

What does credit history have to do with auto insurance?

Credit history has been proven to be a very powerful and independent predictor of future accidents. The use of credit history provides an additional predictive factor, one not offered by other variables generally used by insurance companies (i.e., driving record, vehicle type, gender, age, etc.). This is supported by data from The Progressive Group of Insurance Companies (Progressive) and research by a number of groups, including Fair, Isaac, a 2003 study by the University of Texas, and a 1999 study by the Virginia Bureau of Insurance which found that "...in every case where insurers have proposed to use credit scoring as a rating factor and have been able to provide sufficient data to the Bureau's actuaries, the use of credit scoring has been found to be statistically correlated to losses." Progressive data also shows that consumers with the worst credit scores are twice as likely to be in an accident than those with the best credit scores.

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Drive Insurance from ProgressiveSM is committed to helping consumers understand how – and why – we use consumer credit reports.

If you have questions regarding Drive Insurance's use of credit in auto insurance, please contact our Credit Information Team at 1-800-876-5411. Here's what the team can do for you:

- Provide a personalized report that explains the information from your credit report that was used in determining your rate and how your insurance credit score compares to the scores of other customers insured with Progressive.
- Provide reasonable exceptions based on prior credit history if your credit is negatively influenced by extraordinary life events, such as catastrophic illness or injury, divorce, death of an immediate family member, or business loss. Other exceptions may be available in your state – contact the Credit Information Team to see whether circumstances not listed may qualify for an exception in your state. These exceptions may allow you to qualify for a better rate with Drive Insurance.

Facts On Using Credit In Auto Insurance

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Drive Insurance's use of credit information lets us offer lower rates to more consumers.

Like many consumers, you may be wondering what your credit information has to do with what you pay for auto insurance. This brochure will help you understand why insurance companies use credit as one factor in underwriting or rating auto insurance policies.

In order to help decide how much to charge for insurance, companies group consumers together based on similar characteristics. For example, drivers in the same age group, of the same gender, or those who live in the same area are grouped together. Other groups include those with similar driving records or vehicles.

Companies then rely on the actual claims experience within these groups to determine what to charge people with characteristics similar to those of the group. Consumers who belong to groups that, as a whole, have been found to be more likely to have accidents generally pay more than consumers in groups less likely to have accidents.

Insurance companies also group consumers based on their credit history because data shows, and a number of studies have proven, that credit history is a good predictor of future accidents. This is not to say that all people with a poor credit history will have an accident. We can't and don't make predictions about any individual but rather about large groups and classifications of people. Another way to think of it is like this: as a group, younger drivers have more accidents so their insurance premiums are higher; but this doesn't mean that all 17-year-olds are bad drivers, just that drivers in that age group are more likely to have accidents so they are charged more for their insurance. It's important to note that we still use other information, like driving record and type of vehicle, to determine insurance rates. But by using information about credit history, in addition to the other information collected, we are able to offer consumers the most accurate rate possible.

Frequently Asked Questions

Q: Why do people with poor credit history generally have more accidents?

A: We don't know for certain. It's been theorized that, on average, people who are more responsible with their finances tend to be more responsible in other areas of their life as well, like driving.

This is not to say that all people with a poor credit history will have an accident. We can't and don't make predictions about any individual but rather about large groups and classifications of people.

Q: Do all insurance companies use credit?

A: According to a 2001 survey by Conning & Co., a Hartford, Connecticut-based research firm, 92 percent of insurers use credit information for underwriting or rating purposes. It's important to note that we use credit history *in addition to* (not in place of) other information, like driving record and type of vehicle, when determining insurance rates.

Q: What type of credit information is used?

A: The factors that we consider in determining your insurance credit score include: length of credit history, number of loans and accounts in good standing, making payments on time, and maintaining low balances relative to the amount of credit available to you.

Q: How does Drive Insurance use credit?

A: We take information from your credit report, assign a value to each factor and add up the values to calculate your credit score.

Favorable credit information results in lower premium. However, because both above average and below average factors are evaluated, you still have the opportunity to get a lower rate even if there are some below average items in your credit history.

Q: Does Drive Insurance check credit history every time a policy renews?

A: In states where it is allowed by law and regulation, we do periodically review policies, including credit history.

Q: If Drive Insurance checks my credit while giving me a quote, will that affect my credit rating?

A: No. The Drive Insurance inquiry will only be visible to you and the credit reporting agency. Other companies viewing your credit report will not see the inquiry.

A few facts about Drive Insurance's use of credit...

- *We never use information about credit history to refuse to insure a consumer or to cancel the policy.*
- *We still consider other information, like driving record and type of vehicle, to determine your rate.*
- *Since we began using credit, we have been able to offer standard and preferred rates — some of our lowest — to more consumers.*

Q: Is the credit score used by Drive Insurance the same one used by lenders?

A: No. Lenders review credit reports to determine the risk they are taking when lending money or extending credit. And while we review some of the same types of credit information as lenders, a different formula is used to calculate a score that will help determine the likelihood of a customer having an accident in the future.

Q: Will my agent or broker ever see my credit report?

A: No. Your agent or broker will not see your credit report. Our rating software automatically requests your credit report and uses it, along with other information about you, to calculate your auto insurance rate.

Q: How can I get a copy of my credit report?

A: You may obtain a free copy of your credit report by calling one of the following consumer reporting agencies:

Experian..... 1-888-397-3742
Equifax1-800-685-1111
Trans Union..... 1-800-645-1938

Each may have different information, so it's sometimes a good idea to get a report from each of them.

Drive Insurance or your independent agent or broker will be able to tell you from which credit reporting agency we obtained your credit information. By calling the credit reporting agency directly, you can also learn how to resolve any discrepancies.

Q: What can I do to favorably influence my credit or improve my credit score?

A: Your credit can be favorably influenced by: paying bills on time; keeping credit balances low; avoiding numerous credit applications in a short period of time; and applying only for the credit you need.