
Admitted Vs. Non-Admitted Carriers

An admitted insurance company is one that follows state guidelines for insurance providers, while a non-admitted company operates without submitting to state requirements. The designation of a company as "admitted" may seem to give it a stamp of authority, but this is primarily an administrative designation rather than a mark of quality. The main operational distinction between admitted and non-admitted companies lies in the types of insurance they offer.

Definitions

Whether an insurance company is classified as "admitted" varies by state. To qualify as an admitted provider in a particular state, an insurance company must file an application with that state's insurance commissioner and be approved. Approval as an admitted company requires compliance with state insurance requirements, including the filing and approval of rates. A non-admitted carrier is simply an insurance provider operating in a state without going through the submission and approval process required for admitted companies. Instead, non-admitted carriers file state taxes associated with each individual risk, in the respective state where the coverage is being offered.

Benefits of Admitted Companies

One of the main benefits of an admitted insurance company from a policyholder's standpoint is that the provider's liabilities are backed by the finances of the admitting state. If an admitted insurance company goes bankrupt, the state will use money from a special fund to help pay off policyholders. For example, in Nevada, admitted providers are part of the Nevada Insurance Guaranty Association, which pays claims up to \$300,000 if the carrier becomes insolvent. Another advantage of admitted companies is that their rates are usually more reasonable, as these must be approved by the state insurance commissioner.

Benefits of Non-Admitted Carriers

Non-admitted companies can often provide insurance coverage that admitted carriers can't, because of their unrestricted rate structure. Admitted companies often can't charge high enough premiums to safely insure high-risk events, but non-admitted providers have no such restriction. As a result, non-admitted companies are usually the only ones available to offer specialty insurance such as professional liability insurance or earthquake coverage.

Considerations

The choice between insurance companies often comes down to the financial strengths of the individual providers, rather than their status as admitted or non-admitted. Ratings company A.M. Best scores insurance carriers, with the highest ratings of A++ and A+ reserved for those with the greatest financial strength and claims-paying ability. These should be your primary concerns as a policyholder. Your ultimate choice of companies may be restricted based on the type of insurance you need, but you should always seek a high-quality provider, regardless of whether the company is admitted or non-admitted.