



Guidance Education Service

Admitted and Non-Admitted Insurance Companies



One of the duties of the California Department of Insurance is to ensure the solvency of insurance companies (carriers) offering insurance in California. The department can review and approve an insurance company to do business in the state and also can approve rates and rate increases. This is to protect consumers and insurance companies from issues of insolvency that may arise at the time of a claim.

The Difference between Admitted and Non-Admitted Carriers

- ~ An admitted carrier is licensed to do business in the State of California and is subject to rate and solvency regulations.
- ~ An admitted carrier participates in the Insurance Guarantee Fund that exists to pay claims that cannot be paid by an admitted carrier due to insolvency.
- ~ An admitted carrier may be restricted in the rates it can charge and therefore may not be able to offer insurance on a risk (such as a house or business) where it believes it cannot charge enough premium to stay solvent.
- ~ A non-admitted carrier is not licensed in California and so is not subject to the solvency regulations and does not participate in the Insurance Guarantee Fund.
- ~ Because they are not subject to the scrutiny of the Department of Insurance, non-admitted carriers can set premiums as needed and change their pricing faster (up or down). This makes them able to insure risks that admitted carriers cannot.
- ~ Examples of non-admitted carriers are Lexington, Lloyds of London and Scottsdale.

Financial Stability of Non-Admitted Carriers

- ~ If you decide to (or have no choice but to) use a non-admitted carrier, it is important that you investigate the insurance company and determine its financial stability.
- ~ AM Best (as well as other agencies) rates the financial strength of an insurance company and states an opinion about its ongoing ability to pay claims. The AM Best scale runs from A++ (Superior) to D (Poor).
- ~ Most reputable insurance brokers will not offer a quote from a carrier that has an AM Best rating of less than A-. Ask your agent for the company's rating for the quote they are offering.

A D1 Notice is a document that must be signed by anyone who is purchasing an insurance policy from a non-admitted carrier. It is important to review this document before purchasing such a policy.

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Please note: This document contains general concepts which should not be applied to any specific circumstance, policy or claim. It is not part of the policy contract and does not obligate the insurance company in any way. Your policy and related endorsements are your contract with the insurance company and as such should be reviewed carefully.