Insurance Tidbits
Unraveling the Mysteries
<u>Admitted versus Non-Admitted Companies</u>

By: Bill Taylor, CIC
Certified Insurance Counselor

This month's topic will be about the importance of an admitted carrier or company versus a non-admitted company. You might justifiably wonder what in the world I'm talking about, much less the relevance of one over the other in your insurance planning. After all, these are not terms tossed around at your typical skating center. As you will see in upcoming publications, it's what you don't know that can hurt you. OK, so what the heck is an admitted company, and why should I care? State insurance departments are responsible for determining the financial viability of insurers within their domain. When a company is not able to meet its financial obligations, the state may put it in receivership and, if necessary, liquidate the company to protect the insureds. For the most part, they also review and approve policy rates and forms that are used by admitted companies in their jurisdiction. Both of these duties of your particular insurance department (or several if you operate in multiple states) have an impact on your business. First, let's discuss what happens if a company fails.

Claims, unearned premiums and other financial obligations of an insurer are paid from its remaining assets (if any). Most, if not all, states have a "guarantee fund" that has been established to pay claims that an "impaired company" is unable to pay. Here is where it gets tricky. Admitted companies are covered under this "guarantee fund" because part of the admission process is to contribute to this fund for the protection of policyholders. Typically, non-admitted, or surplus lines companies, are not covered by this fund. This DOES NOT mean that non-admitted companies are not viable and are more at risk of failure than admitted companies. For a variety of reasons, many excellent companies choose to be admitted in some states, and non-admitted in others. Excellent companies may choose to be non-admitted simply to have more flexibility in choosing exclusions, conditions and policy limitations. They are also allowed to charge policy fees, have minimum guaranteed premiums (usually 90 days) and can penalize a policyholder for canceling their policy. Frequently, they have liability deductibles and may include the cost of defense within the limits of liability on their contract. They must stamp on the front of the policy that they are allowed to operate in the state on a "non-admitted" basis and must charge taxes at a higher rate than standard or "preferred" companies.

In recent history, the skating industry has not had the option of an admitted company willing to write liability and property insurance on a package basis. North Pointe Insurance Company is offering "admitted" policies in all 50 states and has tailored these policies to the skating industry. As an admitted carrier, the limitations and exclusions are more in line with what you would expect from your homeowners or automobile insurance company. In most states, if an admitted carrier wants to insure an account, non-admitted carriers are not permitted to do so. These laws are not always followed, but they are statutes in many states. Typically, a non-admitted company exists in a state to write difficult to place risks that do not qualify for preferred or "admitted" rates and forms.

When you consider that you now have admitted policies available in your area offered by a company that also invests heavily in your industry, why would an excellent operator want anything else? As an operator, perhaps you should take a good hard look at what admitted carriers have to offer. Consider placing your coverage with North Pointe Insurance Company, the company that invests in your industry and carries the endorsement of the Roller Skating Association.