

Admitted Insurance

What is 'Admitted Insurance'

Admitted insurance is insurance purchased from an insurance company that has been formally admitted or licensed to operate by the state insurance agency where the company operates. Admitted insurance companies are subject to various state laws that govern organization, capitalization, policy forms, rate approvals and claims handling, whereas non-admitted insurance companies are not subject to these regulations.

What Admitted Insurance Means

An insurance company that is "admitted" means it has been approved by a state's insurance department and that...

- The company must comply with all state insurance regulations.
- In the event the insurance company fails, the state will step in as necessary to make claim payments. With a non-admitted insurance carrier, there is no such protection.

In addition, buying from an admitted carrier means that customers don't have to pay certain fees and taxes as part of the policy; admitted status makes those expenses unnecessary. Buying insurance from an admitted carrier also guarantees customers have a path for recourse if they believe a claim has been handled improperly; they can appeal to the state insurance department.

What Non-Admitted Insurance Means

"Non-admitted" status means an insurance carrier has not been approved by the state's insurance department and that...

- The insurance company doesn't necessarily follow state insurance regulations.
- In case of insolvency, no guarantee exists that claims will be paid, even if a case is active at the time of business failure.
- If a policyholder thinks his or her case was handled improperly, there is no recourse available to the state insurance department.

Many states allow non-admitted carriers to transact business in their state if there is a special need that cannot or will not be met by admitted carriers. Non-admitted carriers are usually referred to as "surplus" or "excess lines insurers." Non-admitted carriers are not state regulated and do not contribute to the [state guaranty fund](#), which protects policyholders from the [bankruptcy](#) of its insurance carrier.

A non-admitted insurance carrier is required to inform consumers if their insurance has been placed with a non-admitted insurer. Also, the purchaser and/or the insurance [broker](#) must provide a statement that it made a good faith effort to obtain the insurance from admitted carriers before seeking out a non-admitted carrier.

Purchasing insurance from a non-admitted carrier may seem riskier. However, non-admitted status is only one way to gauge the financial reliability of an insurance carrier. Insurance companies also get letter grades from A++ to F. These grades work similarly to classroom grades and are calculated by credit rating firm [A.M. Best](#), which has been rating insurance companies since 1906. A non-admitted insurance company with a high rating is most likely a safe bet for buying insurance, while an admitted carrier with a C rating or below could be riskier.