ADVISORY NOTICE TO INSURANCE CONSUMERS

Use of Credit Based Insurance Scores in Underwriting Insurance

This notice is to advise you that Safety Insurance Company, Safety Indemnity Insurance Company, and Safety Property and Casualty Company use credit based insurance scores for our Homeowners and Dwelling Fire insurance policies. Safety requires that a credit report be obtained for all potential new business applicants. For currently insured customers a credit report would be obtained no later than 45 days prior to the policy renewal date. Safety utilizes a third party vendor, LexisNexis Services, Inc. in order to obtain credit based insurance score information about you. In using this information, Safety and its employees fully comply with Safety's Privacy Policy and all applicable state and federal privacy laws and fair credit reporting laws.

LexisNexis obtains credit information from the three major credit bureaus (Experian, Equifax and TransUnion). Upon receipt of this data, LexisNexis calculates a credit based insurance score and provides that score to Safety. The credit based insurance score is used to assess the overall probability of loss, and assists Safety in making an underwriting decision. In some cases, the information provided to Safety by LexisNexis could result in adverse underwriting action. Under such circumstances, Safety complies with applicable federal and state laws and regulations governing the use of credit based insurance scores, including the federal Fair Credit Reporting Act (Public Law 91-508). Safety or its authorized agent will notify you if a credit based insurance score is used to take adverse underwriting action with respect to your application for insurance.

Understanding the Use of Credit Based Insurance Scores for Insurance Underwriting

Why Do Insurers Use Credit Information? Insurance companies use financial history along with other factors to properly classify an insured according to his/her potential risk. Studies have shown a correlation between a consumer's financial history and his/her future insurance loss potential. Thus, Safety uses credit information to assist in underwriting.

What is a Credit Based Insurance Score? A credit based insurance score is a credit-based statistical analysis of a consumer's likelihood of filing an insurance claim within a given period of time in the future. This data can help Safety better assess risk exposure prior to granting insurance coverage. Ultimately, the score predicts the likelihood of certain events occurring.

Why Do Insurers Use Credit Based Insurance Scores? Credit-based insurance scores provide an objective and consistent tool that insurers use along with other applicant information to better predict the likelihood of a consumer filing future claims. By predicting the likelihood of future claims, insurers can control risk, thereby enabling them to offer insurance coverage to more consumers at a fair cost.

What Variables are Used in Generating a Credit Based Insurance Score? Some credit variables that are used include: outstanding debt, length of credit history, late payments, new applications for credit, types of credit used, payment patterns, available credit, public records, and past due amounts. The credit based insurance score does not use the same variables used to calculate a person's credit rating for other purposes, such as in connection with obtaining a loan, for example.

What Variables are NOT Used in Generating a Credit Based Insurance Score? Race, color, religion, national origin, gender, marital status, sexual orientation, age, address, salary, disability, occupation, title, employer, date employed or employment history are not used for scoring purposes. Inquiries made for account reviews, promotions, or insurance purposes are not used in calculating a credit based insurance score. Also, other variables that, by law, may not be considered are disregarded.