



All about **credit information** and insurance



Introduction

The principle of equity in P&C insurance requires that the premium reflect the insurance risk. Credit scoring is one of the criteria used by P&C insurers. This provides a level playing field for consumers and more fairly defines the risk underlying the premium paid by consumers for their insurance needs.

This document is aimed at helping consumers better understand how P&C insurers use credit information.





Q1?

Is the use of credit information common practice among P&C insurers?

The use of credit information to establish automobile or home insurance premiums is common practice in Quebec. Most insurers do so.



Q2?

Why is my credit information required?

Studies have shown that a consumer's credit score is a key criterion for projecting the probability of an insurance claim in the future. A correlation exists between an individual's credit score and his or her claims history: if the credit score is low, the probability of an occurrence – and thus of filing a claim – is higher. The reverse is also true.

Moreover, experience has shown that a large proportion of consumers who consent to having their credit information used for the purpose of rating insurance were charged a lower premium.

The credit score reflects an individual's history of debt payment and, more specifically, his or her financial discipline. Consequently, it provides a reliable indicator of that individual's ability to maintain and renovate his or her property, two key factors in preventing material losses by the insured.

However, low income and a poor credit score are not synonymous: a consumer in a low-income bracket but who pays his or her debts in a timely manner will have an exemplary credit score, while a more affluent consumer who defaults on his or her debts may have a lower credit score.



Q3?

Do insurers always request consent to obtain credit information?

Insurers always request **free** and **informed** consent from their clients before obtaining their credit information.

Consumers should not feel pressured into giving their consent to obtain a premium. In addition, they must understand the nature and scope of the request. The question must be sufficiently clear that the consumer knows what the consent will be used for.

How can I give consent?

You can give consent either verbally or electronically during the insurance offer process.



Q4?

What if I refuse to give consent?



Q5?

You have a right to say no. No insurer will refuse to give an insurance quote to a consumer who refuses to give consent to access his or her credit information, nor terminate or refuse to renew the policy. However, you may not benefit from the best rate for your needs.

Q6?

How long is consent maintained?

Consent remains valid for as long as you have a business relationship with the insurer. Under these circumstances, the insurer is not obliged to obtain the consumer's consent to obtain other information from a credit reporting agency.

Q7?

When can I withdraw consent?

At any time.



Q8?

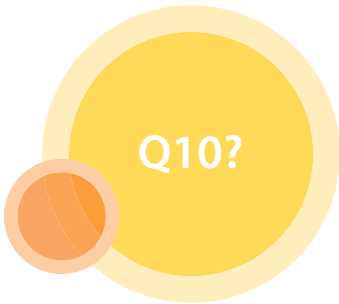
Can the insurance agent or broker access my credit information directly?

No. Insurance agents and brokers do not have direct access to a consumer's credit information. The information received from the credit reporting agency is integrated into the insurer's rating system, and used to determine the insured's premium.

Who is responsible for the information entered in my credit file at the credit reporting agencies?

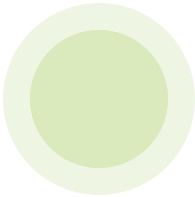


With your consent, financial institutions regularly provide credit reporting agencies with information about your payments history. If you are concerned that the information on your credit file may not be accurate, you can contact the credit reporting agency to obtain a copy of your credit report to review.



Who do I contact to have my credit file corrected or to ask questions about my file?

You can access your credit file by contacting the credit reporting agencies¹.





¹ Consult the credit reporting agencies listed at the end of this document



Q11?

Does consulting my credit information affect my credit score?

Consulting your own credit information does not affect your credit score. In addition, when insurance companies consult a consumer's credit report, it does not affect the consumer's credit score. Some believe – and wrongly so – that the more insurers consult a credit file, the more this affects the consumer's credit score.



Should I inform my insurer about exceptional circumstances?

Q12?

If you believe that exceptional circumstances have adversely affected your credit score, you can inform the insurer so that these are not taken into account when evaluating your file.

Example:

Exceptional circumstances may include identity theft or a catastrophic event as declared by government authorities.

What should I do if I'm not satisfied with the way my credit information is used by my insurance agent or broker, or with the way my credit information is used by the credit reporting agencies?



If your complaint concerns the use of your credit information by an agent or broker, first contact the individual in charge of processing complaints at your insurer.

Second, if you believe you did not receive the relevant information, contact the *Autorité des marchés financiers* (AMF) at 1 877 525-0337.

If your complaint concerns how the information was processed by a credit reporting agency, contact the appropriate credit reporting agency. If your concern has not been resolved, you should contact the *Commission d'accès à l'information du Québec* at 1 888 528-7741.



Do insurance companies use credit information differently?

Insurers use different rating criteria to establish the premium for their insureds, including credit information. However, the weighting allocated to each and the risk evaluation process vary from insurer to insurer. Companies develop different actuarial models to establish premiums in order to define the risk more equitably and stand out from the competition. **This is a practice that helps to foster healthy competition that benefits consumers.**



Does the use of credit information benefit consumers?

Q15?

Yes. The use of credit information for underwriting insurance allows insurers who use it to offer products that are better adapted to the needs of a diversified clientele. For example, since auto insurance is a highly competitive market, using the information gives insurers an opportunity to offer consumers more varied coverage options.

In its report on auto insurance rates², the *Autorité des marchés financiers* noted that the use of credit information may have an impact on the auto insurance premium, ranging from a 30% rebate to a 15% hike.



² Autorité des marchés financiers (2008). *Rapport sur la tarification en assurance automobile* (Report on auto insurance rates) (2007), p.23.

Q16?

Is credit information the only criteria used by insurers to establish the insurance premium?

No. The main criteria used to establish the auto insurance premium are age, sex, type of vehicle, use made of the vehicle, place of residence, driver class, claims file and coverage purchased.

The main criteria for home insurance are the physical characteristics of your residence and its environment, the value of the property, the extent of the coverage, value of the property to be insured, specified and additional coverage, deductible and claims history.



Questions ?

For any questions regarding the use of credit information, contact the Insurance Information Centre of the Insurance Bureau of Canada, at 514 288-4321, in Montreal, and, at 1 877 288-4321, elsewhere in Quebec.

Useful references

Insurance Bureau of Canada

www.infoinsurance.ca

1 877 288-4321

Autorité des marchés financiers

www.lautorite.qc.ca

1 877 525-0337

Commission d'accès à l'information du Québec

www.cai.gouv.qc.ca

1 877 644-4545

Credit reporting agencies

Équifax

<http://www.econsumer.equifax.ca>

1 800 465-7166

TransUnion

www.transunion.ca

1 877 713-3393



Ce document est disponible en français sur demande.

You can reach the Insurance Information Centre at:

From Montreal: 514 288-4321

Elsewhere in Quebec: 1 877 288-4321

You will also find relevant information on the website
infoassurance.ca

 **Groupement des
assureurs automobiles**

 **IBC** | Insurance Bureau
of Canada