FICO® Insurance Scores

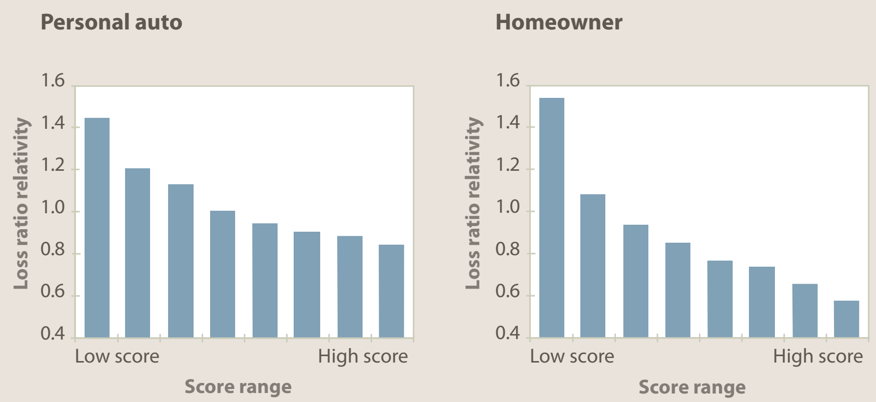
scores

Faster, more profitable decision making throughout the customer lifecycle

FICO® Insurance Scores are credit-based insurance scores available at major US and Canadian credit reporting agencies. You'll find the scores by the following names:

- CPLS™ score at Equifax, Canada
- InScore® at Equifax, USA
- FICO® Insurance Score at Experian (available from LexisNexis)
- FICO® Insurance Risk Score at TransUnion

Rank-ordering of personal auto and homeowner applicants and policyholders



FICO credit-based insurance scores rank-order the risk of both personal auto and homeowner applicants and policyholders. The higher the score, the lower the relative risk.

In 1993, FICO introduced the first insurance scores based on credit information. Today, all top P&C insurers and an estimated 95% of all personal lines insurers use insurance scores to reap significant financial benefits—in numerous ways. You can too.

» Cutting losses and boosting volume

Available from the three leading credit reporting agencies in the US and from Equifax Canada, FICO® Insurance Scores enable insurers to better forecast loss ratio relativity across the customer lifecycle—on individual prospects, applicants and policyholders. That means better, more profitable decisions in target marketing; new and renewal underwriting; book management; and cross-selling and upselling.

Through a variety of decision-based uses, scores reward insurers with better customer relationships and a better book of business. And because of the breadth of information found in the credit files and the strength of FICO's predictive models, insurers are better able to boost their volume by confidently writing insurance in new population segments, and to enhance profitability by ensuring appropriate policy pricing.

» Cutting operational costs and improving efficiencies

FICO Insurance Scores also enable insurers to make fast, objective and consistent decisions. When you use our scores, you'll use your underwriters' expertise more efficiently. You'll speed and streamline decisions on a majority of your customers, and devote more resources to reviewing your more difficult decisions.

» Uncovering additional financial benefits

With the power and accuracy of FICO Insurance Scores, you'll also discover greater operational efficiencies and profitability in other ways. Most importantly, you can:

- More easily achieve regulatory compliance.
- Improve customer service and retention.
- Boost profitability through better decisions —underwriting, pricing and book management strategies.

» What they are, why they work

FICO Insurance Scores are generated by statistical models that use information on a credit report to provide a quantitative assessment of the relative risk of each home or auto insurance applicant or policyholder. The higher the score, the lower the risk that an applicant or policyholder presents.

The credit-insurance claim connection. One concern commonly raised about credit-based insurance scores is, "I can see why a score based on credit data can forecast credit performance, but I don't see how it can forecast insurance claim performance." However, looking at this from a perspective of personal responsibility, it really isn't surprising that less conscientious credit management practices often reflect a greater degree of claims risk. It is logical that people who don't manage their finances responsibly are also not likely to maintain their homes or autos responsibly—and, thus, are more likely to file claims. More importantly, the predictive power of FICO Insurance Scores is based on an empirical, validated correlation that's been proven again and again.

Eliminating subjectivity. Prior to FICO's introduction of insurance scoring models, insurers traditionally relied on a subjective review of credit reports as one of the pieces of information in their decision process (along with information from applications, MVRs and other sources). With FICO's development of insurance scoring models, the link between the information in a credit report and loss performance is no longer a matter of subjective interpretation. In model development, FICO applied proven methods of statistical analysis to determine the empirical correlation between the information on credit bureau reports and subsequent loss ratio performance. FICO models are based on the study of millions of policies and billions of dollars in claims payments from national and regional insurance companies representing all major geographic areas and distribution systems.

» Extend value across the lifecycle

The use of credit-based insurance scores continues to grow throughout the P&C insurance industry. While new business underwriting had initially been the predominant use of insurance scores, most insurers today are applying scores in an ever-growing number of profit-driving strategies—from marketing/acquisitions to new and renewal underwriting/pricing to book management.

Marketing—the front lines of the profitability war. The relatively low-cost, front-end risk evaluation provided by FICO® Insurance Scores gives you leverage for lowering costs at later stages—in information purchase, underwriting, renewals, cross-selling and claims.

With FICO Insurance Scores you can:

- Increase marketing ROI or cut marketing costs by using scores to focus attention on more profitable segments.
- Reduce high-risk, low-profit prospects.
- Match appropriate offers to customer risk.
- Gain a quantitative evaluation of prospects by understanding their likely policyholder behavior.

New Business Underwriting/Pricing—the competitive advantage of making the right decisions for all applicants—even the toughest risks. FICO Insurance Scores empower you to be more efficient and effective in analyzing risk, to reduce your overall operational costs and to stay highly competitive. Scores enable you to:

- Streamline the underwriting process.
- Make more consistently applied risk-based selection decisions.
- Reduce costs through automated decisioning.
- Design and test strategies in response to changing competitive conditions.
- Develop profit-generating, pricing segmentation and management strategies.

Renewal Underwriting/Pricing—nurturing good relationships and better managing unprofitable customers. Scores provide a quick measure for making renewal decisions and for effectively allocating staff resources for those policyholders that require further review.

By using FICO Insurance Scores in renewal underwriting, you can:

- Streamline your renewal policy review process by eliminating unnecessary reviews of lower-risk policyholders.
- Improve retention and profitability by cross-selling or upselling additional products or repricing policyholders.
- Gain insight into marketing and underwriting strategies by comparing earlier "benchmarked" scores against current scores.
- More profitably price questionable risks.

Book Management—gaining a broader, sharper perspective. FICO Insurance Scores are also a measurement of the changing quality of your book of business or any segment of it.

Use FICO Insurance Scores to:

- Test strategies by reviewing score performance by segments.
- Track quality by agent/distribution mechanism or geographical area.
- Gauge the overall risk of the portfolio for better book management.

Independently validated

The consistently high performance of credit-based insurance scoring models has been validated many times, in fact, both by FICO and by independent entities—including Tillinghast-Towers Perrin actuarial consultants.

» Additional Client Support

To help you derive the greatest benefit from our credit-based insurance scores, FICO offers a variety of support services.

Client support website. FICO Insurance Scores clients have available in one place the comprehensive information they need to proactively communicate with agents, consumers, regulators and even legislators on how the use of credit and credit-based insurance scores improves underwriting decisions. As an existing FICO Insurance Scores client, you can request access to this site via ***insurancescorehelp@fico.com.***

Regulatory support. FICO offers educational materials to address regulatory concerns. Subjects include how a model is developed, usage and application of models and the impact of changing credit behavior.

FICO also provides clients with regulatory support via:

- Its work with State Departments of Insurance in support of client filings.
- Its commitment to testifying on behalf of insurance scores before state legislatures.

Consumer information website. Anyone can access valuable information about FICO Credit-Based Insurance Scores—their function and purpose—as well as general tips for improved credit management via ***insurancescores.fico.com.***

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