

## ADMITTED – NON-ADMITTED *Choosing Which is Best for Your Business Insurance?*

Confusion runs rampant among insurance buyers when it comes to the differences between admitted and non-admitted markets. When I first became active in the property and casualty insurance business, I was taught that it was always more advantageous to use an admitted market vs. a non-admitted one when seeking to protect my clients' interests. That certainly sounded logical then, and still does today, but my experience has educated me beyond that simple statement. I've learned there are caveats to be considered when choosing a proper insurance carrier.

An admitted carrier is an insurance company who is required to follow the guidelines set forth by the department of insurance (DOI) in the state where they conduct business. They must file their rates with the DOI, be licensed by the DOI and be a member of the Texas Property and Casualty Insurance Guaranty Association. Non-admitted carriers have more flexibility in rates – both up and down— based on the risk being insured, and they are not required to either follow the state regulations or be members of the state's Guaranty Fund. In other words, in the event of their insolvency, the state will not make good on claims, nor will they refund any premium payments.

But let's take a step below the surface considerations and look at what is probably the most important factor, i.e. financial strength of the firm. AM Best, an independent company that rates insurance companies based on their financial viability, sets the standard for the industry. Being an "admitted" company does not guarantee the best financial rating, rather it guarantees the limited protection of the Guaranty Fund. So, what are your protections as a policyholder with a member of the Texas Guaranty Association?

- Most Claims - \$300,000 maximum payment
- Workers Comp – No Limit
- Unearned Premium - \$25,000 per policy

Assuming those limits are ample for your situation, more "gotchas" could come in the waiting game. A policyholder may wait years to be refunded money owed or be held up in legal

battles if in the middle of suit at the time of the insurer's bankruptcy. Insureds have faced their own bankruptcies while managing claims made by their customers under an insolvent insurance company's policy.

A common misconception is to believe non-admitted carriers are riskier to do business with than admitted ones. The bottom line is the financial status of the company determines the risk, rather than the admitted-non-admitted classification. With regards to Underwriters at Lloyds of London, both admitted and non-admitted are inadequate terms for describing their operations. While Underwriters at Lloyds are not members of state guaranty funds, most states have separate legislation with regard to them, and state insurance commissioners maintain separate financial information for Lloyds' business. Information in that regard can be found on the Internet under "Lloyds American Trust Fund." Additionally, the Texas Surplus Lines Office has substantial financial data available on-line not only relating to Underwriters at Lloyds, including individual syndicates, but also most non-admitted carriers.

Regardless of whether a carrier is admitted or non-admitted, the best gauge for determining the security of one's policy and its potential effect on their financial future is to check the financial rating of the insuring company. Once that has been done, then explore the various policy provisions to determine what carrier is appropriate to your unique situation.

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Please remember this column is here to serve Texas Independent Automobile dealers, in particular, HIADA members. If I haven't touched on a subject important to you, please contact me. [annmullen@mulleninsurance.com](mailto:annmullen@mulleninsurance.com) or [www.mulleninsurance.com](http://www.mulleninsurance.com). I'm eager to receive your feedback, questions and comments. Let's make this column work for you.

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