Understanding different types of insurance companies

Although certain brands of insurance are well known thanks to advertising, catchy slogans and jingles and characters like the Geico Gecko, Progressive's Flo and affable Jake from State Farm, there are other types of companies you may have to turn to if you can't find a known brand to insure your property. For more info, see: https://uphelp.org/dropped. In this publication we explain and briefly review the pros and cons of insuring your home through each of the four types.

Different types of insurance companies

Standard/Admitted: This type of insurer is licensed and regulated by the government agency in the state that oversees insurance companies and must follow consumer protection laws. Each state has its own rules, but all states exercise some policing authority over admitted insurers. In every state there is a "Guaranty Fund" or similar program designed to cover claims of admitted insurers that run out of money and are unable to pay claims. As a consumer, you're generally best off insuring your property through an admitted insurer.

Non-Admitted/Surplus Lines/E&S (Excess and Surplus): These types of insurance companies cover businesses and properties that standard insurers won't cover. In recent years more people have had to turn these types of insurance companies due to a decrease in available options from admitted insurers. Non-admitted/surplus/excess insurers are less regulated than standard (admitted) insurers, which means that government officials don't have the same power to control their policy language and rates. They also do not participate in Guaranty Funds so their financial strength is even more important than a standard insurer. California residents can check a List of Approved Surplus Lines Insurers online at https://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm For other states, visit https://content.naic.org/cipr-topics/surplus-lines.

Government sponsored insurers of last resort: A company, association or entity that will insure properties that have tried and failed to find insurance from standard admitted insurance companies.

Well-known examples are: The CA Fair Plan, Citizens Property Insurance Corp. (FL, LA), and the Texas Windstorm Insurance Association. Their pricing and products are fully regulated just like a standard/admitted insurer and they're covered by Guaranty Funds.

Forced or Lender-Placed: If you borrowed money from a federally insured lender to buy your home, the mortgage contract requires you to keep the home insured. If your home insurance expires or lapses due to non-payment, your mortgage company will buy a "forced place" ("lender placed") insurance policy and charge the premium to you. Forced place policies are typically twice as expensive as a standard policy and cover far less. If your lender force places a policy on your home, you should do your best to replace it asap with one of the other three options.

Additional information
When private options shrink for insuring property…Residual market entities and consumer challenges (Amy Bach 2021 presentation to National Association of Insurance Commissioners)

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