



## MERCURY INSURANCE GROUP

Mercury's use of credit information lets us offer lower rates to most customers!

Like many consumers, you may be wondering what your credit information has to do with what you pay for auto insurance. This narrative will help you understand why Mercury, like most insurance companies, uses credit as one of the factors in determining auto insurance rates.

In order to help decide how much to charge for insurance, Mercury assesses the likelihood that a customer will have an accident or their vehicle stolen in the future and how much the resulting claim may cost. Those customers who are more likely to file claims are generally charged more than customers less likely to file claims.

Sounds logical, but how do insurance companies predict who is going to file a claim?

They do so based on their past experience with groups of individuals that have similar characteristics; for example, drivers of the same gender, in the same age group, or those who live in the same area. Others groups include those with similar driving records or similar vehicles. Companies rely on their actual experience with these groups to determine what to charge individuals with those same characteristics.

Likewise, insurance companies use information about credit history because, when used together, it has proven to be a good predictor of future claims. By using information about your credit history, and comparing it to others with similar credit histories, Mercury is able to offer you the most accurate rate possible on your auto insurance policy.

In fact, by using credit information the company collects, Mercury is able to offer approximately 60 percent of its customers a lower rate than they would otherwise enjoy.

Mercury never uses information about credit history to refuse to insure a consumer or to cancel an existing policy.

Some people may have concerns about Mercury using information about their credit history. On the following page are answers to some of the most frequently asked questions about insurance companies' use of credit information. If you still have questions after reading through this brochure. Please consult your local independent agent or call Mercury at 800-987-6000.



**Q. Is the credit score used by lenders the same one used by insurance companies like Mercury?**

A. No. Lenders review your credit report to determine the risk they are taking when lending money. Mercury uses a different formula to help determine the likelihood of your filing a claim in the future.

**Q. What things does Mercury consider on my credit report?**

A. The things Mercury considers include: number and history of late payments; derogatory public records (bankruptcies, judgments, liens); outstanding balances on credit accounts; how long you have had a credit history; the number of non-insurance inquiries; and the number and age of auto loans. This information, along with all the other information collected about you, (including your driving record) is used to determine your Mercury auto insurance rate.

**Q. Will my agent have access to my credit report?**

A. No. Independent agents representing Mercury do not see your credit report. Mercury's proprietary rating software automatically requests your credit report and uses it, along with other information your agent collects about you, to calculate your auto insurance rate.

**Q. If you get a quote from Mercury, will their inquiry about my credit history affect my credit rating?**

A. Insurance inquiries show up on credit reports with a code indicating the company that ordered it and for what purpose. On most credit reports, an insurance company inquiry is indicated as such. Fair Isaac, the leading provider of credit scores to lenders, excludes insurance inquiries from their credit score calculations. Likewise, Mercury excludes insurance inquiries from the information that they use.

**Q. What if my credit information is wrong? How do I get it fixed?**

A. A study of 15,000 credit reports by Arthur Andersen found that only two percent contained disputed information. However, if you feel the reported information is incorrect, your agent can provide you with the toll-free number of the credit-reporting agency Mercury used. You can then contact them for a free copy of your credit report and to correct the information. (This information is also sent with your initial policy declarations page.)

**Q. I have just gone through major surgery for an illness and have received many high medical bills? Does this affect my credit information?**

A. Yes, this can affect your credit information. Mercury recognizes that certain events are largely beyond the control of the policyholder. That is why we allow certain types of credit information to be removed from consideration. These items include high medical bills that have not been paid, divorce proceedings that cause financial hardships, long periods of illness, and certain types of job disruptions. If you believe one of these items played a part in your credit score decreasing, please call our office at 800-987-6000 and ask for the underwriting department. Explain the circumstances for consideration.

**Q. Is use of credit information unfairly discriminatory?**

A. No. Your credit has nothing to do with income, race, or religion. Rather, it is based on your bill-paying behavior and how you use available credit (Are you a credit seeker? How much of the credit available to you have you used? Are you a late payer? Are you responsible with your use of credit?) and is within your control. Since most consumers pay their bills on time, most will enjoy the benefit of a lower auto insurance rate.

In fact, Mercury is able to offer approximately 60 percent of its customers lower, more accurate rates as a result of using credit information along with other personal information.