

# More than A Score

## Unlocking the Mystery of the Insurance Score

### WHAT IS AN INSURANCE SCORE?

- An insurance score is a version of a credit score.
- It's derived from information on a credit report.
- Creditors use credit scores to determine how likely a person is to pay their bills.
- Insurance companies use insurance scores to predict how likely a policyholder is to file a claim.

### WHAT'S THE CONNECTION BETWEEN CREDIT AND INSURANCE?

- Statistical research shows a correlation of certain credit behavior to an increase in claim activity.
- We verified the same trend in our loss experience as it relates to insurance scores.
- We base our insurance score discounts on our loss experience in the different insurance score ranges.

### WHAT'S THE SIGNIFICANCE OF THE SCORE?

- Credit reports are provided to lenders and insurance companies by major credit reporting agencies—Experian, Equifax and TransUnion.
- Companies like ChoicePoint, TransUnion and Equifax develop a “score” based on information in a credit report.
- The score provides a quick, consistent analysis of credit behavior, which correlates with loss experience.



### WHAT KINDS OF CREDIT BEHAVIOR CORRELATE WITH LOSS EXPERIENCE?

- **Payment History**—Have payments been made on time? Any bankruptcies? Have accounts been sent to a collection agency? Responsible payment practices improve credit and insurance scores.
- **Amounts Owed**—Credit accounts with high balances may indicate a person is overextended.
- **Length of Credit History**—Longer credit histories increase scores. They shed more light on someone's ability to maintain responsible payment practices.
- **Types of Credit in Use**—A variety of credit accounts is good (credit cards, a mortgage, car loans, etc.) as long as there aren't too many. However, accounts with finance companies or rent-to-own stores are typically not favorable.

### HOW ARE INSURANCE SCORES ACQUIRED?

Only authorized independent Frankenmuth Insurance agents and company personnel can order Insurance Scores and only with information provided by current or prospective policyholders.

Our request generates a score and its associated premium adjustment; agents and Frankenmuth Insurance personnel do not have access to actual credit reports. We also receive the four characteristics which had the most influence on determining the insurance score, identified as codes. If you are not eligible for our best discount, these codes are provided on the Consumer Information Notice sent with your policy declaration the first time the score is used in your premium calculation. You may review expanded explanations of these codes by using the search feature on our website (below the link you selected to read this page).