



INSURANCE vs RISK-BEARING POOLS

INSURANCE	RISK-BEARING
Insurance is risk transfer.	Risk-bearing pools are risk sharing.
You pay a guaranteed, fixed premium for full transfer of risk to another party. No matter how many covered claims you have, you do not pay any more premium for the policy term.	You may pay an assessment or estimate of your share of the pool's expenses. If your losses or the losses of others exceeds the estimates, then you may be assessed for any additional amounts.
You are not obligated for anything other than your quoted premium and adherence to policy conditions.	You are jointly liable for all claims losses, even if you did nothing to contribute to the losses. If the pool loses money, that's your problem, and your local taxpayers lose money.
You select the best program and agent relationship. If the program or agent doesn't meet your expectations, you have no long-term obligation.	You may be obligated indefinitely beyond the policy year. Even if you leave the pool, you may remain indebted to the pool, and still may be assessed additional money.
You are transferring the risk by purchasing an insurance policy, thereby protecting the taxpayers' money.	You may be entering into a long-term, speculative venture, using taxpayers' money.
Insurance companies are subject to receiving independent financial ratings from rating agencies and are subject to regulatory scrutiny of state insurance departments.	Pools typically are not overseen by state insurance departments nor do they receive independent financial ratings.
In the event of an insurance company insolvency, you may have rights of recovery against your state guarantee fund.	You are sharing risk, may not have the ability to collect from the guarantee fund and may have to pay additional monies if the pool does not have the funds to pay claims (member assessment).

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