

# Alternative Risk Financing:

## How a Risk Manager might compare approaches

	<b>Traditional Program</b>	<b>Alternative Risk Program</b>
<b>Insurance purchase</b>	Yes	For catastrophic loss only
<b>Financial model</b>	Marketplace-based pricing, no return for controlling losses	Loss-based funding, performance driven, potential for profit return
<b>Stability</b>	Cyclical	Longer-term, more stable
<b>Savings</b>	Accrue to insurer	Accrue to insured through risk management and loss control
<b>Investment Income</b>	Accrue to insurer	Accrue to insured
<b>Insured Management Involvement/Effort</b>	Limited and may or may not be effective	The more involvement the better the results
<b>Approach</b>	Investment "pays" if losses exceed premiums	Fundamental change in the way risk is managed – "it's our money"
<b>Services</b>	Bundled with insurer	Unbundled – insured manages relationship