Liability Deductible vs. Self Insured Retention

	Deductible	SIR
Insurer Responsibilities in the Event of a Loss	The insurer pays every loss on a first dollar basis (up to the maximum limit of liability). The insured then reimburses the insurer for the amount of the deductible.	The insurer generally has nothing to do with losses that do not exceed the retention.
Defense Costs	Sometimes the deductible applies only to damages; sometimes it applies to damages and defense costs. This is negotiated separately for each policy.	The insured pays all expenses associated with defending claims until the loss exceeds the SIR. Then the insurer pays the balance of defense costs.
Certificate Disclosure	A deductible does not have to be disclosed on a certificate because the insurer pays the entire claim (up to the limit) and recoups the deductible amount from the insured. The insurer bears the risk of the insured's inability to fund the deductible, not additional insureds or claimants.	A SIR must be disclosed on insurance certificates because the insurer has no responsibility to pay claims until the SIR is exhausted.
Limits Erosion	The limit is usually eroded by the amount of the deductible. Example: under a $5M policy with a $100K deductible, the insured pays $100K and the insurer pays $4.9M.	The insurer is responsible for the entire policy limit after the insured has paid the retention. Example: under a $5M policy with a $100K retention, the insurer pays the full $5M after the insured has paid the retention.