Your home insurance score explained

Written by Kin editorial staff

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While most folks have at least heard of credit scores, insurance scores may be a mystery. Most states allow insurance carriers to factor a credit-based insurance score into policy pricing, so it can impact how much you pay for your coverage, depending on where you live.

Let's take a closer look at what this score is and how insurers determine it. You'll also pick up some tips on improving your insurance score, which can help you save money on home insurance in some cases.

What is a home insurance score?

Your home insurance score is a number that's correlated to your policy's propensity for loss. Essentially, your insurance company assigns a value to certain details from your credit history, runs them through an algorithm, and calculates your score. Because the calculation includes credit information, your score is sometimes called a credit-based insurance score.

Your credit score and insurance score are calculated using many of the same variables, but they serve different purposes. Lenders use credit scores to decide if they should lend you money. A good credit score tells them you're a financially responsible individual who will most likely pay off the debt.

That information is valuable to insurers, too, but they also want to figure out how much you might cost them over time. Claims cost insurance companies money, and studies have shown people with high credit scores tend to file fewer claims.

Home insurance scores vs credit scores

A credit score is a three-digit number designed to predict the likelihood of you paying back your credit obligations during the 24 months following the scoring. It's based on factors like your debt, payment history, number of available credit lines, and the length of your credit history.

An insurance score takes those credit factors into account, too, but it also might consider your insurance claim history, your home's safety features, fire protection class, and more. It varies depending on the insurance company.

Your credit report plays a key role in your insurance score. To give you an idea of what matters most to your credit score, take a look at how FICO weighs different credit factors.

Credit factor	FICO score weight
Late or missed payments	35%
Total amount owed	30%
Length and depth of credit history	15%
Total number of credit accounts	10%
Number of recent hard inquiries	10%

It's also worth noting that credit-based insurance scores are governed by the Fair Credit Reporting Act, which means insurance providers can't discriminate based on:

- Race
- Ethnicity
- Gender
- Age
- Marital status
- Nationality
- Religion

What is a good insurance score?

Insurance scores vary depending on the data provider. For example, scores based on LexisNexis data range from 200 to 997, with lower scores representing greater risk for carriers. Scores over 700 are generally considered to be good.

How to find your insurance score

If you want to know your insurance score, you can request a copy of yours from LexisNexis. You can also request a copy from carriers that you're considering using, though you may not be able to get a copy.

In addition to checking your insurance score directly, you can also access a free copy of your credit score through the various credit bureaus. While this won't show you your insurance score directly, your credit score can impact your insurance score in most states, so improving it is one way to boost your insurance score.

Does checking your insurance score impact your credit score?

Insurance companies aren't loaning money so they only do a soft credit inquiry to calculate your insurance score. Soft inquiries are usually used for things like checking your credit score, pre-qualified credit card offers, pre-qualified insurance quotes, and employment verification, so they don't impact your credit score.

Hard inquiries are used for new lines of credit, mortgage and auto loan applications, student loan applications, and apartment rentals. These can stay on your credit report for up to two years. Too many hard inquiries in a short amount of time can bring down your credit score.

How to improve your home insurance score

The first step may be to improve your credit score by:

The first step may be to improve your credit score by:

- Paying bills on time.
- Keeping your balance low on your credit cards.
- Reducing your overall debt.

You might even consider going to a credit counselor to get on track.

Additionally, you may want to shop around. Different carriers sometimes offer better rates, so compare policy terms and premiums before you buy home insurance.

How to dispute negative entries on your credit report

Under the Fair Credit Reporting Act, it's your right as a consumer to dispute any inaccurate information. The act details what information your credit report can show and how long that information can stay on your report (typically about seven years).

It's easiest to report a dispute either online or via mail to the credit bureau that provided the credit report. To make a dispute, you'll need:

1. A recent copy of your credit report.
2. A description of the inaccurate information on your report.
3. Copies of proof to support your case.

The credit bureau will cross reference your dispute with the business that reported the error. If the credit bureau confirms that the information was reported in error, they'll remove the entry.

For your reference, here are online dispute submission options for for most credit bureaus:

LexisNexis Risk Solutions

Experian

TransUnion Consumer Solutions

Equifax Information Services LLC

Be sure to follow the credit bureau's dispute instructions carefully before submitting your case. You want to give yourself the best shot at success!

The bottom line

Insurance scores are just one factor that influences your overall insurance premium. Check out our guide to other home insurance premium factors to learn more about other things that influence your cost of coverage.

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Home insurance

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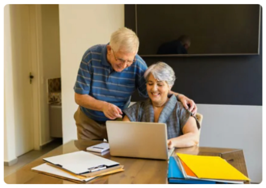

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