



DISPELLING THE MYTHS SURROUNDING NON-ADMITTED INSURANCE

Some clients become concerned when they learn that their valuable insurance coverage is being provided on a non-admitted (also known as Excess & Surplus or E&S) basis. They view the term “non-admitted” as having a negative connotation and assume coverage is inferior to a policy written on an admitted form. This is simply not true. The quality of **any** insurance policy should be determined by coverage terms and conditions, financial strength of the insurance carrier, and claims responsiveness.

Let’s take a few minutes to dispel some other myths about non-admitted insurance coverage.

Myth #1. Non-admitted insurance carriers are unregulated. Every insurance company must receive the approval of the individual state insurance departments before they can write business in that jurisdiction. Admitted carriers are licensed by the states; non-admitted insurers are “white-listed”. In order to be included on the “white list”, carriers must meet certain financial and regulatory criteria mandated by each jurisdiction. These requirements usually include the establishment of substantial premium reserves and/or demonstration of adequate reinsurance.

Myth #2. Non-admitted insurance is only for “bad” risks. Non-admitted carriers can often provide coverage that their admitted counterparts can’t, through freedom of form and rate. As a result, E&S markets can tailor insurance terms, conditions, and premiums to meet the specific needs of their clients. This feature makes non-admitted coverage ideal for many professional and management liability exposures.

Myth #3. Business written on a non-admitted basis is not protected by a state’s Insurance Guarantee Fund. This is technically true. With that said, the protections provided through a Guarantee Fund are extremely limited. Funds may not be available to insureds who exceed certain revenue thresholds. Further, the coverage afforded is usually a fraction of the limits provided on the insured’s actual policy.

Remember that a state’s Guarantee Fund is established to serve as a “safety net” in the event of carrier insolvency. Fox Point’s primary non-admitted insurance carrier – Lloyds of London – maintains an “A” (Excellent) rating from A.M. Best and an “A+” (Strong) rating from Standard & Poor’s. These rankings are a testament to the company’s financial strength.

Myth #4. Non-admitted carriers are inferior. All insurance companies are not the same. Fox Point’s chosen carrier partner – Lloyds of London – has a pedigree unmatched in the industry. Since their start in 1688, they have grown to become the world’s leading market for specialist insurance. The carrier wrote over \$13.6 billion of total premiums within the United States in 2013 alone.

This information is for illustrative purposes only. Only the policy form and the endorsements themselves can provide actual coverage wording and conditions. Coverage may be subject to underwriter approval and may not be offered or available to all entities.