preferably more than the minimum due, on time, every month)
- Keep credit balances low, especially on revolving debt - like credit cards
- Apply for new credit cards sparingly
- Keep at it
Your snapshot will improve over time if you make changes now and continue to improve

If you show good credit behavior over time your credit score may improve as a result.

What If I Find An Error On My Report?

If you find errors in your credit report, advise the credit bureau. Within five days after the data has been verified, changed or deleted, the consumer reporting agency must send the consumer a response describing what action has been taken. If the information has been changed or deleted, the consumer will also receive notice of the revisions to the credit report. The entire process is usually completed in less than 30 days.

If after reinvestigation the dispute still exists, the consumer may add a statement of 100 words or less, to the credit report. That statement will be re-reported each time the disputed information is reported again.

Once errors are removed or corrected it's a good idea to obtain a new copy of your credit report several months later and make sure the incorrect or erroneous information hasn't been reported.

It can take as long as 60 days to clean up your credit score.

Wait until accounts are closed and investigations and disputes are complete before applying for new credit.