

Admitted vs. Non-Admitted Insurance Carriers



Your insurance broker just informed you that they can provide the business insurance you need, but it will be with a non-admitted carrier. What does that mean? Should you be concerned? While the term “non-admitted” may sound like you’re using a lesser carrier, that’s not the case.

WHAT IS AN ADMITTED CARRIER?

An admitted carrier in California follows guidelines set forth by the California Department of Insurance (DOI). These carriers are required to file their rates with the DOI, which then approves their use. The carriers must use these filed rates and cannot deviate.

Admitted carriers are also a part of the California Insurance Guarantee Association (CIGA), which provides protection for policyholders should the carrier be declared insolvent.

WHY DO WE NEED NON-ADMITTED CARRIERS?

Admitted carriers often do not meet all the needs of many insurance buyers. Specialty Risks, earthquake and professional liability coverages are among those that are often not written by admitted carriers. Without the non-admitted carriers, high loss-potential risks, those with loss issues or specialty risks would be uninsurable. However, because the non-admitted carriers do not have to file their rates with the DOI, they retain the flexibility to price risks according to their specific exposures.

Non-admitted carriers are often U.S.-based companies that have chosen not to become an admitted carrier in California. In fact, many non-admitted companies are owned by admitted carriers. Some of the largest insurance companies, such as Hartford Insurance, Zurich Insurance, Nationwide, AIG and Lloyds of London have non-admitted companies they use for specialty risks.

Regardless of whether a carrier is admitted or non-admitted, the best gauge for determining the security of one’s policy is to check the financial rating of the company. The independent industry standard for rating insurance companies is AM Best Company. AM Best rates a carrier on financial strength and size based on policyholder reserves.