Captive vs. Traditional Insurance Comparison Guide

Compare equivalent coverage first. Use the same exposure and loss assumptions across commercial and retained-risk alternatives.

Coverage and retained loss

- Guaranteed cost typically offers greater policy-year premium predictability. A large deductible can retain a defined amount with reimbursement duties.
- Retrospective rating adjusts final premium under the agreed formula. Direct self-insurance relies on the business funding qualifying risks.

Captive alternatives

- Group participation may introduce pooled results, capital, collateral and member governance. A pure captive generally adds insurer operating duties.
- A protected cell uses shared infrastructure on its own legal and contract terms. Review asset segregation, sponsor risk and portability.

Economic and liquidity comparison

- Compare fixed cost, expected loss, downside loss, expenses, collateral, funding dates, staff duties and run-off.
- Keep pledged collateral separate from expense. Model its finance cost and effect on access to cash or bank capacity.

Decision record

- Reconcile all assumptions to documents. Obtain professional analysis before changing coverage, forming an entity or committing capital.