

# Public Opinions on Credit Scoring and the Use of Credit-Based Insurance Scores

Insurance Research Council

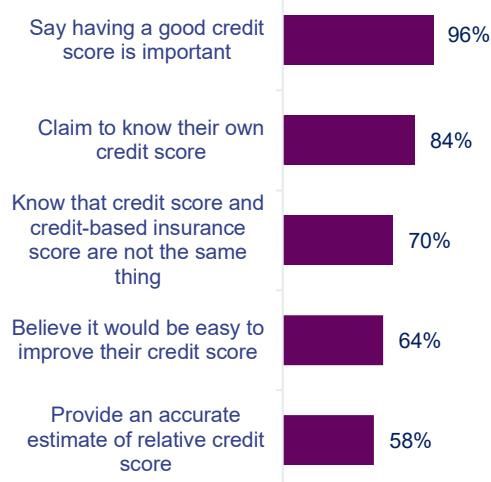
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Accurate pricing of any insurance product depends on estimating the probability of future losses. Auto insurers produce these estimates using a range of different rating variables, including driving record, driver age, the number of miles driven, location, vehicle characteristics, and many other variables that have been statistically proven to predict losses. One rating factor in particular—credit history—has been the subject of significant debate.

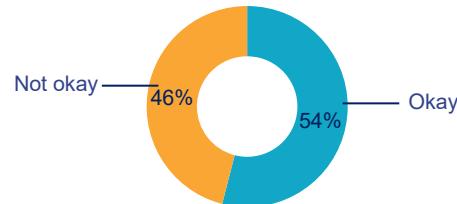
This study examines public attitudes on issues around auto insurance affordability, credit history, and the use of credit history as an insurance rating factor. Through an online survey with more than 7,000 respondents, the Insurance Research Council found that:

- Consumers are generally knowledgeable about credit, credit histories, and credit scores.
- Nearly all believe it is important to maintain good credit history, and the majority believe it would be very or somewhat easy to improve their credit score.
- Consumers see the link between credit history and future bill paying but are less confident about the link between credit history and future insurance claims.
- After reading that many studies have demonstrated its predictive power, most agree with using credit-based insurance scores to rate insurance, especially for drivers with good credit who could benefit.
- Paying for auto insurance does not represent a burden for most households, even among nearly all demographic subgroups.

Consumers report being knowledgeable about measures of credit



Is it ok for insurers to charge different premiums based on a person's credit-based insurance score?



A person who is successful in maintaining a good credit history should benefit from lower insurance costs

