

Admitted vs. Non-admitted Carriers



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There are times when the coverage you need is available exclusively from a non-admitted carrier. That being said, it is important to understand the difference between admitted and non-admitted carriers, as well as the advantages and disadvantages of each.

Admitted Carriers

An admitted carrier is one that follows guidelines set forth by the state, and is therefore licensed in the state or country in which the insured's exposure is located. These guidelines vary from state to state, and some are more stringent than others. The obligation to follow state regulations and submit rates to a state's department of insurance limits the flexibility of the insurer. If an admitted carrier becomes insolvent, the state guarantee fund steps in to pay out claims and premium remuneration where applicable.

Non-admitted Carriers

It is a common misconception that non-admitted is synonymous with non-licensed. In reality, non-admitted carriers do not have rates filed with the state and therefore are not as highly regulated, but this also means they are not protected by state funds. Because of this, they are sometimes able to offer better rates—these carriers can base price on specific exposures. Further, certain complex risks require the use of non-admitted carriers because the conventional insurance marketplace fails to provide adequate coverage. However, in the case of insolvency, the state will not pay the carrier's outstanding claims and premium remuneration.

Judging Financial Strength

Since with a non-admitted carrier you are not guaranteed payout from the state in the case of insolvency, as you are with an admitted carrier, one of the most important things to consider when purchasing coverage through a non-admitted carrier is its A.M. Best rating, which rates a carrier on financial strength and size based on policyholder reserves. As long as you are aware of market conditions and are sure the carrier is reputable, buying coverage from non-admitted carriers can be beneficial: they often provide lower rates, absolute control over coverage terms and coverage unavailable through admitted carriers (including specialty risks, risks that are unusual or those that are unusually large).

Choosing Prudently

Non-admitted does not mean that an insurer is not regulated—many states do regulate non-admitted insurers. In fact, many non-admitted carriers are actually admitted carriers in other states. Non-admitted carriers intentionally opt out of filing rates with the state not necessarily because they are unable to comply, but because doing so provides the advantages mentioned above. However, just because a carrier is admitted doesn't mean it is financially solvent. Because of state restrictions, admitted carriers' payouts may increase faster than permitted premium increases in certain classes of business, leading to financial instability. When making carrier decisions, consider whether the carrier is admitted or non-admitted, as well as if it is financially capable of paying a claim in the event of an accident.