

Admitted and Non-Admitted Insurance Companies

What is the difference between an "Admitted Insurance Company" and a "Non-Admitted Company"

An Admitted Insurance Company has to be approved by every individual state in which it wants to do business. It also means that the company has to file their rates for every class of business that they want to write with the Insurance Department. Those rates are monitored by the State Insurance Department.

An Admitted Company also has to file and receive approval for their company forms, and coverage so that those policies are at least conforming to a standard of coverage. That coverage standard is usually established by ISO (Insurance Services Office) an independent entity that literally creates and writes insurance company policy forms. If you have an ISO coverage form, you have an industry standard for coverage.

A Non-Admitted Insurance Company has to be approved to do business by each individual state that they do business in. However, they do not come under the same scrutiny or requirements as an Admitted Company. Non-Admitted Insurance Companies are not required to have their policy forms, coverage or their rates approved by the Insurance Department. They can use whatever coverage forms and rates they want to and they can change them at will. If an Admitted Company found that it needed higher rates due to losses in a particular area or wanted to lower their rates and become more competitive, they would have to file such rates for approval. A Non-Admitted Company can simply indicate to their agencies that their rates or forms are changing as of a certain date.

Non-Admitted Insurance Companies are required to provide the insured, or buyer, a warning. The warning states that the company is not covered by the State Solvency Fund. That's similar to the FDIC, which insures the money in banks. This means that if a Non-Admitted Company goes out of business, the State Solvency Fund is not available and will not pay for outstanding claims up to certain limitations depending on your State's regulations.

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