

**CALIFORNIA ADMITTED
VS.
CALIFORNIA NON-ADMITTED INSURANCE CARRIERS
AND
A.M. BEST RATINGS**

By Curt LaBarre and Keith Hatch

A **California Admitted** insurance carrier belongs to and financially contributes to the California Insurance Guaranty Association (CIGA). CIGA was established to protect the interests of policy-holders and claimants against losses resulting from the inability of **insolvent insurers** to meet their contractual and financial obligations. For example, let's say there is a catastrophe resulting in major property damage throughout the state. ABC Insurance Carrier, having to pay out several claims, goes bankrupt. CIGA guarantees that the claims (it could be \$1,000 worth of claims or \$10,000,000 worth of claims) will be paid **up to** \$500,000. In this case, if the insured had over \$500,000 in damage and the insurance company went bankrupt, the insured would be responsible for the difference not paid by CIGA.

A **California Non-Admitted** (or Surplus Lines) Carrier does not belong to CIGA. Non-Admitted, however, does not mean non-regulated. Non-Admitted carriers on the LESLI List (List of Eligible Surplus Line Insurers) have been reviewed and approved by the California Department of Insurance (CDI). Non-Admitted carriers on the LESLI List are actually "admitted" insurance carriers in another state or domicile other than California. Surplus Lines have been written by non-admitted carriers since the 1800's, and are generally used when a risk is unusual, unusually large or when coverage is not available from carriers licensed in California. Licensed Surplus Line Brokers are **forbidden** by law from using non-admitted insurers that are not on the LESLI List (with narrow exceptions).

A.M. Best Ratings. Each insurance carrier (Admitted or Non-Admitted) is given a letter and roman numeral rating on the A.M. Best Ratings system. The highest rating an insurer can receive is A++ XV. B+ to A++ Rated carriers have "Secure Ratings" B- and below have "Vulnerable Ratings." The financial capacity of the insurer is indicated by the roman numeral Rating. "Class I" have **up to** \$1 Million of financial reserves. "Class VIII" \$100 Million to \$250 Million and "Class XV" \$2 Billion **or more**. You can view the A.M. Best Ratings at <http://www3.ambest.com/ratings/search.html>.

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