

# Cleaning The Risk Pool



## INDUSTRY BACKGROUND

Just like mortgages, credit cards, and other type of financial transactions, that require underwriting; Credit Scores are a key determining factor within the auto insurance underwriting process as to whether a prospective customer is an acceptable risk.

The Credit Score has a significant impact on determining the premium charged to an individual.

People with higher credit scores are quoted significantly lower premiums than prospective customers with low credit scores.

## BUSINESS PROBLEM

Our client offers certain insurance products based on the prospect's Credit Score. Our client's IT systems are equipped to accept a credit score and perform the necessary calculations required to determine premiums based on that score.

However, a review of the data showed there were a disproportionately high number of customers with "excellent" credit ratings. The incorrectness of this data could have severe ramifications on the business in terms of premiums collected and risk.

## Y&L SOLUTION

Y&L determined the best solution to this problem was to build a real-time communication mechanism between the client's system and the credit score vendor system. Automating the verification of credit score data would ensure accuracy.

## BENEFITS

This integration ensured that accurate credit scores were used to calculate premiums. This had a dual impact of attracting more "good risk" customers by offering lower premiums, and repel "bad risk" customers by quoting higher premiums.

The long term effect will be a reduction in the company's overall risk exposure while allowing the company to become more competitive.

## ABOUT Y&L

Y&L's philosophy is information technology can transform businesses. We believe technology is a tool companies can use to do their business faster and more economically.

In short, technology, if designed and implemented correctly is a business accelerator, as well as competitive differentiator.

At Y&L, we blend business expertise, domain knowledge and technical prowess to deliver optimal solutions; so businesses can become more efficient, nimble, and competitive.

We have been transforming government agencies and commercial businesses worldwide since 1999.

## CASE STUDY

**Vertical:**  
Insurance,  
Financial  
Services

**Solution:**  
Integrating  
Credit Score  
Data

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