

PINNACOL

ASSURANCE

Briefing Book

**Presented to the SB281 Interim Committee to
Study Issues Related to Pinnacol Assurance**

August 4, 2009

Colorado's choice for workers' compensation

Pinnacol Assurance: A Colorado Comeback Story

The Early Years

The need for a fair and equitable system of workers' compensation evolved out of the industrial revolution. In the early 1900s, economic and industrial activities flourished; simultaneously the number of work-related injuries grew. For the most part, workers who were injured on the job did not have recourse other than to sue their employers, an expensive and time consuming process in a crowded court system. Compensation for injuries was uncertain and usually insufficient; sometimes employees had to bear the expense of injuries themselves. The federal government generally considered social insurance and welfare to be the purview of the states, so workers' compensation was adopted at that level, with most states enacting laws between 1911 and 1920.

In 1915, the Colorado General Assembly passed the Workers' Compensation Act. The Act established the State Compensation Insurance Fund (SCIF), allowing employers to pay a premium to secure compensation for injured employees or their dependents. Initially, SCIF insured Colorado's most hazardous industries like mining. Over the years, it evolved to insure a diverse array of industries including small businesses. SCIF did not receive any state funding after its initial startup. Since 1923, **all** SCIF revenue has been derived from insurance premiums and income from invested assets.

From 1915 to 1986, SCIF operated as a political subdivision of the state, fulfilling its public purpose by offering workers' compensation coverage to all Colorado employers at the lowest possible cost.

In 1986, Gary Pon became the SCIF manager, overseeing its operations, reorganization and turnaround until his retirement in 2005. It became clear during this time that SCIF could not provide cost-effective coverage to Colorado employers while operating within the confines of Colorado government. The costs of insurance were high and SCIF was understaffed, creating large caseloads and low satisfaction among both businesses and their employees.

In 1987, the General Assembly passed legislation to abolish SCIF and create the State Compensation Insurance Authority (SCIA). This was the first of many steps that redefined workers' compensation in Colorado, ensuring the transformation of what is now known as Pinnacol Assurance. Significant changes in the legislation included:

- Defining SCIA as a political subdivision of the state of Colorado and explicitly **not** a state agency.
- Granting authority to a board of five directors appointed by the governor and confirmed by the Senate.
- Giving this board the power to:
 - o Appoint a manager of SCIA;
 - o Develop and approve an annual budget; and
 - o Establish general policies and procedures for the administration of SCIA.
- Exempting SCIA employees from the state personnel system in order to attract employees with the necessary background and skills while allowing them to remain in the Public Employees' Retirement Association (PERA).

This 1987 legislation enabled SCIA to maintain its public purpose – the insurer of last resort – while allowing it to conduct business more like a private insurance company in order to improve service and customer satisfaction.



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In the late 1980s, as a result of a bad economy, inflation and rising workers' compensation costs, many private companies stopped providing insurance to Colorado businesses. SCIA began to lose money, eventually resulting in an operating loss of \$200 million in 1990. As a result, it no longer had a cushion to protect against the unexpected loss of assets or unexpectedly high payouts to injured workers. In later years, managers identified the actual deficit as closer to \$500 million, making it clear that the Authority needed more flexibility in order to maintain a solid balance sheet. Once the deficit surfaced, the governor and insurance commissioner developed and approved a 10-year recovery plan. Also in 1990, SCIA became known as the Colorado Compensation Insurance Authority (CCIA) in order to further clarify that it was not a state agency.

In 1991, the legislature passed a far-reaching series of workers' compensation reforms through Senate Bill 218, which was designed to protect workers while giving employers affordable premiums. The law provided clearer definitions of disabilities, put ceilings on some types of benefits, and stopped a proposed 38 percent rate hike. The passage of SB 218 helped turn around the Colorado workers' compensation system and produced significant savings for business owners. That in turn helped improve Colorado's business climate.

The legislature passed additional legislation in 1997 to:

- Clarify that various provisions in the insurance statutes applied to CCIA. Previously, the authority of the Commissioner of Insurance regarding the Authority was not always clear. However, the Insurance Commissioner could not seek to dissolve CCIA – a fact that distinguished CCIA from private carriers.
- State explicitly that CCIA served as the “insurer of last resort.” That duty was defined as follows: *CCIA cannot refuse to insure or cancel the policy of any Colorado employer because of “risk of loss,”* meaning that CCIA cannot decline business that other carriers could choose not to write.

The bill also required CCIA to develop a plan to “achieve a reasonable level of surplus;” no surplus level had been required in the statute until then. A reasonable surplus was necessary in order to ensure that CCIA did not face deficits like it had before.

In 1997, the U.S. Congress passed an amendment to the Internal Revenue Code that clarified the tax status of state workers' compensation insurance funds. CCIA applied for and was granted this federal exemption because it met the following criteria:

- Be created by state law to exclusively provide mandatory workers compensation insurance;
- Be the carrier of last resort;
- State provided the initial operating capital;
- State does not permit the dissolution; and
- Majority of the board of directors is appointed by the governor.

The Pinnacle Era

1999 proved to be a significant turning point in the company's history. Not only did the company eliminate its deficit but it also adopted a new company name – Pinnacle Assurance. The new name (a play on “pinnacle”) reflected a commitment to being the peak performer in the workers' compensation industry. And its spelling (“col” at the end, instead of “cle”) recognized the company's heritage and dedication to the people of Colorado.

In 2000, the Commissioner of Insurance approved the specific plan to achieve a reasonable level of surplus. It gave CCIA the same standards for adequate surplus as private carriers. The timeline called for Pinnacle to achieve new surplus levels no later than 2010.

In 2002, lawmakers again updated the statute defining Pinnacol's structure.

- Many obsolete provisions were repealed and the name change to Pinnacol was made official.
- Pinnacol was defined as a political subdivision of the state but was required to operate as a domestic mutual insurance company. The law kept in place the explicit declaration that Pinnacol is not an agency of the state.
- The board was given the powers, rights and duties of a board of a mutual insurance company and it was expanded from seven to nine members.
- Pinnacol's public purpose as the insurer of last resort was expanded to include not just risk of loss, but amount of premium. This was consistent with the longstanding policy of writing small policies that private carriers would reject because the administrative costs of writing the policy would exceed the possible profit.

This legislation also provided that when Pinnacol reached "a reasonable level of surplus:"

- It would no longer have governmental immunity.
- It would gain control of its funds from the state treasurer.
- The Pinnacol board would be responsible for making investment decisions, under the same standard that private insurance companies use in their investment decisions.

The state also disclaimed any liability for the solvency of the company and explicitly stated that all revenues, moneys and assets of Pinnacol belong solely to Pinnacol. The statute directed that the state of Colorado has no claim to, or any interest in, revenues, moneys or assets and shall not borrow, appropriate or direct payments from such funds. These provisions remain in effect today.


In 2003, seven years ahead of schedule, Pinnacol reached the surplus goal of \$250 million. Longtime Pinnacol leader Gary Pon reflected on this accomplishment:

"When I was appointed president and CEO of the State Compensation Insurance Authority in 1986, the company was losing millions of dollars. Fifteen years of hard work turned a state agency with a \$500 million deficit into a financially stable worker's compensation insurance company with more than \$250 million in surplus and a market share of approximately 50 percent. In the process, the state's insurer of last resort transformed itself into a customer-responsive insurer of choice, providing affordable and accessible coverage to Colorado businesses. Our policyholders agree, rating our service quality at 8.55 on a 10-point scale in our 2003 satisfaction survey – our highest rating ever."

In 2005, Pinnacol policyholders received the first distribution of a dividend in nearly 23 years. 55,000 businesses across Colorado received dividend checks totaling \$55 million.

Also in 2005, Ken Ross assumed the helm as Pinnacol's President and CEO after 10 years with the New York State Insurance Fund – the largest workers' compensation provider in New York, covering more than 188,000 employers. During his last five years at the Fund, Ross was the CEO.

Thanks to the hard work of the previous 10 years, Pinnacol started to be recognized locally and nationally for its community involvement and for being a great place to work. The company received awards from such organizations as the Volunteers of America, Big Brothers Big Sisters of Colorado, AARP and *The Denver Business Journal*.



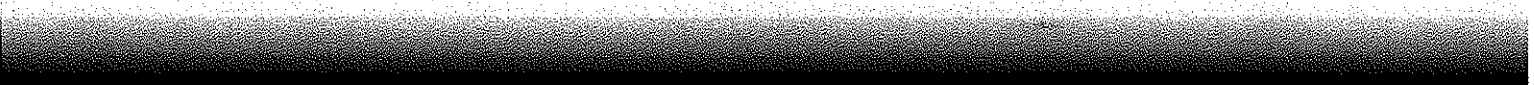
In 2006, the dividends continued, increasing to \$57 million. Rates were reduced by 7 percent and policyholders gave Pinnacol their highest-ever service quality rating of 8.9 out of 10, exceeding the industry average of 8.2. Pinnacol continued to be recognized for its employment practices and *ColoradoBiz* magazine recognized Pinnacol as the top company in the financial services category. Continuing success and stability inspired Ross to present a new vision for the organization: to become the best workers' compensation insurance company in the nation.

In 2007, rates decreased an average of 10 percent and a third dividend of \$60 million was distributed, due in part to comprehensive claims management, a strong network of occupational providers, and an increased focus on workplace safety.

In 2008, Pinnacol issued a \$55 million dividend and reduced rates by 15 percent. Customer retention was just over 90 percent, thanks to competitive pricing, personal service and industry expertise. Pinnacol also won awards from the Hispanic Contractors Association, the Aurora Chamber of Commerce and the Chartered Property Casualty Underwriters Association.

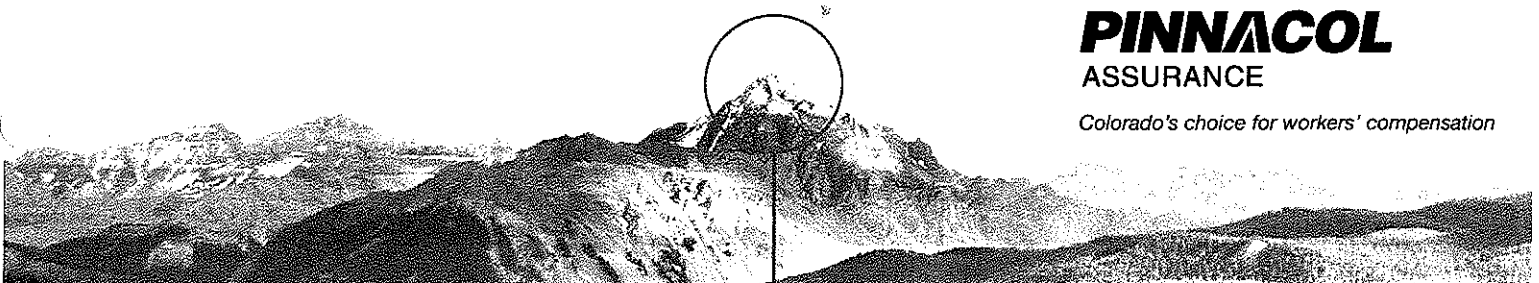
In May 2009, rates were reduced by 10 percent. Pinnacol issued a fifth dividend of \$120 million, bringing the five-year total to \$347 million; 89 percent of policyholders received a dividend. No other insurance company has returned that amount of dividend to Colorado businesses. Ross said, "Our ability to return a general dividend to our policyholders is a direct result of two things. First, our policyholders have demonstrated an incredible commitment to workplace safety and an undeniable focus on lowering their claims. Second, the dividend speaks to Pinnacol's strength and stability and our commitment to returning money to the people it belongs to – our policyholders. We can't underestimate the power of returning this money to Colorado businesses during these troubling economic times."

As Pinnacol looks to the future, the company remains committed to being flexible, competitive and, most importantly, focused on the needs of Colorado employers, injured workers and their dependents.




Pinnacol Assurance Historical Timeline

- 1915: Workers' Compensation Act passed by Colorado General Assembly.
- 1923: Colorado's workers' compensation fund receives no state funding from this point forward. All revenue is derived from insurance premiums and income from assets.
- 1986: Gary Pon becomes manager of the fund, serving until his retirement in 2005.
- 1987: Legislation changes workers compensation in Colorado from the State Compensation Insurance Fund (SCIF) to the State Compensation Insurance Authority (SCIA). The legislation also states that SCIA is explicitly not a state agency and is controlled by a five-person board appointed by the governor and confirmed by the Senate. Legislation maintains a public purpose – the insurer of last resort – while allowing business to be conducted more like a private insurance company.
- 1990: SCIA faces an operating loss of \$500 million with no cushion to protect against unexpected loss of assets or high payouts to injured workers. The fund becomes known as the Colorado Compensation Insurance Authority (CCIA).
- 1991: Colorado General Assembly passes Senate Bill 218 to protect workers and give employers affordable premiums, stopping a 38 percent rate hike and improving Colorado's business climate.
- 1997: Additional legislation requires CCIA to develop a plan to "achieve a reasonable level of surplus." The U.S. Congress passes an amendment to the Internal Revenue Code clarifying the tax status of state workers' compensation funds. CCIA receives this federal exemption.
- 1999: The fund adopts a new company name – Pinnacol Assurance – and eliminates its deficit.
- 2000: The Commissioner of Insurance approves a specific plan to achieve a reasonable level of surplus, with the surplus to be achieved no later than 2010.



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2002: Additional legislative changes define Pinnacol as a political subdivision of the state required to operate as a domestic mutual insurance company, expand the board to nine members, grant the powers, rights and duties of a board of a mutual insurance company, and expand the public purpose to include not just risk of loss but amount of premium.

2003: Pinnacol reaches the surplus goal of \$250 million, seven years ahead of schedule.

2005: Pinnacol policy holders receive the first dividend in nearly 23 years, totaling \$55 million. Ken Ross becomes Pinnacol's President and CEO.

2006: Pinnacol distributes dividends to policy holders totaling \$57 million and reduces rates by 7 percent.

2007: Dividends total \$60 million and Pinnacol reduces rates an average of 10 percent.

2008: Dividends total \$55 million and Pinnacol reduces rates an average of 15 percent.

2009: Dividends total \$120 million and Pinnacol reduces rates an average of 10 percent.



Pinnacol Assurance: Facts at a Glance

For more than 90 years, Pinnacol Assurance has done one thing – provide workers' compensation insurance in Colorado. That singular focus distinguishes us from our competitors and makes us the preferred workers' compensation carrier for nearly 58,000 Colorado businesses.

Pinnacol:

- Is a stabilizing force in Colorado's workers' compensation market because of our commitment to responsible rate pricing practices.
- Has an experienced staff of underwriters, safety consultants, claims representatives, medical operations personnel and return-to-work specialists to help policyholders protect their employees.
- Focuses on the people at the core of Colorado businesses and provides a personal style of service that distinguishes us in the marketplace. Pinnacol representatives deliver service with respect and compassion.
- Serves as the assured source of coverage for businesses that, due to their size or accident history, are unable to obtain coverage from other carriers.

Quick Stats:

Locations: Denver and Grand Junction

Governance: A nine-member board of directors appointed by the Governor

President and CEO: Ken Ross

Policyholders: 58,000 Medical Providers: 1,200 Employees: 625

Earned Premium: \$521 million in 2008

Investment Portfolio Yield: 5.1% in 2008

Dividends: \$120 million in 2009; \$347 million over past five years.

Year Distributed	Dividend Amount	Percentage of Policyholders Receiving a Dividend
2005	\$55 M	90%
2006	\$57 M	93%
2007	\$60 M	93%
2008	\$55 M	92%
2009	\$120 M	89%
5 -Year Dividend Total	\$347 M	



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Rates: Pinnacol has reduced rates every year for the past four years.

Rate Reduction Effective Date	% of Rate Reduction	Premium Savings for Policyholders
1/1/2006	- 7.1%	\$ 36,835,234
1/1/2007	- 9.4%	\$ 46,740,026
1/1/2008	- 15.5%	\$ 76,061,139
1/1/2009	- 10.0%	\$ 45,323,329
Total 4-Year Rate Reduction	- 42.0%	\$204,959,728

Coverage: Nearly 1.5 million Colorado workers – 57 percent of the state’s workforce – were covered on the job by Pinnacol in 2007.

Customer Satisfaction:

Our customer-satisfaction levels have risen to an all-time high, well above industry norms.

Year measured	Overall Customer Satisfaction Score (on a 10-point scale)
2004	8.55
2005	8.7
2006	8.9
2007	9.0
2008	9.1

- **94 percent** of customers chose to keep their business with Pinnacol in 2008.

Community Involvement:

Pinnacol believes in giving back to the Colorado communities that support us:

- The Pinnacol Foundation awards college scholarships to the children of Colorado workers injured or killed on the job – regardless of which insurer handled the parent’s claim.
 - o Just over \$1 million awarded to children of injured workers since 2000
- Pinnacol in Action is an employee-run volunteer program that supports six Colorado non-profits.
 - o In 2008, Pinnacol employees gave 5,121 hours to community projects.
- The Employee Giving Program allows employees to financially support the Mile High United Way. Pinnacol provides a 100 percent match, doubling the impact of each employee’s donation.
 - o More than \$68,000 was raised for local charities in 2008.

Pinnacol Assurance Audit Overview

Operating as a Colorado domestic mutual insurance company, Pinnacol Assurance undergoes a variety of audits and examinations to ensure financial solvency and compliance with numerous legal requirements. Pinnacol must adhere to the same provisions that are required of all workers' compensation insurers, as well as to some exclusive requirements. This includes an annual financial audit conducted through the Office of the State Auditor. The Colorado Legislative Audit Committee then reviews the final audit.

Pinnacol is also subject to a financial examination every three years by the Colorado Division of Insurance (DOI). During this examination, the DOI typically spends up to six months at Pinnacol's premises validating financial statement accuracy and analyzing financial controls. Under the current statute, the Commissioner of Insurance transmits a copy of this final examination report to the governor, state auditor, general assembly, executive director of Labor and Employment, and the CEO of Pinnacol.

Pinnacol is also subject to other types of examinations. These include periodic claim audits conducted by the Colorado Division of Workers' Compensation. Claim audits review Pinnacol's claim-handling practices and individual claim files for legal compliance. Pinnacol Assurance also undergoes random market conduct examinations conducted by the DOI. Market conduct examinations are a review of Pinnacol's underwriting practices, marketing, rating, complaint handling and data reporting to the National Council on Compensation Insurance.

In addition Pinnacol must submit an annual financial statement (referred to as a "yellow book") to the DOI. All rates, rules, underwriting guidelines and forms must also be submitted to the DOI for appropriate regulatory acceptance and acknowledgement.



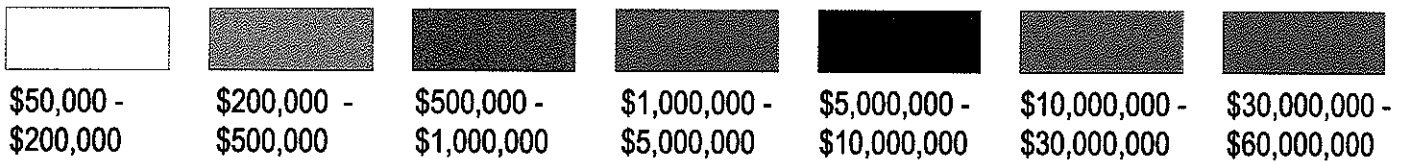
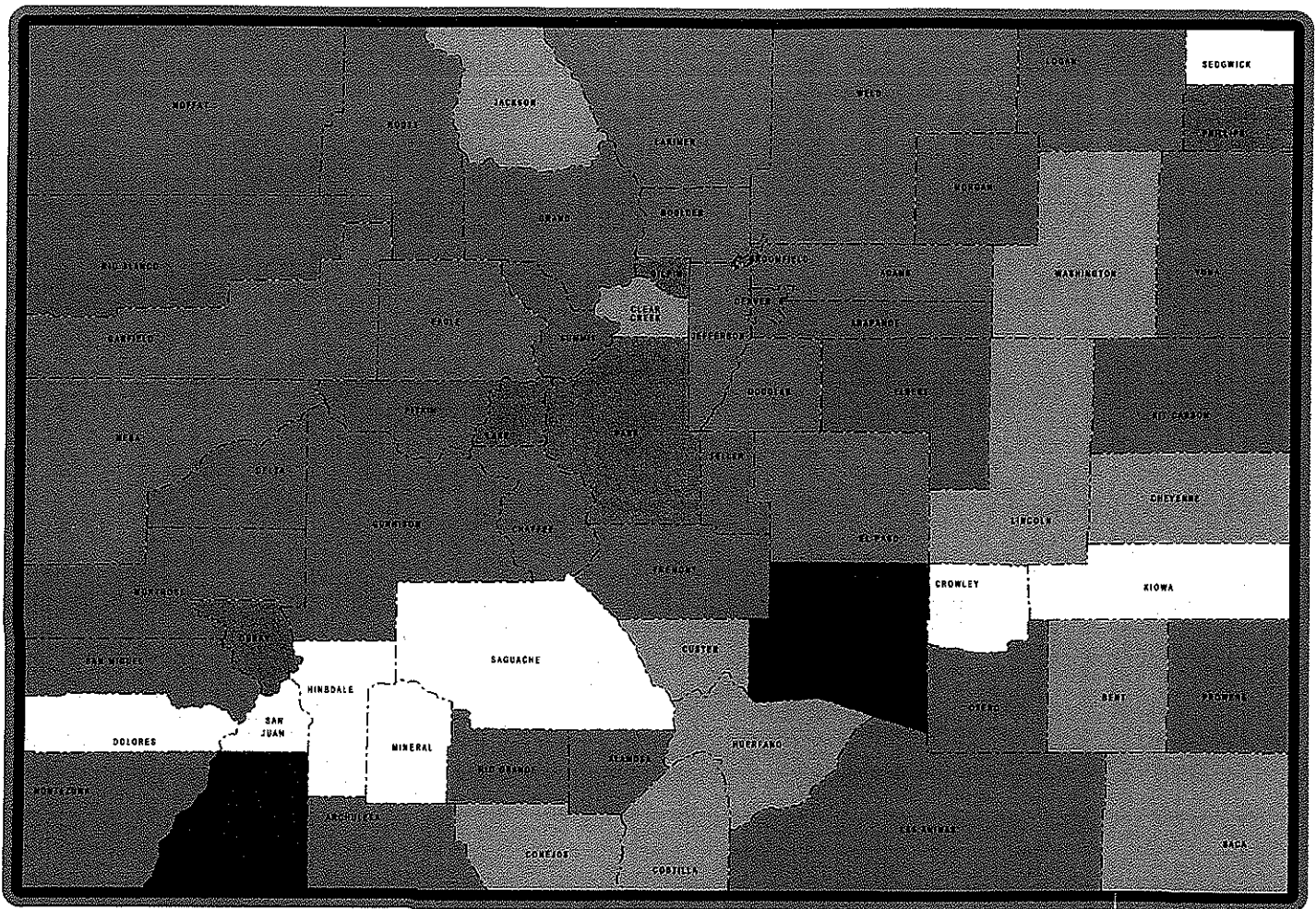
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General DIVIDEND BY COUNTY 2005-2009 CUMULATIVE TOTALS

TOTAL DIVIDEND DISTRIBUTION OVER THE LAST FIVE YEARS

\$347M



Workers' Compensation Terms

accident year losses – Total losses for all claims/accidents during a given 12-month period.

annual policy fee (APF) – A premium charge added to all policies to cover the expense of issuing, maintaining and auditing the policy.

audit – An annual survey of the financial records of a person or organization to determine exposures, limits, premiums, etc.

average weekly wage (AWW) – Gross weekly wages earned at the time of injury.

benefits – Includes the medical and compensation costs that could be paid on a claim.

indemnity benefits – Compensation benefits paid to an injured worker. This consists of wage replacement benefits, called “temporary disability,” and compensation for permanent functional impairment, called “permanent disability.”

medical benefits – All medical-treatment costs related to a claim, and considered reasonable and necessary, to cure and relieve the effects of a work-related injury or illness.

case management – A system of medical communication where the treating physician(s), the employer, and the patient are all informed of medical decisions. The designated medical provider is the “gatekeeper” who ensures all treatment and referrals are accomplished in a timely and cost-effective manner, and all involved parties are informed of plans and progress as the case continues.

certificate of insurance – Evidence that an insurance policy has been issued. It shows the amount and type of insurance provided.

claim – A demand by an individual or business corporation to cover a loss under a policy of insurance.

claims representative – A person who investigates and determines the insurance company's liability for loss when a claim is submitted. In addition, the claims representative is responsible for the delivery and management of benefits on compensable claims.

classification code – The premium rating category for a type of business.

compensable – A determination that an injured worker sustained an injury in the course and scope of employment. Only a compensable injury qualifies for workers' compensation benefits.



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designated medical provider – A medical provider chosen by the employer to treat injured employees. Ideally, the designated provider has knowledge of the Colorado workers' compensation system and its fee schedules, is decisive on maximum medical improvement (MMI) determinations, communicates with the employer on such issues as work restrictions and return-to-work, and coordinates all medical care by acting as the case manager.

employers' liability coverage – This coverage is provided under the basic workers' compensation policy and pays on behalf of the insured (employer) all sums which the insured becomes legally obligated to pay as damages for work-related injuries that are determined not to be subject to workers' compensation law.

experience rating – The policyholder's past loss experience is used to price future terms of insurance. The rating compares the experience of an individual business with the average experience for the same type of business.

experience modifier, or mod – The multiplier resulting from rating the claims experience of a business. The mod represents either a credit or debit, which is applied to the premium before discounts.

experience rating worksheet, or mod worksheet – The calculation of the experience rating for a specific business using established formulas.

fee schedule – A schedule enacted by the Division of Workers' Compensation director to establish maximum allowable fees for health care services under the Workers' Compensation Act.

hazard group – A rating system used by the National Council of Compensation Insurance (NCCI) to indicate the frequency and severity of losses to be expected for a particular classification code.

impairment ratings – Medical definitions translated to numerical values for purposes of determining dollar awards in cases involving permanent disability. Such values may be "scheduled" or "whole person" percentages and must be based upon the Revised Third Edition of the AMA Guidelines of the Evaluation of Permanent Impairment.

loss ratio – Losses incurred expressed as a percentage of earned premiums.

losses – Monies paid for medical and compensation costs resulting from claims incurred.

maximum medical improvement (MMI) – A point in time when any medically determined physical or mental impairment, as a result of injury, has become stable and further treatment is not reasonably expected to improve the condition.

modified duty, or light duty – An injury may prevent an employee from returning to his/her normal job for some period of time. However, the employee may be able to return to the workplace if his/her duties are modified and the treating physician approves. This is a beneficial alternative for all concerned and an important cost-containment strategy.

permanent disability – A benefit designed to compensate an injured worker for permanent functional impairment as defined by the authorized treating physician and usually limited to the part of the body that is affected. May be a permanent partial disability (PPD), such as scheduled or whole person impairment, or permanent total disability (PTD). Permanent total disability is the only permanent impairment that includes any loss of future earning capacity.

premium – The amount of money an insurance company charges to provide coverage.

earned premium – The premium for that part of the policy period that has already passed. For example, halfway through a policy period, the company has earned half of the premium.

estimated annual premium – The total premium with all charges and discounts. The term “estimated” means “before the premium audit.”

modified premium – The premium subtotal after an experience rating.

standard premium – Estimated annual premium minus the policy fee.

rate – The dollar amount charged by an insurance carrier for each \$100 of payroll paid to the insured’s employees. Each classification code assigned to a business has a corresponding rate. Rates are used to determine premium along with applicable discounts, an experience modification factor, and policy charges.

reserves – Estimates of the total amount the insurance company will pay for reported and unreported claims.

return-to-work (RTW) – A process to help employers bring their injured employees back to work while still recovering from a work-related injury.

SelectNet – Pinnacol’s occupational health network of primary care, specialists, ancillary providers, and hospital providers located throughout Colorado.

subrogation – The transfer to the insurance company of the insured’s right to collect damages from another company. The insurance company, upon payment of a loss to the insured, is entitled to the insured’s legal and equitable rights against third parties. These rights are only those related to the loss, and the company is only entitled to the extent of the loss payment.

temporary disability – A disability category designed to compensate an injured worker for actual temporary wage loss attributable to a work-related injury. May be a temporary partial disability (TPD) or temporary total disability (TTD).

underwriter – A person responsible for accepting risks and determining the amount of insurance the company will write on each acceptable risk.

whole person – Whole person injuries include impairment to the neck, head, or torso and include any injury not specifically enumerated in the schedule. Payments are made based upon a statutory formula which factors in age, temporary total disability rate, and medical impairment rating determined by the physician.

workers' compensation - All states have laws providing compensation to a worker injured on the job, whether or not the worker or employer has been negligent. The workers' compensation laws apply to all individuals, except those specifically excluded under the Workers' Compensation Act.

workers' compensation insurance - The statutory obligation of an employer to provide benefits for employees as required by law, including medical expenses and benefits to cover injured workers' loss of earnings.

Pinnacol Assurance Company Awards and Honors

2009

- Big Brothers Big Sisters – Top Company
- Corporate Engagement Award of Excellence – Points of Light Institute
- Great Place to Work® Institute and the Society for Human Resource Management 50 “Best Small and Medium Companies to Work For in America”
- *ColoradoBiz* magazine – Best Companies to Work for in Colorado – 1st place, large company category

2008

- Aurora Chamber of Commerce – Best Company of the Year
- Hispanic Contractors of Colorado – Service Company of the Year
- National Sports Center for the Disabled – Bold Tracks Award
- Colorado Chapter of the Chartered Property Casualty Underwriters Association – Company of the Year
- *ColoradoBiz* magazine – Best Companies to Work for in Colorado – 2nd place, large company category
- AARP “Best Employers for Workers Over 50” – 25th on the list of 50
- The Denver Business Journal “Best Places to Work in Denver” – 10th place, large company category

2007

- AARP “Best Employers for Workers Over 50” – 25th on the list of 50
- *Colorado Parent* magazine “Best Companies for Working Families” – 2nd place, nonprofit category

2006

- AARP “Best Employers for Workers Over 50” – 36th on the list of 50
- Great Place to Work® Institute and the Society for Human Resources Management 50 “Best Small and Medium Companies to Work For in America”
- *ColoradoBiz* magazine “Top Company” award, financial services category

2005

- AARP “Best Employers for Workers Over 50” – 40th on the list of 50
- *Colorado Parent* magazine “Best Companies for Working Families” – 2nd place, nonprofit category
- *The Denver Business Journal* “Best Places to Work in Denver” – 4th place, large company category
- Big Brothers Big Sisters “Corporate Partner of the Year” award
- Volunteers of America/Colorado “Special Friends” award

2004

- *The Denver Business Journal* “Best Places to Work in Denver” – 5th place, large company category



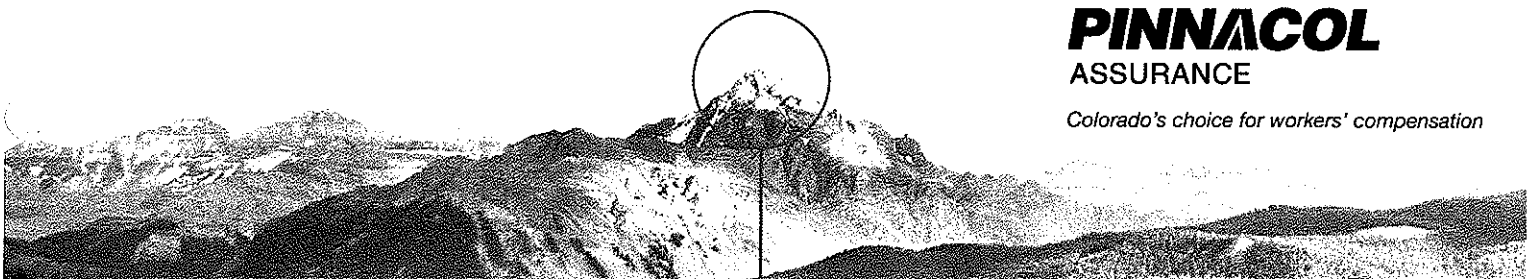
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Fact vs. Fiction

This year, many misleading statements have been made about Pinnacol Assurance. These statements are addressed in the Fact vs. Fiction chart below.

Fiction	Fact
Pinnacol Assurance is state-run/ state-owned and, therefore, the state is entitled to Pinnacol's assets.	Pinnacol Assurance is not a state agency and it receives no state funding. By law, Pinnacol is run as a mutual insurance company, meaning that the company holds the assets in trust for the benefit of its policyholders.
Taxpayer dollars fund Pinnacol's operations/Pinnacol receives funding from the state.	Pinnacol receives no state funding. In fact, the law requires Pinnacol to be self-sustaining and, therefore, does not expose the state to financial losses.
Pinnacol has a large surplus because it has been overcharging policyholders and hoarding funds.	In the last four years Pinnacol has lowered rates and saved policyholders about \$205 million dollars. In the last five years, Pinnacol has returned dividends totaling \$347 million to policyholders in every county in Colorado as a reward for maintaining safe workplaces.
The state has a right to Pinnacol's assets because the company was created by the state.	Pinnacol Assurance was originally created by the state. However, understanding Pinnacol's history helps clarify misperceptions regarding the company's status and why the proposed legislation was illegal. In 1915, the State Compensation Insurance Fund was created as a state agency to ensure that injured workers received medical care and claims if they were injured on the job. By the mid-1980s, the state agency was mired in financial difficulties that posed a serious risk to the state and taxpayers. Because of this, laws in 1986 and 2002 led to the evolution of Pinnacol Assurance as a stand-alone, self-funded mutual insurance company mandated to protect injured workers and to insulate the state and taxpayers from liability. Pinnacol has become a model of excellence nationwide for compensation funds, and Colorado taxpayers no longer face the risk of funding a mismanaged system.
Pinnacol is a "political subdivision of the state" under 8-45-101 (1), C.R.S.	This is an incomplete description of Pinnacol Assurance. By law, Pinnacol is run as a mutual insurance company and the company holds the assets in trust for the benefit of its policyholders. Pinnacol is not a state agency, and it receives no state funding. In fact, the company is required to be self-sustaining and, therefore, does not expose the state to financial losses.
Pinnacol has governmental immunity.	Pinnacol does not enjoy governmental immunity. Its officers can be sued just like officers of any private company.



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Pinnacol's Enabling Statute

8-45-101.Pinnacol Assurance creation powers and duties

(1) There is hereby created Pinnacol Assurance, which shall be a political subdivision of the state and shall operate as a domestic mutual insurance company except as otherwise provided by law. Pinnacol Assurance shall not be an agency of state government, nor shall it be subject to administrative direction by any state agency except as provided in this article, and except for the purposes of the "Colorado Governmental Immunity Act", article 10 of title 24, C.R.S. Pinnacol Assurance shall not be dissolved except by the general assembly. Section 10-12-411, C.R.S., shall not apply to Pinnacol Assurance.

(2) (a) The powers of Pinnacol Assurance shall be vested in the board of directors of Pinnacol Assurance, which shall have nine members. The members of the board shall be appointed by the governor with the consent of the senate. Of the nine members, four shall be employers whose liability under articles 40 to 47 of this title is insured by Pinnacol Assurance with one of such employers to be a farmer or rancher. Three of the nine members shall be employees of employers whose liability under articles 40 to 47 of this title is insured by Pinnacol Assurance. One of the nine members shall be experienced in the management and operation of insurance companies as defined in section 10-1-102 (6), C.R.S. Such member shall not concurrently serve as an owner, a shareholder, an officer, an employee, an agent of, or in any other capacity with any business which competes with Pinnacol Assurance. One of the nine members shall be experienced in finance or investments, but shall not be an employer whose liability under articles 40 to 47 of this title is insured by Pinnacol Assurance. The term of office for each such member shall be five years. The appointees may serve on a temporary basis if the senate is not in session when they are appointed until the senate is in session and is able to confirm such appointments. Vacancies on the board shall be filled by appointment of the governor for the remainder of any unexpired terms. The board shall elect a chairman annually from its membership.

(b) The members of the board who were serving as of January 1, 2002, shall continue to serve until the completion of each member's term. New members of the board shall be appointed pursuant to paragraph (a) of this subsection (2).

(c) The board shall have the powers, rights, and duties of the board of directors of a domestic mutual insurance company, except as otherwise provided by law.

(3) Members of the board shall be compensated one hundred forty dollars per diem plus their actual and necessary expenses. Per diem compensation, not to exceed thirty days in any calendar year, shall be paid only when the board is transacting official business.

(4) On and after July 1, 2002, the powers, duties, and functions formerly exercised by the Colorado compensation insurance authority may be exercised by Pinnacol Assurance.



PINNACOL
ASSURANCE

Colorado's choice for workers' compensation

(5) The board shall:

(a) (I) Appoint the chief executive officer of Pinnacol Assurance who shall serve under contract and appoint, hire, or delegate the authority to hire such other staff as may be necessary to carry out the duties of Pinnacol Assurance.

(II) If an executive officer of Pinnacol Assurance is appointed pursuant to subparagraph (I) of this paragraph (a) and such executive officer appoints, hires, or delegates duties to any other staff necessary to carry out the duties of Pinnacol Assurance, and the executive officer or other staff receives total compensation, including bonuses or deferred compensation, in an amount equal to or greater than one hundred fifty thousand dollars annually, such compensation information shall be a public record.

(b) Develop and approve an annual budget;

(c) Establish general policies and procedures for the operation and administration of Pinnacol Assurance;

(d) (Deleted by amendment, L. 2002, p. 1865, § 1, effective July 1, 2002.)

(e) Promulgate policies and procedures that establish the basis by which employer premiums payable to Pinnacol Assurance are determined. The board may establish different rates for employers who meet the requirements established by the board for any classification after complying with the requirements of part 4 of article 4 of title 10, C.R.S., so long as those rates are not excessive, inadequate, or unfairly discriminatory.

(f) Offer to provide workers' compensation insurance and employer's liability insurance covering any liability of Colorado employers on account of personal injuries sustained by, or the death of, any employee. Nothing in this article shall be interpreted to permit Pinnacol Assurance to provide any other type of insurance or to provide insurance to employers that are not Colorado employers. Pinnacol Assurance shall not refuse to insure any Colorado employer or cancel any insurance policy due to the risk of loss or amount of premium, except as otherwise provided in this title.

(g) Review and streamline administrative procedures;

(h) Oversee the operations and make necessary personnel changes;

(i) Review the investigative procedures and implement changes to expedite investigations;

(j) Review and recommend legislation pertaining to workers' compensation in articles 40 to 47 of this title and to clarify legal concepts related thereto;

(k) Review the method of calculation of the experience modification factor with the object of providing maximum incentives for job safety; and

(l) Establish general policies and procedures by rule and regulation concerning medical care cost containment practices under articles 40 to 47 of this title.

(6) Article 4 of title 24, C.R.S., shall not apply to the promulgation of any policies or procedures authorized by subsection (5) of this section.

(7) Pinnacol Assurance may sell services, including but not limited to medical bill processing, that are developed pursuant to its powers under this article.

(8) Employees of Pinnacol Assurance shall be exempt from the state personnel system but shall, by acceptance of employment, be subject to the provisions of article 51 of title 24, C.R.S. Pinnacol Assurance shall provide for the deduction of employer and employee contributions from salary and for payment to the association of such deductions and for any other payments that would be due from a state employer.

(9) Notwithstanding any provision of law to the contrary, the claim files of injured employees, the policy files of employers, and all business records relating to the determination of rates that are not required to be disclosed by any other insurance company shall not be subject to the provisions of part 2 of article 72 of title 24, C.R.S.

(10) With respect to meetings of Pinnacol Assurance, matters relating to the claim files of injured employees and policy files of employers shall not be subject to the provisions of part 4 of article 6 of title 24, C.R.S.

(11) Pinnacol Assurance may enter into cooperative arrangements with any public or private entity for the purpose of carrying out its powers, duties, and functions. Nothing in this section shall require or be interpreted to require an employer to provide health insurance coverage for its employees.

(12) Notwithstanding the provisions of subsection (1) of this section, upon the attainment of a reasonable surplus as set forth in section 8-45-111, the "Colorado Governmental Immunity Act", article 10 of title 24, C.R.S., shall not apply to Pinnacol Assurance.

(13) Any member of the board who owns at least ten percent of an entity that enters into a contract with Pinnacol Assurance shall disclose the board member's ownership interest in the entity. This disclosure shall be a public record.

8-45-102. Pinnacol Assurance fund created - control of fund.

(1) There is hereby created in the state treasury a fund, to be known as the Pinnacol Assurance fund, for the benefit of injured and the dependents of killed employees, which shall be administered in accordance with the provisions of this article by the board. Such administration shall be without liability on the part of the state, beyond the amount of said fund, constituted as provided in this article. The state shall have no liability for the solvency or financial condition of the fund.

(2) The chief executive officer is vested with full power and jurisdiction over the administration of Pinnacol Assurance and may appoint such subordinate officers as may be necessary for the efficient operation of Pinnacol Assurance and may do and perform all things, whether specifically designated in this article or in addition thereto, that are necessary or convenient in the exercise of any power or jurisdiction over Pinnacol Assurance in the administration thereof under the provisions of this article as fully and completely as the head of a private insurance company might or could do, subject, however, to all the provisions of this article and other applicable law.

(3) Control of all moneys in the Pinnacol Assurance fund shall be transferred to the board, which shall administer the fund and use such moneys for the purposes of this article.

(4) The Pinnacol Assurance fund shall be a continuing fund and shall consist of all premiums received and paid into said fund for compensation insurance, all property and securities acquired by and through the use of moneys belonging to said fund, and all interest earned upon moneys belonging to said fund and deposited or invested. Said fund shall be applicable to the payment of the salaries of the employees of the fund and to its other operating expenses and to the payment of losses sustained or liabilities incurred under the contracts or policies of insurance issued by Pinnacol Assurance in accordance with the provisions of articles 40 to 47 of this title. All moneys in the fund previously known as the Colorado compensation insurance authority fund shall be transferred into the Pinnacol Assurance fund on July 1, 2002.

(5) The moneys in the Pinnacol Assurance fund shall be continuously available for the purposes of this article and shall not be transferred to or revert to the general fund of the state at the end of any fiscal year. All revenues, moneys, and assets of Pinnacol Assurance belong solely to Pinnacol Assurance. The state of Colorado has no claim to nor any interest in such revenues, moneys, and assets and shall not borrow, appropriate, or direct payments from such revenues, moneys, and assets for any purpose.

8-45-103. Board to fix rates - chief executive officer to administer rates - sue and be sued - contracts - care of injured.

(1) The board shall have full power and it is its duty to fix and determine the rates to be charged by Pinnacol Assurance for compensation insurance.

(2) The chief executive officer shall manage and conduct all business and affairs in relation to the rates to be charged by Pinnacol Assurance for compensation insurance which shall be conducted in the name of Pinnacol Assurance, and in that name, without any other name, title, or authority, the chief executive officer may:

(a) (I) Sue and be sued in all the courts of this state, or of any other state, or of the United States, and in actions arising out of any act, deed, matter, or thing made, omitted, entered into, done, or suffered in connection with Pinnacol Assurance and the administration, management, or conduct of the business or affairs relating thereto; and the chief executive officer shall be authorized to employ counsel to represent Pinnacol Assurance in any action.

(II) Nothing in this paragraph (a) shall be construed to waive any provisions of the "Colorado Governmental Immunity Act", article 10 of title 24, C.R.S., nor shall it be construed to waive immunity of the state of Colorado from suit in federal court, guaranteed by the eleventh amendment to the constitution of the United States.

(b) The chief executive officer shall not, nor shall any officer or employee of Pinnacol Assurance, or entities or parties with whom it contracts for services, be personally liable in a private capacity for or on account of any act done or omitted or contract or other obligation entered into or undertaken in an official capacity in good faith and without intent to defraud in connection with the administration, management, or conduct of Pinnacol Assurance, its business, or other affairs relating thereto.

(c) (Deleted by amendment, L. 2002, p. 1870, § 3, effective July 1, 2002.)

8-45-104. Blanks furnished by state. [Repealed]

8-45-105. Places of employment classified - amount of premiums.

(1) The board may classify the places of employment of employers insured by Pinnacol Assurance into classes in accordance with the nature of the business in which they are engaged and the probable hazard or risk of injury to their employees. It shall determine the amount of the premiums that such employers shall pay to Pinnacol Assurance, and may prescribe in what manner such premiums shall be paid, and may change the amount thereof both in respect to any or all of such employers as circumstances may require, and the condition of their respective plants, establishments, or places of work in respect to the safety of their employees may justify. All such premiums shall be levied on a basis that shall be fair, equitable, and just as among such employers.

(2) (Deleted by amendment, L. 2002, p. 1871, § 5, effective July 1, 2002.)

8-45-106. Insurance at cost - board may impose surcharges.

(1) It is the duty of the board, in the exercise of the powers and discretion conferred upon it by articles 40 to 47 of this title, ultimately to fix and maintain, for each class of occupation, the lowest possible rates of premium consistent with the maintenance of a solvent Pinnacol Assurance fund, and the creation and maintenance of a reasonable surplus after the payment of legitimate claims for injury and death, that may be authorized to be paid from the Pinnacol Assurance fund for the benefit of injured and dependents of killed employees.

(2) The board may impose a premium surcharge, not to exceed an additional fifty percent, for up to twelve continuous months, as a condition precedent to insure or reinsure an employer whose policy was canceled or terminated by any insurer for reasons of fraud or intentional misrepresentation of a material fact; except that, if an employer disputes the imposition of such surcharge, the employer may make a complaint to the commissioner of insurance. If the commissioner of insurance determines that the board, in imposing a premium surcharge, has engaged in any conduct in violation of part 11 of article 3 of title 10, C.R.S., the commissioner may take any action the commissioner deems appropriate and authorized by law.

8-45-107. Basis of rates - reserve - surplus.

(1) The rates shall be the percentage of the payroll of any employer that, on the average, shall produce a sufficient sum to:

(a) Carry all claims to maturity such that the rates shall be based upon the reserve and not upon the assessment plan;

(b) Produce a reasonable surplus as provided in articles 40 to 47 of this title, cover the catastrophe hazard, and ensure the payment to employees and their dependents of the compensation provided in said articles.

(2) In determining the amount of reserve to be laid aside to meet deferred payments according to awards, such reserve may be ascertained by finding the present worth of such deferred medical and indemnity payments calculated at a rate of interest not higher than six percent per annum, and such calculations of disability indemnity benefits shall be made according to a table of mortality not lower than the American experience table of mortality and, in the discretion of the board, by such other and further methods as will result in the establishment of adequate reserves.

(3) The amounts raised for the Pinnacol Assurance fund shall ultimately become neither more nor less than necessary to make the fund self-supporting, which includes the attainment and maintenance of an adequate surplus as determined in accordance with section 8-45-111, and the premiums or rates levied for such purpose shall be subject to readjustment from time to time by the board as may become necessary.

8-45-108. Intentional misrepresentation by employer. [Repealed]

8-45-109. Rate schedules posted. [Repealed]

8-45-110. Board to keep accounts - readjustment by board of rates. [Repealed]

8-45-111. Portions of premiums paid carried to surplus.

The board shall set aside such proportion as it may deem necessary of the earned premiums paid into the Pinnacol Assurance fund, as a contribution to the surplus of the fund. No later than January 1, 2001, the board shall submit a plan for approval by the commissioner of insurance for the attainment of a reasonable surplus as determined in accordance with section 10-3-201, C.R.S., or such surplus as approved by the commissioner of insurance. All business records related to such plan shall be disclosed by Pinnacol Assurance to the same extent as similar records are disclosed by the other insurance companies.

8-45-112. Amendment of rates - distribution to policyholders.

The board may amend at any time the rates for any class. No contract of insurance between Pinnacol Assurance and any employer shall be in effect until a policy or binder has been actually issued by the board and the premium therefor paid as and when required by this article. Not less often than once a year the chief executive officer shall tabulate the earned premiums paid by policyholders of Pinnacol Assurance. Should the experience of the Pinnacol Assurance fund show a credit balance and after payment of all amounts that have fallen due because of operating expenses, injury, or death, and after setting aside proper reserves, the board shall distribute such credit balance to the policyholders who have a balance to their credit in proportion to the premium paid and losses incurred by each such policyholder during the preceding insurance period. In the event any such policyholder fails to renew a policy with Pinnacol Assurance for the period following the period in which said dividends were earned, said policyholder shall be entitled to said credit dividend if such policy is terminated in good standing. In the event an employer actually discontinues business, said employer's policy shall be cancelled, and the dividend, if any, when ascertained, shall be returned to the employer.

8-45-113. New policies issued - when.

Pinnacol Assurance shall not be required to issue a new policy of insurance to an employer until all moneys due Pinnacol Assurance have been paid, all premiums have been paid on all cancelled policies, and the employer has complied with all provisions of such cancelled policies.

8-45-114. Adjustment of premiums. [Repealed]

8-45-115. Determination of premium - payment in advance - deductibles. [Repealed]

8-45-116. Reinsurance. [Repealed]

8-45-117. Regulation by commissioner of insurance.

(1) Pinnacol Assurance shall be subject to regulation by the commissioner of insurance as provided in:

(a) Part 11 of article 3 of title 10, C.R.S., pertaining to unfair competition and deceptive practices;

(b) Part 4 of article 4 of title 10, C.R.S., pertaining to rate regulation; however, if the pure premium rates used by Pinnacol Assurance are the national council on compensation insurance rates previously approved by the commissioner of insurance, Pinnacol Assurance may use different pure premium rates for employers who meet the requirements established by the board of directors after complying with the requirements of part 4 of article 4 of title 10, C.R.S., concerning type II insurers;

(c) Sections 10-1-108 (7), 10-1-109, and 10-1-102, C.R.S., except subsections (3) and (6); 10-1-205, C.R.S., (1) through (6) and (8); 10-3-109, C.R.S., except for the publication requirements; 10-3-118, C.R.S.; 10-3-128, C.R.S.; 10-3-202, C.R.S.; 10-3-207, C.R.S.; 10-3-208, C.R.S.; 10-3-231, C.R.S.; 10-3-239, C.R.S.; 10-3-701, C.R.S.; and part 8 of article 3 of title 10, C.R.S., except as these sections are inconsistent with the provisions of this article.

(2) (Deleted by amendment, L. 97, p. 936, § 5, effective May 21, 1997.)

(3) Nothing in this section shall be construed to subject Pinnacol Assurance to any premium tax assessed pursuant to title 10, C.R.S.

(4) The cost of examinations performed in accordance with section 8-45-121 (4) shall be billed by the commissioner to Pinnacol Assurance at prevailing hourly rates based upon time records kept by the commissioner. Any such payment received by the commissioner is hereby appropriated to the division of insurance in addition to any other funds appropriated for its normal operation.

(5) At such time as a reasonable surplus of the Pinnacol Assurance fund is reached pursuant to section 8-45-111 or when Pinnacol Assurance fails to comply with the plan to attain a reasonable surplus as set forth in section 8-45-111, Pinnacol Assurance shall be subject to regulation by the commissioner of insurance as provided in section 10-1-205 (7) and part 4 of article 3 of title 10, C.R.S., to the extent consistent with the provisions of this article.

(6) Notwithstanding the provisions of sections 8-45-102 (1) and 8-45-118, upon the attainment of a reasonable surplus as set forth in section 8-45-111 and verified by audit and examination performed in accordance with section 8-45-121, all of the moneys in the Pinnacol Assurance fund shall be transferred out of the state treasury and into the custody of the board of Pinnacol Assurance. The board shall thereafter control the investment of the fund pursuant to the requirements set forth in part 2 of article 3 of title 10, C.R.S.

(7) Notwithstanding the provisions of sections 8-45-102 (1) and 8-45-118, upon the transfer of the moneys in the Pinnacol Assurance fund in accordance with subsection (6) of this section, the board of Pinnacol Assurance shall make all disbursements, and such disbursements shall not be made upon state warrants.

(8) Notwithstanding the provisions of sections 8-45-102 (1) and 8-45-119, upon the transfer of the moneys in the Pinnacol Assurance fund in accordance with subsection (6) of this section, the state treasurer shall not be required to give any bond as custodian of the Pinnacol Assurance fund.

(9) After the transfer of the moneys in the Pinnacol Assurance fund in accordance with subsection (6) of this section, if the commissioner of insurance places Pinnacol Assurance under direct supervision pursuant to the provisions of section 10-3-405, C.R.S., the moneys in the Pinnacol Assurance fund may be transferred back to the custody of the state treasury pursuant to sections 8-45-102 (1), 8-45-118, and 8-45-119, and the state treasurer shall control the investment of the fund pursuant to section 8-45-120. The transfer of funds shall be under such conditions and within such time period as the state treasurer and the commissioner of insurance deem appropriate.

(10) Pinnacol Assurance shall not acquire or control any other insurer.

8-45-118. Treasurer custodian of fund - disbursements.

(1) The state treasurer shall be the custodian of the Pinnacol Assurance fund, and all disbursements therefrom shall be paid either by the state treasurer upon warrants drawn in accordance with law upon vouchers issued by the board upon order of the chief executive officer, or by or under the direction of the chief executive officer in such other manner as the state treasurer may approve. In every case occurring in which a warrant has been drawn in accordance with law against the state treasurer upon vouchers issued by the board for payment of any sum of money from the Pinnacol Assurance fund, or when another form of payment has been made from such fund by or under the direction of the chief executive officer, and the time within which said warrant or other form of payment shall be presented for payment in order to be valid has not been stamped, printed, or written across the face thereof, or otherwise specified, and a period of six months has elapsed since the issuance of such warrant or other form of payment, during which no person entitled thereto, or the proceeds thereof, has presented the same to the state treasurer for payment, or appeared to claim the funds so authorized to be paid from the hands of the state treasurer or the chief executive officer, such warrant or other form of payment may in the discretion of the chief executive officer be posted for cancellation, and thereafter cancelled and set aside.

(2) In every such case in which it is proposed to cancel any such warrant, the chief executive officer shall cause a notice to be drawn in duplicate, with a description of said warrant containing the amount, number, date of issuance, and name of payee, and shall cause one copy of said notice to be posted in a conspicuous place that is open to the public in the office of said board and one copy to be delivered to the state treasurer. If, at the end of one month after the posting of such notice and the delivery of a copy to the state treasurer, such warrant is not presented for payment and no person entitled to the proceeds thereof appears to claim the funds so authorized to be paid in said warrant, said warrant may be cancelled as provided in this section.

(3) (a) The state treasurer shall, upon the request of the chief executive officer, transfer any such funds held to the credit of or for the payment of such warrant back to the credit of the Pinnacol Assurance fund. Except as otherwise provided in paragraph (b) of this subsection (3), if at any time thereafter application shall be made for the reissuance of such warrant, the same may be reissued, if the claim that it represents appears to be valid and still outstanding. Such reissued warrant shall be made payable from the moneys on deposit in the Pinnacol Assurance fund and shall be made payable to the person entitled to the proceeds thereof.

(b) For warrants issued on or after August 6, 2003, the funds transferred pursuant to paragraph (a) of this subsection (3) shall be subject to the provisions of the "Unclaimed Property Act", article 13 of title 38, C.R.S., and for purposes of this paragraph (b), Pinnacol Assurance shall be considered an insurance company as defined in section 38-13-102 (6.5), C.R.S.

(4) Except as provided in section 8-45-117, the powers and discretion granted in this section to the chief executive officer and the state treasurer shall obtain in all cases relating to the warrants or other forms of payment drawn on the Pinnacol Assurance fund, anything to the contrary in any statute notwithstanding.

8-45-119. State treasurer to give separate bond as custodian.

(1) The state treasurer shall give a separate and additional bond in such amount as may be fixed by the board with sureties to be approved by the governor, conditioned for the faithful performance of the state treasurer's duties as custodian of the Pinnacol Assurance fund, and as custodian of all the bonds, warrants, investments, and moneys of, or belonging to, said Pinnacol Assurance fund, subject to all provisions of law governing bonds of the state treasurer. The premium on said bond shall be paid out of the earnings of the Pinnacol Assurance fund.

(2) The state treasurer shall give a separate and additional bond in such amount as may be fixed by the executive director of the department of labor and employment with sureties to be approved by the governor, conditioned for the faithful performance of the state treasurer's duties as custodian of the funds under the jurisdiction of the director of the division of workers' compensation, and as custodian of all the bonds, warrants, investments, and moneys of, or belonging to, the funds under the jurisdiction of the director of the division of workers' compensation, subject to all provisions of law governing bonds of the state treasurer. The premium on said bond shall be paid out of the earnings of the funds under the jurisdiction of the director of the division of workers' compensation on a pro rata basis.

8-45-120. State treasurer to invest funds.

(1) Except as provided in subsection (2) of this section, the state treasurer, after consulting with the board of directors or the board's designated committee as to the overall direction of the portfolio, shall invest any portion of the Pinnacol Assurance fund, including its surplus or reserves, which is not needed for immediate use. Such moneys may be invested in the types of investments authorized in sections 24-36-109, 24-36-112, and 24-36-113, C.R.S. Such moneys may also be invested in common and preferred stock in the same manner as a domestic insurance company pursuant to section 10-3-226, C.R.S. The state treasurer shall determine the appropriate percentage of the fund, not to exceed one hundred percent of the surplus, to be invested in common and preferred stock and the appropriate level of risk for such investments. The state treasurer may make such investments in the form of mutual funds and may contract with private professional fund managers and employ portfolio managers.

(2) Subject to approval by the board, the chief executive officer may authorize and direct the state treasurer to invest a portion of the funds in the Pinnacol Assurance fund for the purchase of real property, to house, contain, and maintain the offices and operational facilities of Pinnacol Assurance as may be deemed necessary to accommodate its immediate and reasonably anticipated future needs. The chief executive officer is authorized to purchase such real property, buildings, and improvements thereon. Title to such real property, buildings, and improvements thereon shall vest in Pinnacol Assurance, and such assets shall be a part of the Pinnacol Assurance fund. The chief executive officer may lease or rent space not needed for the immediate requirements of Pinnacol Assurance in such real property to other public agencies or private businesses. Moneys received from such rental or lease of space and moneys appropriated by the general assembly for rental or lease of space in such real property shall be deposited with the state treasurer for credit to the Pinnacol Assurance fund. The chief executive officer shall not sell or otherwise dispose of any property, buildings, or improvements thereon so acquired, without consent of the board, and the moneys received from such sale or disposition shall be credited to the account of the Pinnacol Assurance fund.

(3) Repealed.

8-45-121. Visitation of fund by commissioner of insurance - annual audit - examination.

(1) Pinnacol Assurance shall be open to visitation by the commissioner of insurance at all reasonable times, and the commissioner of insurance shall require from the chief executive officer reports as to the condition of Pinnacol Assurance, as required by law to be made by other insurance carriers doing business in this state insofar as applicable to Pinnacol Assurance.

(2) An annual audit of said fund shall be made by an auditor or firm of auditors, having the necessary specialized knowledge and experience, retained by the state auditor with the consultation and advice of the chief executive officer and the commissioner of insurance. The cost of such audit and examination shall be borne by the fund.

(3) (Deleted by amendment, L. 2002, p. 1879, § 20, effective July 1, 2002.)

(4) At least once every three years, the commissioner of insurance shall conduct an examination of said fund, such examination to be conducted in the same manner as an examination of a private insurance carrier. With respect to such examination, the provisions of section 10-1-204, C.R.S., shall be applicable. The commissioner of insurance shall transmit a copy of the commissioner's examination to the governor, the state auditor, the general assembly, the executive director of the department of labor and employment, and the chief executive officer.

8-45-122. Annual report. [Repealed]

8-45-123. Change of names - direction to revisor.

The revisor of statutes is authorized to change all references to the Colorado compensation insurance authority in the "Workers' Compensation Act of Colorado" and everywhere else a reference is contained in the Colorado Revised Statutes to Pinnacol Assurance and to change all references to the Colorado compensation insurance authority fund in the "Workers' Compensation Act of Colorado" and everywhere else a reference is contained in the Colorado Revised Statutes to the Pinnacol Assurance fund.

8-45-124. Review of cost-effectiveness of use of national council on compensation insurance by the authority. [Repealed]

Pinnacol's Enabling Statute

8-45-101.Pinnacol Assurance creation powers and duties

(1) There is hereby created Pinnacol Assurance, which shall be a political subdivision of the state and shall operate as a domestic mutual insurance company except as otherwise provided by law. Pinnacol Assurance shall not be an agency of state government, nor shall it be subject to administrative direction by any state agency except as provided in this article, and except for the purposes of the "Colorado Governmental Immunity Act", article 10 of title 24, C.R.S. Pinnacol Assurance shall not be dissolved except by the general assembly. Section 10-12-411, C.R.S., shall not apply to Pinnacol Assurance.

(2) (a) The powers of Pinnacol Assurance shall be vested in the board of directors of Pinnacol Assurance, which shall have nine members. The members of the board shall be appointed by the governor with the consent of the senate. Of the nine members, four shall be employers whose liability under articles 40 to 47 of this title is insured by Pinnacol Assurance with one of such employers to be a farmer or rancher. Three of the nine members shall be employees of employers whose liability under articles 40 to 47 of this title is insured by Pinnacol Assurance. One of the nine members shall be experienced in the management and operation of insurance companies as defined in section 10-1-102 (6), C.R.S. Such member shall not concurrently serve as an owner, a shareholder, an officer, an employee, an agent of, or in any other capacity with any business which competes with Pinnacol Assurance. One of the nine members shall be experienced in finance or investments, but shall not be an employer whose liability under articles 40 to 47 of this title is insured by Pinnacol Assurance. The term of office for each such member shall be five years. The appointees may serve on a temporary basis if the senate is not in session when they are appointed until the senate is in session and is able to confirm such appointments. Vacancies on the board shall be filled by appointment of the governor for the remainder of any unexpired terms. The board shall elect a chairman annually from its membership.

(b) The members of the board who were serving as of January 1, 2002, shall continue to serve until the completion of each member's term. New members of the board shall be appointed pursuant to paragraph (a) of this subsection (2).

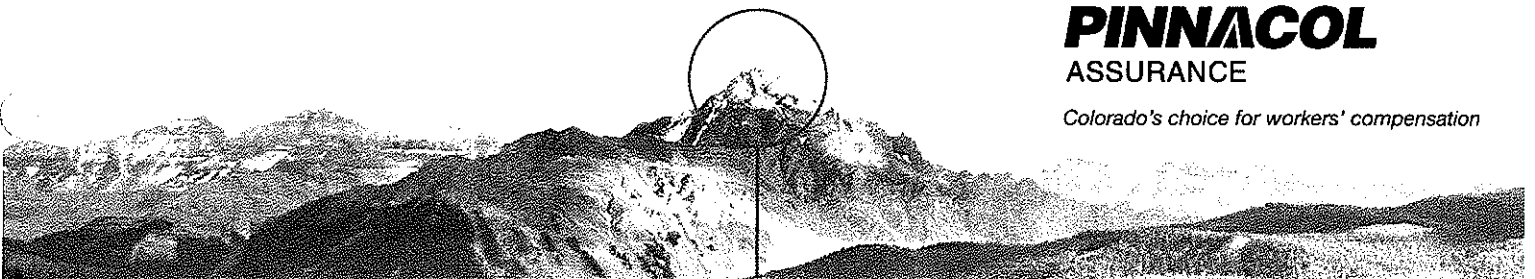
(c) The board shall have the powers, rights, and duties of the board of directors of a domestic mutual insurance company, except as otherwise provided by law.

(3) Members of the board shall be compensated one hundred forty dollars per diem plus their actual and necessary expenses. Per diem compensation, not to exceed thirty days in any calendar year, shall be paid only when the board is transacting official business.

(4) On and after July 1, 2002, the powers, duties, and functions formerly exercised by the Colorado compensation insurance authority may be exercised by Pinnacol Assurance.

PINNACOL
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Colorado's choice for workers' compensation



(5) The board shall:

(a) (I) Appoint the chief executive officer of Pinnacol Assurance who shall serve under contract and appoint, hire, or delegate the authority to hire such other staff as may be necessary to carry out the duties of Pinnacol Assurance.

(II) If an executive officer of Pinnacol Assurance is appointed pursuant to subparagraph (I) of this paragraph (a) and such executive officer appoints, hires, or delegates duties to any other staff necessary to carry out the duties of Pinnacol Assurance, and the executive officer or other staff receives total compensation, including bonuses or deferred compensation, in an amount equal to or greater than one hundred fifty thousand dollars annually, such compensation information shall be a public record.

(b) Develop and approve an annual budget;

(c) Establish general policies and procedures for the operation and administration of Pinnacol Assurance;

(d) (Deleted by amendment, L. 2002, p. 1865, § 1, effective July 1, 2002.)

(e) Promulgate policies and procedures that establish the basis by which employer premiums payable to Pinnacol Assurance are determined. The board may establish different rates for employers who meet the requirements established by the board for any classification after complying with the requirements of part 4 of article 4 of title 10, C.R.S., so long as those rates are not excessive, inadequate, or unfairly discriminatory.

(f) Offer to provide workers' compensation insurance and employer's liability insurance covering any liability of Colorado employers on account of personal injuries sustained by, or the death of, any employee. Nothing in this article shall be interpreted to permit Pinnacol Assurance to provide any other type of insurance or to provide insurance to employers that are not Colorado employers. Pinnacol Assurance shall not refuse to insure any Colorado employer or cancel any insurance policy due to the risk of loss or amount of premium, except as otherwise provided in this title.

(g) Review and streamline administrative procedures;

(h) Oversee the operations and make necessary personnel changes;

(i) Review the investigative procedures and implement changes to expedite investigations;

(j) Review and recommend legislation pertaining to workers' compensation in articles 40 to 47 of this title and to clarify legal concepts related thereto;

(k) Review the method of calculation of the experience modification factor with the object of providing maximum incentives for job safety; and

(l) Establish general policies and procedures by rule and regulation concerning medical care cost containment practices under articles 40 to 47 of this title.

(6) Article 4 of title 24, C.R.S., shall not apply to the promulgation of any policies or procedures authorized by subsection (5) of this section.

(7) Pinnacol Assurance may sell services, including but not limited to medical bill processing, that are developed pursuant to its powers under this article.

(8) Employees of Pinnacol Assurance shall be exempt from the state personnel system but shall, by acceptance of employment, be subject to the provisions of article 51 of title 24, C.R.S. Pinnacol Assurance shall provide for the deduction of employer and employee contributions from salary and for payment to the association of such deductions and for any other payments that would be due from a state employer.

(9) Notwithstanding any provision of law to the contrary, the claim files of injured employees, the policy files of employers, and all business records relating to the determination of rates that are not required to be disclosed by any other insurance company shall not be subject to the provisions of part 2 of article 72 of title 24, C.R.S.

(10) With respect to meetings of Pinnacol Assurance, matters relating to the claim files of injured employees and policy files of employers shall not be subject to the provisions of part 4 of article 6 of title 24, C.R.S.

(11) Pinnacol Assurance may enter into cooperative arrangements with any public or private entity for the purpose of carrying out its powers, duties, and functions. Nothing in this section shall require or be interpreted to require an employer to provide health insurance coverage for its employees.

(12) Notwithstanding the provisions of subsection (1) of this section, upon the attainment of a reasonable surplus as set forth in section 8-45-111, the "Colorado Governmental Immunity Act", article 10 of title 24, C.R.S., shall not apply to Pinnacol Assurance.

(13) Any member of the board who owns at least ten percent of an entity that enters into a contract with Pinnacol Assurance shall disclose the board member's ownership interest in the entity. This disclosure shall be a public record.

8-45-102. Pinnacol Assurance fund created - control of fund.

(1) There is hereby created in the state treasury a fund, to be known as the Pinnacol Assurance fund, for the benefit of injured and the dependents of killed employees, which shall be administered in accordance with the provisions of this article by the board. Such administration shall be without liability on the part of the state, beyond the amount of said fund, constituted as provided in this article. The state shall have no liability for the solvency or financial condition of the fund.

(2) The chief executive officer is vested with full power and jurisdiction over the administration of Pinnacol Assurance and may appoint such subordinate officers as may be necessary for the efficient operation of Pinnacol Assurance and may do and perform all things, whether specifically designated in this article or in addition thereto, that are necessary or convenient in the exercise of any power or jurisdiction over Pinnacol Assurance in the administration thereof under the provisions of this article as fully and completely as the head of a private insurance company might or could do, subject, however, to all the provisions of this article and other applicable law.

(3) Control of all moneys in the Pinnacol Assurance fund shall be transferred to the board, which shall administer the fund and use such moneys for the purposes of this article.

(4) The Pinnacol Assurance fund shall be a continuing fund and shall consist of all premiums received and paid into said fund for compensation insurance, all property and securities acquired by and through the use of moneys belonging to said fund, and all interest earned upon moneys belonging to said fund and deposited or invested. Said fund shall be applicable to the payment of the salaries of the employees of the fund and to its other operating expenses and to the payment of losses sustained or liabilities incurred under the contracts or policies of insurance issued by Pinnacol Assurance in accordance with the provisions of articles 40 to 47 of this title. All moneys in the fund previously known as the Colorado compensation insurance authority fund shall be transferred into the Pinnacol Assurance fund on July 1, 2002.

(5) The moneys in the Pinnacol Assurance fund shall be continuously available for the purposes of this article and shall not be transferred to or revert to the general fund of the state at the end of any fiscal year. All revenues, moneys, and assets of Pinnacol Assurance belong solely to Pinnacol Assurance. The state of Colorado has no claim to nor any interest in such revenues, moneys, and assets and shall not borrow, appropriate, or direct payments from such revenues, moneys, and assets for any purpose.

8-45-103. Board to fix rates - chief executive officer to administer rates - sue and be sued - contracts - care of injured.

(1) The board shall have full power and it is its duty to fix and determine the rates to be charged by Pinnacol Assurance for compensation insurance.

(2) The chief executive officer shall manage and conduct all business and affairs in relation to the rates to be charged by Pinnacol Assurance for compensation insurance which shall be conducted in the name of Pinnacol Assurance, and in that name, without any other name, title, or authority, the chief executive officer may:

(a) (I) Sue and be sued in all the courts of this state, or of any other state, or of the United States, and in actions arising out of any act, deed, matter, or thing made, omitted, entered into, done, or suffered in connection with Pinnacol Assurance and the administration, management, or conduct of the business or affairs relating thereto; and the chief executive officer shall be authorized to employ counsel to represent Pinnacol Assurance in any action.

(II) Nothing in this paragraph (a) shall be construed to waive any provisions of the "Colorado Governmental Immunity Act", article 10 of title 24, C.R.S., nor shall it be construed to waive immunity of the state of Colorado from suit in federal court, guaranteed by the eleventh amendment to the constitution of the United States.

(b) The chief executive officer shall not, nor shall any officer or employee of Pinnacol Assurance, or entities or parties with whom it contracts for services, be personally liable in a private capacity for or on account of any act done or omitted or contract or other obligation entered into or undertaken in an official capacity in good faith and without intent to defraud in connection with the administration, management, or conduct of Pinnacol Assurance, its business, or other affairs relating thereto.

(c) (Deleted by amendment, L. 2002, p. 1870, § 3, effective July 1, 2002.)

8-45-104. Blanks furnished by state. [Repealed]

8-45-105. Places of employment classified - amount of premiums.

(1) The board may classify the places of employment of employers insured by Pinnacol Assurance into classes in accordance with the nature of the business in which they are engaged and the probable hazard or risk of injury to their employees. It shall determine the amount of the premiums that such employers shall pay to Pinnacol Assurance, and may prescribe in what manner such premiums shall be paid, and may change the amount thereof both in respect to any or all of such employers as circumstances may require, and the condition of their respective plants, establishments, or places of work in respect to the safety of their employees may justify. All such premiums shall be levied on a basis that shall be fair, equitable, and just as among such employers.

(2) (Deleted by amendment, L. 2002, p. 1871, § 5, effective July 1, 2002.)

8-45-106. Insurance at cost - board may impose surcharges.

(1) It is the duty of the board, in the exercise of the powers and discretion conferred upon it by articles 40 to 47 of this title, ultimately to fix and maintain, for each class of occupation, the lowest possible rates of premium consistent with the maintenance of a solvent Pinnacol Assurance fund, and the creation and maintenance of a reasonable surplus after the payment of legitimate claims for injury and death, that may be authorized to be paid from the Pinnacol Assurance fund for the benefit of injured and dependents of killed employees.

(2) The board may impose a premium surcharge, not to exceed an additional fifty percent, for up to twelve continuous months, as a condition precedent to insure or reinsure an employer whose policy was canceled or terminated by any insurer for reasons of fraud or intentional misrepresentation of a material fact; except that, if an employer disputes the imposition of such surcharge, the employer may make a complaint to the commissioner of insurance. If the commissioner of insurance determines that the board, in imposing a premium surcharge, has engaged in any conduct in violation of part 11 of article 3 of title 10, C.R.S., the commissioner may take any action the commissioner deems appropriate and authorized by law.

8-45-107. Basis of rates - reserve - surplus.

(1) The rates shall be the percentage of the payroll of any employer that, on the average, shall produce a sufficient sum to:

(a) Carry all claims to maturity such that the rates shall be based upon the reserve and not upon the assessment plan;

(b) Produce a reasonable surplus as provided in articles 40 to 47 of this title, cover the catastrophe hazard, and ensure the payment to employees and their dependents of the compensation provided in said articles.

(2) In determining the amount of reserve to be laid aside to meet deferred payments according to awards, such reserve may be ascertained by finding the present worth of such deferred medical and indemnity payments calculated at a rate of interest not higher than six percent per annum, and such calculations of disability indemnity benefits shall be made according to a table of mortality not lower than the American experience table of mortality and, in the discretion of the board, by such other and further methods as will result in the establishment of adequate reserves.

(3) The amounts raised for the Pinnacol Assurance fund shall ultimately become neither more nor less than necessary to make the fund self-supporting, which includes the attainment and maintenance of an adequate surplus as determined in accordance with section 8-45-111, and the premiums or rates levied for such purpose shall be subject to readjustment from time to time by the board as may become necessary.

8-45-108. Intentional misrepresentation by employer. [Repealed]

8-45-109. Rate schedules posted. [Repealed]

8-45-110. Board to keep accounts - readjustment by board of rates. [Repealed]

8-45-111. Portions of premiums paid carried to surplus.

The board shall set aside such proportion as it may deem necessary of the earned premiums paid into the Pinnacol Assurance fund, as a contribution to the surplus of the fund. No later than January 1, 2001, the board shall submit a plan for approval by the commissioner of insurance for the attainment of a reasonable surplus as determined in accordance with section 10-3-201, C.R.S., or such surplus as approved by the commissioner of insurance. All business records related to such plan shall be disclosed by Pinnacol Assurance to the same extent as similar records are disclosed by the other insurance companies.

8-45-112. Amendment of rates - distribution to policyholders.

The board may amend at any time the rates for any class. No contract of insurance between Pinnacol Assurance and any employer shall be in effect until a policy or binder has been actually issued by the board and the premium therefor paid as and when required by this article. Not less often than once a year the chief executive officer shall tabulate the earned premiums paid by policyholders of Pinnacol Assurance. Should the experience of the Pinnacol Assurance fund show a credit balance and after payment of all amounts that have fallen due because of operating expenses, injury, or death, and after setting aside proper reserves, the board shall distribute such credit balance to the policyholders who have a balance to their credit in proportion to the premium paid and losses incurred by each such policyholder during the preceding insurance period. In the event any such policyholder fails to renew a policy with Pinnacol Assurance for the period following the period in which said dividends were earned, said policyholder shall be entitled to said credit dividend if such policy is terminated in good standing. In the event an employer actually discontinues business, said employer's policy shall be cancelled, and the dividend, if any, when ascertained, shall be returned to the employer.

8-45-113. New policies issued - when.

Pinnacol Assurance shall not be required to issue a new policy of insurance to an employer until all moneys due Pinnacol Assurance have been paid, all premiums have been paid on all cancelled policies, and the employer has complied with all provisions of such cancelled policies.

8-45-114. Adjustment of premiums. [Repealed]

8-45-115. Determination of premium - payment in advance - deductibles. [Repealed]

8-45-116. Reinsurance. [Repealed]

8-45-117. Regulation by commissioner of insurance.

(1) Pinnacol Assurance shall be subject to regulation by the commissioner of insurance as provided in:

(a) Part 11 of article 3 of title 10, C.R.S., pertaining to unfair competition and deceptive practices;

(b) Part 4 of article 4 of title 10, C.R.S., pertaining to rate regulation; however, if the pure premium rates used by Pinnacol Assurance are the national council on compensation insurance rates previously approved by the commissioner of insurance, Pinnacol Assurance may use different pure premium rates for employers who meet the requirements established by the board of directors after complying with the requirements of part 4 of article 4 of title 10, C.R.S., concerning type II insurers;

(c) Sections 10-1-108 (7), 10-1-109, and 10-1-102, C.R.S., except subsections (3) and (6); 10-1-205, C.R.S., (1) through (6) and (8); 10-3-109, C.R.S., except for the publication requirements; 10-3-118, C.R.S.; 10-3-128, C.R.S.; 10-3-202, C.R.S.; 10-3-207, C.R.S.; 10-3-208, C.R.S.; 10-3-231, C.R.S.; 10-3-239, C.R.S.; 10-3-701, C.R.S.; and part 8 of article 3 of title 10, C.R.S., except as these sections are inconsistent with the provisions of this article.

(2) (Deleted by amendment, L. 97, p. 936, § 5, effective May 21, 1997.)

(3) Nothing in this section shall be construed to subject Pinnacol Assurance to any premium tax assessed pursuant to title 10, C.R.S.

(4) The cost of examinations performed in accordance with section 8-45-121 (4) shall be billed by the commissioner to Pinnacol Assurance at prevailing hourly rates based upon time records kept by the commissioner. Any such payment received by the commissioner is hereby appropriated to the division of insurance in addition to any other funds appropriated for its normal operation.

(5) At such time as a reasonable surplus of the Pinnacol Assurance fund is reached pursuant to section 8-45-111 or when Pinnacol Assurance fails to comply with the plan to attain a reasonable surplus as set forth in section 8-45-111, Pinnacol Assurance shall be subject to regulation by the commissioner of insurance as provided in section 10-1-205 (7) and part 4 of article 3 of title 10, C.R.S., to the extent consistent with the provisions of this article.

(6) Notwithstanding the provisions of sections 8-45-102 (1) and 8-45-118, upon the attainment of a reasonable surplus as set forth in section 8-45-111 and verified by audit and examination performed in accordance with section 8-45-121, all of the moneys in the Pinnacol Assurance fund shall be transferred out of the state treasury and into the custody of the board of Pinnacol Assurance. The board shall thereafter control the investment of the fund pursuant to the requirements set forth in part 2 of article 3 of title 10, C.R.S.

(7) Notwithstanding the provisions of sections 8-45-102 (1) and 8-45-118, upon the transfer of the moneys in the Pinnacol Assurance fund in accordance with subsection (6) of this section, the board of Pinnacol Assurance shall make all disbursements, and such disbursements shall not be made upon state warrants.

(8) Notwithstanding the provisions of sections 8-45-102 (1) and 8-45-119, upon the transfer of the moneys in the Pinnacol Assurance fund in accordance with subsection (6) of this section, the state treasurer shall not be required to give any bond as custodian of the Pinnacol Assurance fund.

(9) After the transfer of the moneys in the Pinnacol Assurance fund in accordance with subsection (6) of this section, if the commissioner of insurance places Pinnacol Assurance under direct supervision pursuant to the provisions of section 10-3-405, C.R.S., the moneys in the Pinnacol Assurance fund may be transferred back to the custody of the state treasury pursuant to sections 8-45-102 (1), 8-45-118, and 8-45-119, and the state treasurer shall control the investment of the fund pursuant to section 8-45-120. The transfer of funds shall be under such conditions and within such time period as the state treasurer and the commissioner of insurance deem appropriate.

(10) Pinnacol Assurance shall not acquire or control any other insurer.

8-45-118. Treasurer custodian of fund - disbursements.

(1) The state treasurer shall be the custodian of the Pinnacol Assurance fund, and all disbursements therefrom shall be paid either by the state treasurer upon warrants drawn in accordance with law upon vouchers issued by the board upon order of the chief executive officer, or by or under the direction of the chief executive officer in such other manner as the state treasurer may approve. In every case occurring in which a warrant has been drawn in accordance with law against the state treasurer upon vouchers issued by the board for payment of any sum of money from the Pinnacol Assurance fund, or when another form of payment has been made from such fund by or under the direction of the chief executive officer, and the time within which said warrant or other form of payment shall be presented for payment in order to be valid has not been stamped, printed, or written across the face thereof, or otherwise specified, and a period of six months has elapsed since the issuance of such warrant or other form of payment, during which no person entitled thereto, or the proceeds thereof, has presented the same to the state treasurer for payment, or appeared to claim the funds so authorized to be paid from the hands of the state treasurer or the chief executive officer, such warrant or other form of payment may in the discretion of the chief executive officer be posted for cancellation, and thereafter cancelled and set aside.

(2) In every such case in which it is proposed to cancel any such warrant, the chief executive officer shall cause a notice to be drawn in duplicate, with a description of said warrant containing the amount, number, date of issuance, and name of payee, and shall cause one copy of said notice to be posted in a conspicuous place that is open to the public in the office of said board and one copy to be delivered to the state treasurer. If, at the end of one month after the posting of such notice and the delivery of a copy to the state treasurer, such warrant is not presented for payment and no person entitled to the proceeds thereof appears to claim the funds so authorized to be paid in said warrant, said warrant may be cancelled as provided in this section.

(3) (a) The state treasurer shall, upon the request of the chief executive officer, transfer any such funds held to the credit of or for the payment of such warrant back to the credit of the Pinnacol Assurance fund. Except as otherwise provided in paragraph (b) of this subsection (3), if at any time thereafter application shall be made for the reissuance of such warrant, the same may be reissued, if the claim that it represents appears to be valid and still outstanding. Such reissued warrant shall be made payable from the moneys on deposit in the Pinnacol Assurance fund and shall be made payable to the person entitled to the proceeds thereof.

(b) For warrants issued on or after August 6, 2003, the funds transferred pursuant to paragraph (a) of this subsection (3) shall be subject to the provisions of the "Unclaimed Property Act", article 13 of title 38, C.R.S., and for purposes of this paragraph (b), Pinnacol Assurance shall be considered an insurance company as defined in section 38-13-102 (6.5), C.R.S.

(4) Except as provided in section 8-45-117, the powers and discretion granted in this section to the chief executive officer and the state treasurer shall obtain in all cases relating to the warrants or other forms of payment drawn on the Pinnacol Assurance fund, anything to the contrary in any statute notwithstanding.

8-45-119. State treasurer to give separate bond as custodian.

(1) The state treasurer shall give a separate and additional bond in such amount as may be fixed by the board with sureties to be approved by the governor, conditioned for the faithful performance of the state treasurer's duties as custodian of the Pinnacol Assurance fund, and as custodian of all the bonds, warrants, investments, and moneys of, or belonging to, said Pinnacol Assurance fund, subject to all provisions of law governing bonds of the state treasurer. The premium on said bond shall be paid out of the earnings of the Pinnacol Assurance fund.

(2) The state treasurer shall give a separate and additional bond in such amount as may be fixed by the executive director of the department of labor and employment with sureties to be approved by the governor, conditioned for the faithful performance of the state treasurer's duties as custodian of the funds under the jurisdiction of the director of the division of workers' compensation, and as custodian of all the bonds, warrants, investments, and moneys of, or belonging to, the funds under the jurisdiction of the director of the division of workers' compensation, subject to all provisions of law governing bonds of the state treasurer. The premium on said bond shall be paid out of the earnings of the funds under the jurisdiction of the director of the division of workers' compensation on a pro rata basis.

8-45-120. State treasurer to invest funds.

(1) Except as provided in subsection (2) of this section, the state treasurer, after consulting with the board of directors or the board's designated committee as to the overall direction of the portfolio, shall invest any portion of the Pinnacol Assurance fund, including its surplus or reserves, which is not needed for immediate use. Such moneys may be invested in the types of investments authorized in sections 24-36-109, 24-36-112, and 24-36-113, C.R.S. Such moneys may also be invested in common and preferred stock in the same manner as a domestic insurance company pursuant to section 10-3-226, C.R.S. The state treasurer shall determine the appropriate percentage of the fund, not to exceed one hundred percent of the surplus, to be invested in common and preferred stock and the appropriate level of risk for such investments. The state treasurer may make such investments in the form of mutual funds and may contract with private professional fund managers and employ portfolio managers.

(2) Subject to approval by the board, the chief executive officer may authorize and direct the state treasurer to invest a portion of the funds in the Pinnacol Assurance fund for the purchase of real property, to house, contain, and maintain the offices and operational facilities of Pinnacol Assurance as may be deemed necessary to accommodate its immediate and reasonably anticipated future needs. The chief executive officer is authorized to purchase such real property, buildings, and improvements thereon. Title to such real property, buildings, and improvements thereon shall vest in Pinnacol Assurance, and such assets shall be a part of the Pinnacol Assurance fund. The chief executive officer may lease or rent space not needed for the immediate requirements of Pinnacol Assurance in such real property to other public agencies or private businesses. Moneys received from such rental or lease of space and moneys appropriated by the general assembly for rental or lease of space in such real property shall be deposited with the state treasurer for credit to the Pinnacol Assurance fund. The chief executive officer shall not sell or otherwise dispose of any property, buildings, or improvements thereon so acquired, without consent of the board, and the moneys received from such sale or disposition shall be credited to the account of the Pinnacol Assurance fund.

(3) Repealed.

8-45-121. Visitation of fund by commissioner of insurance - annual audit - examination.

(1) Pinnacol Assurance shall be open to visitation by the commissioner of insurance at all reasonable times, and the commissioner of insurance shall require from the chief executive officer reports as to the condition of Pinnacol Assurance, as required by law to be made by other insurance carriers doing business in this state insofar as applicable to Pinnacol Assurance.

(2) An annual audit of said fund shall be made by an auditor or firm of auditors, having the necessary specialized knowledge and experience, retained by the state auditor with the consultation and advice of the chief executive officer and the commissioner of insurance. The cost of such audit and examination shall be borne by the fund.

(3) (Deleted by amendment, L. 2002, p. 1879, § 20, effective July 1, 2002.)

(4) At least once every three years, the commissioner of insurance shall conduct an examination of said fund, such examination to be conducted in the same manner as an examination of a private insurance carrier. With respect to such examination, the provisions of section 10-1-204, C.R.S., shall be applicable. The commissioner of insurance shall transmit a copy of the commissioner's examination to the governor, the state auditor, the general assembly, the executive director of the department of labor and employment, and the chief executive officer.

8-45-122. Annual report. [Repealed]

8-45-123. Change of names - direction to revisor.

The revisor of statutes is authorized to change all references to the Colorado compensation insurance authority in the "Workers' Compensation Act of Colorado" and everywhere else a reference is contained in the Colorado Revised Statutes to Pinnacol Assurance and to change all references to the Colorado compensation insurance authority fund in the "Workers' Compensation Act of Colorado" and everywhere else a reference is contained in the Colorado Revised Statutes to the Pinnacol Assurance fund.

8-45-124. Review of cost-effectiveness of use of national council on compensation insurance by the authority. [Repealed]

Family Health West's "Relationship" with Pinnacol Helps Further Its Mission

FamilyHealthWest.org
Fruita, Colorado
Policyholder since 1986

Sixty years after its humble beginnings as a community project that provided health care to residents of rural Mesa County, Family Health West, a Fruita-based nonprofit, has expanded its scope of services and its commitment to local health care. Today, Family Health West facilities include a new hospital, just opened in July of 2009, two assisted living facilities, a nursing home specializing in Alzheimer's care, and the Kokopelli Clinics, which include the Rehabilitation Therapy Center, Urgent Care Clinic and Imaging Center.

When Errol Snider, chief operating officer, talks about Pinnacol, he says, "It's a relationship. People talk about partnership, but this is a relationship." Being in the health care business, Snider admits he has done his share of bad-mouthing insurers, but not when it comes to Pinnacol.

When this relationship started more than 20 years ago, nobody else would take Family Health West's workers' compensation business. Family Health West's accident rate was almost three times what would be expected, based on comparisons to similar organizations. But slowly, through a combination of Pinnacol's hands-on help and expertise and Family Health's eagerness to change, safety became a central priority. And, over time, things turned around.

Early on, Pinnacol representatives from Denver and Grand Junction identified practices that were putting employees at risk for injury. To avoid common back injuries, Pinnacol workers recommended that Family Health West become a lift-free environment. At the nursing home, lifting patients by hand was an accepted daily practice so overnight change was unrealistic. But Pinnacol convinced Family Health West that an investment in nursing home lifts, while a considerable expense, would pay long-term benefits in the form of healthier employees.

Pinnacol also suggested that Family Health West apply for the state's cost containment certification program. That process started with Pinnacol helping Family Health West create a safety plan and a safety committee.

"Without Pinnacol, we would not have ever had a safety committee," Snider said.


Because of the strength of the safety plans that Pinnacol helped create, Family Health West was certified, and has remained so ever since. What once required yearly on-site reviews now requires simple paperwork because of Family Health West's safety record.

Family Health West sees its investment in safety as a way to protect its employees by collaborating with them. Every employee goes through Occupational Safety and Health Administration (OSHA) training and a healthy back screen as part of the employment process.



PINNACOL
ASSURANCE

Colorado's choice for workers' compensation



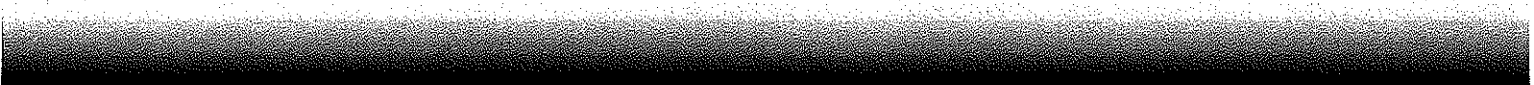
But it's not all training and screening for the employees. To celebrate the commitment to a safe workplace, Family Health West holds an annual party at Bananas Fun Park, a local facility where the employees and their friends and family can enjoy food and fun. That party is funded directly from the savings realized from lower workers' compensation premiums.

Change was not easy at Family Health West. But in the end, the relationship between the health provider and its insurer produced healthier employees, lower premiums, and systems that will continue to generate success for years to come.

Snider thinks the impact may be even more fundamental.

"If we hadn't turned our workers' comp around, I don't know if we'd still be in business," he said. "We might have been out of luck if we had to pay another \$100,000 in premiums in some of those years."

Today, Snider says that one of his proudest accomplishments has been cutting Family Health West's accident rate to less than one third of the previous levels. He attributes that achievement directly to his relationship with Pinnacol, which he sums up this way: "Our goal is not to make money. It's to work more safely and keep our costs down. Pinnacol shares those goals and that's why we want to work with them."



Haselden Construction

Haselden.com

Denver, Colorado

Policyholder since 2004

Over the past 20 years, Denver's Haselden Construction has received more than 60 prestigious industry awards for safety and construction excellence. A Pinnacol policyholder for the last five years, Haselden proves the value of keeping workplaces safe.

Haselden, like thousands of Pinnacol policyholders, has received a dividend every year since 2005 when Pinnacol began returning dividends to workers' comp clients. Policyholders earn the dividends when they maintain safe workplaces.

Rick Reubelt, Haselden's director of health and safety, knows just what to do with its dividend checks. "As soon as the check arrives, it's deposited directly into our safety account," said Reubelt.

Headquartered in Centennial, Haselden consistently ranks among the top general contractors in the region and employs more than 350 people. Reubelt joined Haselden in 2000 with the task of revamping the company's approach to safety.

"We needed a program tailored to the individual needs of different superintendents, job sites and other factors," said Reubelt. "So, we adopted a customer service approach to provide everyone the safety training and other tools they need."

Pinnacol Safety Consultant Ed Davis works closely with Reubelt, serving as a sounding board and providing him with information about the latest industry trends. He has worked with Reubelt since Haselden became a policyholder, helping Haselden take its safety program to the next level. Davis describes the results this way, "Whenever I visit a Haselden job site, I see the same immaculate housekeeping and adherence to safety guidelines. This consistency tells me that every Haselden employee is committed to safety."


Haselden's safety program has garnered national acclaim. In 2007, the company took first place in the Construction Safety and Excellence Awards sponsored by The Associated General Contractors of America. In a demonstration of the company's commitment to safety, one of the owners, Byron Haselden, personally shared his company's success stories with the judges.

One of the unique elements of Haselden's safety program is a 48-foot customized trailer used for safety training. The idea came from a conversation Reubelt had with Haselden superintendents about how to conduct Occupational Safety and Health Administration (OSHA) safety training sessions with minimal travel, time and hassle for employees. Now the training center comes to the employees, rather than workers having to travel to headquarters. The trailer has 10 computer stations where workers participate in classes in both English and Spanish. All employees receive an OSHA 10-hour construction safety course in the trailer. Haselden also uses the trailer to conduct safety training for subcontractors, customers and design partners, as well as for first-aid training.

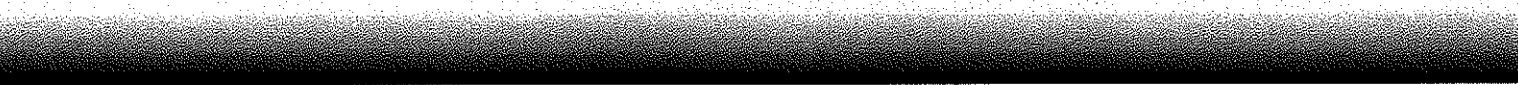


PINNACOL
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Colorado's choice for workers' compensation



Reubelt has some advice on how organizations in any industry can build effective safety programs—and qualify for future Pinnacol dividends. “Think outside the box so your program fits your organization’s needs, situations and culture,” said Reubelt. “Look at how newer technologies, such as computers, can help. Don’t be afraid to borrow ideas from others. And finally, make sure your program is inclusive, so that every employee is on board.”



Warren Village sees partnership with Pinnacol as “essential to our operation”

WarrenVillage.org
Denver, Colorado
Policyholder since 1987

For more than 20 years, Pinnacol Assurance has been Warren Village’s workers’ compensation insurance provider.

“Pinnacol Assurance and workers’ compensation aren’t after-thoughts for us,” said Sue Mohrman, president and CEO of Warren Village. “We look at our relationship with Pinnacol as a partnership that is essential to our operation. I am so appreciative of Pinnacol’s willingness and eagerness to help us develop safety training programs and plans that benefit our employees and our residents.”

Warren Village is a unique family community that helps motivated low-income, previously homeless single-parent families move from public assistance to self-sufficiency through subsidized housing, on-site child care, intensive case management, educational guidance and career development.

Over the last few years, the safety committee at Warren Village has tapped into the free services, seminars and resources that are available from Pinnacol to its policyholders. One safety program, in particular, helped teachers who work with young children in the Learning Center. Pinnacol Safety Consultant Pat McGill showed teachers how to properly lift children of all ages. According to Mohrman, that training has paid off in lower claims and teachers feeling more confident in the work they do.

“Our employees know that we place a high priority on their safety and we make investments that reflect that commitment,” said Mohrman. “Ultimately it takes very little effort for us to do these things but it shows we care. It sends a very positive message to our staff.”

Warren Village’s director of human resources, David Kern, echoed Mohrman’s sentiment.

“Pinnacol’s staff has always provided top-notch service. Pat will come here for a safety talk at a staff meeting or provide on-site training. The claims representative is always willing to listen, answer questions and explain things to me in a thorough manner. We are very pleased with the service and expertise provided by Pinnacol.”


Warren Village has also experienced a consistent rate decrease over the last two years, saving the organization more than \$16,000 on its premium. These funds have flowed directly into the nonprofit’s operations and programs.

Over the past five years, Warren Village has received nearly \$21,000 in general dividend checks from Pinnacol Assurance. Dividends reward policyholders with strong safety records and low costs for claims. Mohrman described receiving this year’s check as “a godsend” during these tough economic times. The \$11,062 boosted Warren Village’s programs, bringing direct aid to several families.

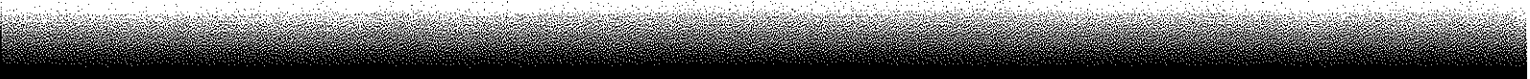


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“Our employees know that our general dividend check is a direct result of their hard work and dedication to a safe working environment,” said Mohrman. “It is something we are all very proud of and truly, the check couldn’t have come at a better time for us. A check like this means we are able to continue to provide our full spectrum of family programs and services and ultimately we are able to create possibilities for families where they might not otherwise exist.”



Profile: Jandale Carter

On August 25, 2005, the unthinkable happened to the Carter Family. Barry Carter, a mechanic for Anderson Sales and Salvage of Greeley, Colorado, passed away after being electrocuted while performing routine maintenance on a high voltage machine. Jandale Carter — Barry's wife — and their three children had to deal with their loss and slowly begin to imagine what life would be like without him.

The day after Barry's tragic death, Pinnacol representative Liana Dyson contacted Jandale to explain what benefits would be available to her family.

"I had no idea that Pinnacol even insured my husband. I didn't have a clue about how the system worked," Jandale said.

"I was so confused and knew immediately that without Barry's income we would suffer," Jandale said. "Pinnacol changed all that for us. Not only did they walk me through the benefits and what would happen next, they took the time to reassure me that we would be OK. And because of their kindness and empathy, I just knew to trust them and that somehow it would be OK."

Jandale says that her phone calls to Pinnacol were always immediately returned and her questions were always answered. She never felt like she was getting the runaround.

"Pinnacol representatives were always more than willing to talk to me," she said. "They not only answered my questions but they took the time to simply ask how we were doing. The folks at Pinnacol really care."

This August marks the four-year anniversary of Barry's untimely death. As Jandale and her family prepared for this day, she said, "We also focus on the future, and we know Barry is with us in spirit."

In addition to receiving Barry's benefits, two of Jandale's children — Sean and Maggie — have been recipients of Pinnacol Foundation college scholarships. From the time their children were little, Barry and Jandale had always stressed the importance of a college education.

"Not going to college wasn't really an option for my kids," said Jandale. "Thanks to the Pinnacol Foundation, they are able to pursue their dreams. Their father would be so incredibly proud of them."


Maggie illustrated the significance of her dream to go to college in her scholarship application when she wrote:

"No one in my family expected to lose my father, and no one was expecting that my mom would struggle afterward to support her family. You may not be able to control everything that happens in your life but you are able to control most parts of it. Going to college is one of those parts of life that you are able to control. By going to college and getting a degree, you are more valuable to society. When you are more valuable in society, your life will be more stable than someone who never pursued a college education. I aspire to pursue a higher education so that I will be valued in society."



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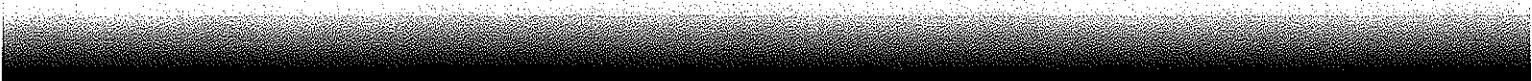
Colorado's choice for workers' compensation



Jandale is grateful that the Pinnacol Foundation scholarships make it possible for her children to achieve their dreams.

“Elizabeth Starkey (director of the Pinnacol Foundation) has been so good to my kids and me. She follows up with us when paperwork is due and if we are quickly approaching deadlines that might impact the kids’ scholarships,” said Jandale. “But do you know that Elizabeth also calls us just to check in and say hello? She is a wonderful person and a terrific representative of the people that work at Pinnacol.”

“Jandale and her family are incredible reminders of why we are in this business,” said Starkey. “We are here to take care of injured workers — and those like Barry who have unfortunately passed away — and their families. That is our mission and we will continue to focus on their needs for years to come.”



Pinnacol helps firefighter and his children deal with adversity

Golden, Colorado
Injured Worker

In mere seconds, everything changed for Tom Young.

Young had been promoted to fire district manager for the City of Golden Fire Department in 1990.

"I had finally gotten the job I wanted," Young says. "I'd worked my way up from a volunteer firefighter. As the captain, I'd have a nice balance of both management and responding to calls.

"I was part of a team that responded to a hang glider crash on Lookout Mountain," he recalls. "It was a routine call. We assessed the patient and prepared for a helicopter crew to evacuate him."

During the rescue, a gust of wind caught the hang glider, causing it to lift off the ground and head toward the helicopter. Fearing injury to the people in the helicopter if the hang glider collided with the helicopter blades, Young attempted to hold the glider down. Propelled by wind, the glider carried him approximately 25 feet in the air and over a rock outcropping. Young plummeted, tumbling and fracturing several vertebrae in his neck. By the time rescue workers came to his aid, he wasn't breathing and had no pulse.

He spent the next four weeks in ICU, unable to breathe on his own for most of the time.

Two weeks in a step-down unit were followed by four months in Craig Hospital learning how to live in what's known as a "sip-n-puff wheelchair;" Young puffs into a straw that controls his wheelchair when he wants to go forward and sips to move in reverse.

At the time of the accident, Young was only 29 with a wife and two young children – Matt, then 4, and Michelle, who was just 15 months old. Besides working full-time, he also was taking night classes to finish his education.

“ When I was only 15 months old, my dad was injured on a rescue call... I've always tried to not let this tragedy hold me back. I was forced to mature at a very young age and quickly learned the values of family, friendship and life itself. It has always been my dream to attend college. ”

–Michelle Young, in her application for a Pinnacol Foundation scholarship

After suffering from depression following his accident, he eventually decided to change how he lived his life.

"I felt sorry for myself for two-and-a-half years," Tom explains. "Then I changed my attitude and went back to work for the Golden Fire Department."

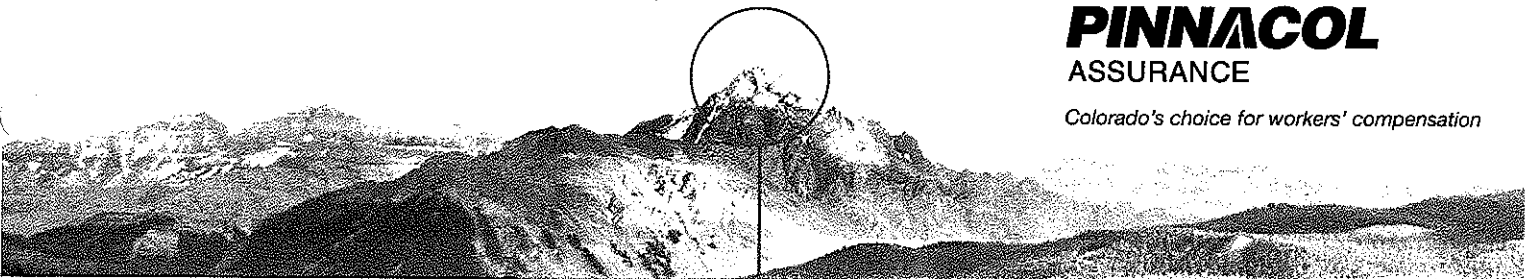
That move served as his turning point.

"I really began to live again the day I returned to work."

Today Tom volunteers full time producing videos, publications, newsletters and anything else the department needs. An assistant goes with him each day.

PINNACOL
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Colorado's choice for workers' compensation



Although Tom has great respect and affection for Pinnacol today, when he was first injured the company was still the Colorado Compensation Insurance Authority (CCIA). The transition to Pinnacol made all the difference for him.

“When it was CCIA, I was treated as a number. When the company became Pinnacol, I was treated as an injured worker.”

“(Now), whenever I’m in need of anything, no matter who I’m talking to, they take care of my requests — no questions asked.”

“Pinnacol provides service with such a personal touch that you really feel as if the reason they are in business is to take care of you,” he says. “You never feel like they are trying to save a buck.”

Today, Tom is past his darkest days. When people meet him, they’re impressed with his quick wit, charisma and positive attitude. But seriousness creeps into his voice when he says his disability would never change one thing — his kids attending college.

“I made the mistake of not finishing my degree right out of high school,” Young says. “Linda and I hammered college into our kids. It’s a lesson I wanted to pass on.”

From the time they were tikes, Matt and Michelle knew they would attend college. But they didn’t know that it would once again be Pinnacol — specifically the Pinnacol Foundation — that would be there to help.

“My sister and I went to school and grew up and got jobs, just as any other family would. The only difference is that my dad cruises around in a wheelchair, instead of walking. The biggest impact that is still affecting me today is the change my dad’s injury had on my own perspectives of life.”

—Matt Young, in his application for a Pinnacol Foundation scholarship

The Youngs found out about the Pinnacol Foundation scholarships for children of Colorado workers injured or killed on the job from Carmella Barbieri, a strategic claims representative for Pinnacol.

“I knew they were on limited finances and looking for ways to help with college expenses,” says Barbieri. “They didn’t know they were eligible and appreciated me telling them about the Foundation. They’re a wonderful family and it made me feel good that we could award scholarships to both children.”

“There are so many college expenses above and beyond just tuition,” says Matt, who just graduated with a petroleum engineering degree from Colorado School of Mines. “Some of my books were \$200 a piece. The money from the Pinnacol Foundation scholarship really helped.”

Michelle now attends the Colorado School of Healing Arts, and is working toward an associate degree in massage therapy, specializing in oncology. She faces her own share of financial challenges. In addition to tuition, she must still come up with money for books and supplies.

Thanks to Pinnacol, the future is full of promise for the Youngs and their children.

“I was treated the best during some of the darkest days of my life, when we didn’t know if I was going to live or not,” says Tom. “When you’re dealing with something as catastrophic as the injury that I experienced, being able to deal with an insurance company that is so nice and that treats you like a human being is so important.”

denverpost.com

editorial

Strong-arm tactics by lawmakers out of line

Members of the state's Joint Budget Committee are acting recklessly to demand \$300 million from Pinnacol Assurance.

http://www.denverpost.com/opinion/ci_12059268?source=email

By The Denver Post

Posted: 04/03/2009 12:30:00 AM MDT

Lawmakers playing a high-stakes game of chicken under the Gold Dome this week ought to hit the brakes — and hit them hard.

Desperate to close the gaping holes in the state's budget for this year and next, the Joint Budget Committee is threatening to cut nearly half of the state's funding for higher education — \$300 million — unless a quasi-state agency agrees to raid its holdings and hand over \$500 million.

We understand the strain the JBC is under, but we fear its members are acting recklessly as they demand Pinnacol Assurance immediately hand over \$300 million for the coming budget year, which starts July 1, and \$200 million for the next.

The committee argues it can make this demand of Pinnacol because the legislature created the company's predecessor in 1915 to serve as the safety net for small companies that have difficulty providing or cannot provide worker's compensation insurance. But the 21st century Pinnacol is a much different business entity, and its president, Ken Ross, tells us that he considers the JBC's request illegal.

That assertion has led to the JBC threatening to craft legislation that could force Pinnacol to transfer the money.

Meanwhile, Pinnacol's mission has nothing to do with funding Colorado's higher education system, so the JBC's threats to close community colleges if Pinnacol doesn't act are an inappropriate, strong-armed tactic.

Pinnacol's mission is to provide worker's compensation insurance, even for those employers that cannot afford private-sector coverage, and to thereby stabilize the worker's compensation system in Colorado. It provides insurance for some of the state's most dangerous occupations.

In recent years, the company has been successful in its mission. It has reduced premiums by 42 percent in the past four years and refunded through dividends nearly \$300 million to its

policyholders. According to Ross, only seven other states have lower premium rates for the coverage than Colorado.

To do its work, Pinnacol's actuaries require that the company keep \$1.3 billion of its more than \$2 billion in total assets available to cover liabilities. Ross argues that if the state raids \$500 million from the \$684 million Pinnacol carries in surplus, which exists in investments, the company wouldn't be able to cover any emergency contingencies, and might not be able to keep the company secure enough to keep its rates low.

Lawmakers dispute those numbers, and argue that the \$500 million they seek would leave behind at least a \$200 million cushion in case of contingencies.

Perhaps so. These are complex issues, and shouldn't be acted on in haste.

The JBC might be able to work with Pinnacol to find ways that its surplus could help plug deficits, but the committee should allow the insurer time to analyze its holdings, consult with its accountants and attorneys and make informed decisions.

Otherwise lawmakers risk setting a terrible precedent.

THE ROCKY MOUNTAIN
COLLEGIAN

Colorado budget plan for higher education wrong, unrealistic, shortsighted

<http://www.uwire.com/Article.aspx?id=3963882>

By Sean Reed

April 06, 2009

Things just keep getting worse for higher education in Colorado.

In case you didn't get the memo, last week the Joint Budget Committee of the Colorado legislature unanimously approved a proposal to cut \$300 million from the roughly \$600 million in discretionary funds allocated to fund our already-starving higher education institutions.

In addition, the JBC suggested loosening the grip of the legislature on tuition rates by increasing the spending authority of higher ed from 6.5 percent to 9 percent. However, they also stated that should institutions desire to increase beyond this threshold, they would still be allowed but would be on their own if increases put the institutions in jeopardy.

To make the move more politically feasible, the JBC pitched a pie-in-the-sky plan to soften the blow by dipping into a \$700 million surplus in workers' compensation funds. Under this plan, the net effect on dollars going to higher ed would be zero, despite the 50 percent cut in official discretionary funds.

Of course, there's one major problem with this otherwise brilliant plan: The entity that holds the funds -- Pinnacol Assurance -- is not too amenable to having their coffers raided by the state to fuel universities and community colleges, according to the Denver Post.

The question of the day is whether Pinnacol, an organization created in 1915 as a state agency that has slowly evolved into a mostly independent quasi-government agency, really has much say in the matter.

Pinnacol's Corporation Board has strongly asserted that they do. And unfortunately for higher ed, it looks like they're right.

According to the Colorado Workers Compensation Act of 2007, the state has absolutely "no claim to or interest in" the funds in the Pinnacol Assurance fund, and, as such, "shall not borrow, appropriate, or direct payments from such revenues, moneys or assets for any purpose."

Of course, there is always the option to change the law, and Senate Majority Leader Brandon Shaffer, D-Longmont, is pursuing this option.

His bill proposes the state reassert direct control over Pinnacol and its assets, and that the state be allowed the discretion to use the company's funds for other programs.

This, of course, is a slippery slope that could compromise the mission that the state created the organization to pursue in the first place: to ensure that every worker in the state of Colorado have access to worker's compensation in the case of injury.

In addition, it does nothing to solve the long-term problem that is funding for Colorado higher education. Instead, it is just another Band-Aid fix from Colorado politicians' favorite tool for solving budget issues: creative fund shifts.

This tactic, of course, never truly solves any issue and too often creates new problems for other programs down the road.

And this is where we stand now.

If the Pinnacol plan works, higher ed advocates, at least for next year, need not panic. It's the year after they'll need to worry about.

There won't always be a bailout fund for higher education, and when that day comes, we're looking at deep cuts. And everyone's going to feel the effects.

Most immediately, adjunct faculty and ancillary staff will start disappearing, as will low-income students dependent on aid programs offered by the university financed with state dollars. Advocacy programs and resource offices will decline. New facilities and infrastructure will halt.

As a result, Colorado will see fewer college graduates. Fewer college grads means fewer qualified leaders in the state economy (unless we import them), which hinders the state's ability to remain competitive and grow.

We'll feel these effects even sooner if the plan doesn't work.

It would do Colorado leaders well to remember that an investment in higher ed is an investment in the future. The JBC is talking about cutting that investment in half and replacing the state's share with a half-baked proposal that one JBC member predicts will result in years of court battles.

We need real solutions, not creative bookkeeping. It's time for the JBC to get serious.

Plan to raid Pinnacol reserves advances despite business opposition

http://denver.bizjournals.com/denver/stories/2009/04/06/daily25.html?s=du&ed=2009-04-07&ana=e_du_pap&t=printable

Denver Business Journal - by Bob Mook

Tuesday, April 7, 2009

Proposals to raid \$500 million from Pinnacol Assurance, Colorado's largest workers-compensation insurer, to cover a budget shortfall could hurt small businesses and injured workers and create a "hidden tax" for Coloradans, business leaders told state lawmakers Tuesday.

But despite warnings that the legislation would set back the state's workers' compensation market by 20 years, senators on the Appropriations Committee advanced two bills concerning Pinnacol, a private insurance company with government ties.

Senate Bill 275 would draw \$500 million from Pinnacol's reserves to help plug a \$1.4 billion shortfall in the state budget and avoid cutting \$300 million in higher-education funding. The measure passed by a 7-3 vote, with Sen. Al White, R-Hayden, voting with majority Democrats.

Senate Bill 281 effectively makes Pinnacol a state agency again, giving government tighter control of the insurer's finances. The organization had operated semi-autonomously since the 1990s.

The legislation would still require Pinnacol to pay a dividend to policyholders with fewer than 50 employees. The committee approved the bill by a 6-4 vote, with White again joining Democrats and Sen. Suzanne Williams, D-Aurora, joining minority Republicans.

Pinnacol provides workers-comp coverage to 70 percent of Colorado businesses. Companies with more than one employee are required to carry workers' comp in the state.

Although the insurer faced large deficits in the late 1980s and early '90s, it has turned around its fortunes since legislation allowed Pinnacol to basically operate as a private business — albeit, one whose employees enjoy state government perks. The group is also immune to lawsuits because of its quasi-governmental status.

According to a fact sheet provided by Pinnacol, the insurer's stable financial position has allowed it to reduce premiums by 42 percent in the past four years.

But lawmakers who support SB 275 and SB 281 say Pinnacol's reserves are too large and should be returned to the state which founded it during its time of need.

White said he struggled with Pinnacol's place as a state entity.

"It's negligent to let a valuable asset of the state go without reimbursing the state," White said.

Other Republicans and business leaders argued that Pinnacol is a private entity funded by businesses and the insurers' reserves should be off limits.

"It's not really an issue if the state can do it, it's an issue if the state should do it," said Tim Jackson, president of the Colorado Automobile Dealers Association, "The cash funds that are raided never really get paid back. So it's really a hidden tax on business at a time when businesses are having a hard time anyway."

Both bills now go to the Senate floor for consideration.

Education needs a fix; raiding Pinnacol is not the easy answer

<http://www.dailycamera.com/news/2009/apr/08/robbing-peter-for-paul/>

Colorado's higher education system is in a jam: The state's revenues, hammered by the recession, have left us with a \$1.4 billion shortfall. Everything that can be cut has been on the table, but state leaders warn that we're still \$300 million short.

What some elected officials see as the savior for the state's higher education system is the state's provider of workers' compensation insurance. Pinnacol Assurance has an estimated \$600 to \$700 million in reserves. So why not just take the money from an agency that's already considered a state entity? State lawmakers -- despite business opposition -- are enthusiastic. Two companion bills that would take \$500 million in reserves (\$300 million for higher education and \$200 million for the general fund) advanced from committee to the senate floor on Tuesday.

And why not? Easy money, right?

Pinnacol provides workers-compensation coverage to 70 percent of Colorado businesses. Companies with more than one employee are required to carry workers' compensation insurance.

Out of the 58,000 businesses the insurance company covers, 40,000 of them have 15 or fewer employees. In total, Pinnacol says it is the insurer of last resort for about 1.5 million Coloradans. The reserves the company has pays current and future claims, but it also helps the company benefit its customers: Chief Executive Ken Ross says the insurer has reduced rates for the states' businesses in each of the past four years. Premiums have been reduced by a total of 42 percent.

He also said that the current plan would leave his company with a reserve pot of just \$100 million: Rates for businesses could go up, and Colorado workers who are injured on the job would be in jeopardy. This is a poor economy to consider a broad increase in costs to businesses.

We support higher education, and hope that the state's elected leaders continue to look for money to help balance the budget. Sen. Brandon Shaffer (D-Longmont), who supports the legislation, says funding education is a "moral imperative." But business owners who oppose the legislation say the money belongs to the state's businesses -- the policy holders who have paid the very premiums that have flowed into the reserves.

Is there a compromise? Could the state work with Pinnacol to take a smaller portion of its reserves while looking elsewhere to cut expenses? With the bills currently moving through Colorado's statehouse, legislators are acting like that's not an option.

"I even told them, just give me some time: We are a financially strong company and we want to be part of the solution," Ross said.

Is anyone listening? They should.

-- *Erika Stutzman,*

for the Camera editorial board

denverpost.com

guest commentary

Bill Owens: Pinnacol raid is wrong

http://www.denverpost.com/opinion/ci_12101478

By Bill Owens

Posted: 04/09/2009 12:30:00 AM MDT

It is stunning in its audacity and brazen in its goal.

I am referring to the legislation introduced in the Colorado legislature to bail out the state by seizing private assets owned by Pinnacol Assurance.

This issue has a direct impact on almost all Coloradans, because Pinnacol provides workers' compensation insurance for more than 58,000 Colorado businesses.

If the state is successful in taking these funds, it not only sets a precedent for other seizures of private assets, but it also means these 58,000 businesses — employing hundreds of thousands of Coloradans — will be paying higher workers' compensation premiums in the future while providing lower benefits.

Pinnacol's success is the result of actions taken over the last two decades. In 1991, under the leadership of state Sen. Tom Norton, the legislature passed (and Gov. Roy Romer signed) a far-reaching series of workers' compensation reforms designed to protect workers while giving employers an affordable premium.

In 2002, I signed a law requiring Pinnacol Assurance to operate like a business, meaning its liabilities would not be the state's responsibility, while its assets were specifically protected from seizure by the state.

Pinnacol is not a state agency and is to be run as a mutual insurance company for the benefit of its policyholders. Pinnacol receives absolutely no funding from the state and is required to be self-sustaining. The law expressly prohibits any transfer of Pinnacol's assets to the state's general fund.

The Pinnacol funds the state wants to seize are not public funds. They are private funds set aside by Pinnacol from premiums paid by Colorado businesses to ensure the safety and soundness of Pinnacol's obligations to injured Colorado workers. The funds are needed in times of natural or man-made disasters, for catastrophic events involving mass injuries, to account for medical inflation and for financial risk, like the current economic crisis in the financial sector. While many insurance companies have seen drastic losses in value and sought bailouts from taxpayers,

Pinnacol has remained financially sound. Excellence is now being punished by the state — and it's wrong.

Most of Pinnacol's policyholders are small businesses employing fewer than 15 employees. Pinnacol's sound financial position has allowed it to reduce premiums by 42 percent in the past four years, saving businesses more than \$212 million. Since 2005, Pinnacol has returned nearly \$300 million in dividends to its policyholders. Seizing Pinnacol's assets will most certainly reverse these trends, and the resulting premium increases will come out of the pockets of Colorado's businesses at a time when the business community is already struggling.

Colorado's workers' compensation system underwent significant reform under my administration, turning a public system mired in financial difficulties into one of the most stable, competitive and cost-effective systems in the nation. This legislation threatens to reverse that progress. It is a shortsighted effort to fill a budget deficit by raiding the assets of a company that is a Colorado success story.

I know how tough it is to balance a budget in recession. But to take private property from a private company to pay for a public budget shortfall is just plain wrong.

The legislature shouldn't do it. If it does, the governor should veto it.

Bill Owens was Colorado governor from 1999 to 2007.

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denver and the west

AG says Pinnacol assets off-limits

A lawsuit over efforts to balance the budget may be inevitable.

http://www.denverpost.com/breakingnews/ci_12119843

By Tim Hoover

The Denver Post

Posted: 04/11/2009 12:30:00 AM MDT

Attorney General John Suthers said Friday that a plan by Colorado lawmakers to tap a workers' compensation fund for \$500 million to balance the state budget is unconstitutional and impossible to defend in court.

"Pinnacol's funds are not assets of the state and Pinnacol's policyholders have vested rights in any surplus funds," wrote Solicitor General Dan Domenico in a legal analysis that Suthers, a Republican, asked him to prepare. Seizing the money "would violate the Colorado Constitution."

Domenico also wrote that he could not "envision how our office would make a good-faith defense of such an action," and even if it could, it would be a long and costly court battle.

The analysis was released one day after the Colorado Senate gave initial approval to two bills that would take \$500 million from Pinnacol Assurance, the workers' comp insurance fund, and clearly put the quasi- governmental agency under state control.

The Senate is scheduled to give final approval to the bills, as well as the \$17.9 billion budget, on Monday, allowing the whole package to move to the House.

The budget moving through the Senate is balanced on the state's seizure of the Pinnacol money. If that doesn't happen, colleges and universities would face a \$300 million cut on top of the more than \$100 million decrease they've already seen.

Backers of the legislation point out that the state created Pinnacol and made it tax-exempt, which can't be said of a private company.

Senate Majority Leader Brandon Shaffer, D-Longmont, a key backer of the Pinnacol proposal, said he ran the idea by attorneys for the legislature and Democratic Gov. Bill Ritter.

"Independently of each other, they all came to the same conclusion" that the lawmakers could change the use of Pinnacol's assets as they saw fit, Shaffer said.

A spokesman for Ritter said the governor had not taken a position on the Pinnacol legislation.

"Timing of this opinion really stinks"

Shaffer said the memo from Suthers' office was nothing more than an attempt to "spook" lawmakers, noting that the attorney general issued a similar memo in 2007 stating that legislation that kept property-tax rates from going down was unconstitutional. The Colorado Supreme Court upheld the measure in March.

"The timing of this opinion really stinks," Shaffer said. "I think it's suspect. He (Suthers) is trying to influence the legislative branch."

House Majority Leader Paul Weissmann, D-Louisville, agreed, saying Suthers was "playing politics." But he also said a lawsuit was inevitable.

Some lawmakers say a court battle would mean the state would not get the money anytime soon and should look for other ways to balance the budget.

Finding cuts elsewhere may be tough

Weissmann said there are some places lawmakers could go to raise more money or cut services, "but not to the tune of \$300 million."

However, House Minority Leader Mike May, R-Parker, said the memo from Suthers showed the plan to balance the budget with Pinnacol's assets, which he said Republicans wouldn't support even if it were legal, was unwise.

"I'm pleased at the attorney general's opinion," May said, "and I'm hopeful we'll abandon this crazy course."

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Blogs

Pinnacol no AIG (updated)

<http://blogs.denverpost.com/opinion/2009/04/15/pinnacol-no-aig/#comments>

by Chuck Plunkett on April 15, 2009

Update: *I posted this as news was developing. My initial post wasn't at all clear that only the \$500 million raid is off the table. Another bill, SB 281, continues to move forward. Should it succeed, it would put Pinnacol under state control, and require an audit and review of the company.*

Thankfully, the state's attempt to raid Pinnacol Assurance collapsed this morning.

Too bad it didn't before things got so nasty.

It was bad enough that college students were duped by Democrats into thinking that Pinnacol, which has nothing to do with funding higher education, was risking their education.

Yesterday, state Rep. Jack Pommer got so worked up he said he considered it fair game to compare Colorado's guaranteed – and successful – worker's compensation insurer with AIG, the failed massive insurance firm that has helped plunge the world into a recession with its reckless mismanagement.

That's quite a trick, considering it violates logic, no matter which side of the state's takeover attempt of Pinnacol Assurance you're on.

“I think we've somehow created this entity where you can do pretty much whatever you want,” Pommer, the Boulder Democrat, said yesterday in his role as chairman of the House Appropriations Committee. (And “appropriations” in this context has taken on surreal new meaning for those of us who opposed the would-be \$500 million raid of the quasi-governmental entity.)

“It's almost like we've created an AIG, but there's no oversight in terms of shareholders,” Pommer said.

Let's take this apart.

Pinnacol is overseen by a board of directors appointed by the governor. So, first off, we have oversight responsible to the taxpayers and voters of Colorado.

Which is clearly exemplified by this fact. Earlier this decade, Pinnacol was struggling. The legislature and then Gov. Bill Owens worked to reform the insurer. The lawmakers gave it a

status much like that of a private company and hired a new and (demonstrably) talented chief executive.

The reforms worked. Pinnacol now offers insurance to employers and their employees at one of the lowest average rates in the country. The company even has returned money, in the form of dividends, to its policyholders to the tune of nearly \$300 million in the last few years.

By policyholders, we mean 1.5 million men and women working for 58,000 employers. That's real-life human beings, Mr. Pommer. Lower costs for worker's comp means better wages and benefits. (Which is kind of cool and not really nefarious – at all.)

Pinnacol's success came despite the fact that the insurer is required by the state to offer worker's compensation insurance even to the riskiest employers – those who can't afford it or who would never win policies from private insurers. Companies like construction and drilling and mining – dangerous jobs many insurance concerns would avoid. But jobs vital to our economy.

Yes, the state gives Pinnacol tax-exempt status to help it absorb that risk; but the state is in no way obligated to bail out Pinnacol should the insurer fail.

Now. AIG, before the bailouts, was a its own company. It peddled in its newfangled credit-default swaps and lost dramatically. After the government stepped in, Congress allowed the company to pay bonuses to the financial wizards who created the mess to remain through the cleanup.

Congress had oversight, but squandered it in its mad dash to pass the \$787 billion so-called stimulus bill no one even had a chance to read.

So what is it exactly that Pommer is saying? How is Pinnacol like AIG? How is it even just a little like AIG?

The answer is: Not even a little.

Some of the Democrats under the Gold Dome also condemned Pinnacol for salaries for nine top executives that range from \$168,000 a year to just under \$448,813 for the new CEO. They also do their business in a pricey building.

If Coloradans think that's too much money (and my colleagues remind me that several officials at the University of Colorado, which Pommer is trying to spare from cuts, are paid far more), Pinnacol's governor-appointed board presumably could trim the compensation. If the building's too nice, the board could move them and sell the place.

But that's another matter, and it has little to do with robbing money paid by working men and women from a company that protects them and their families if they are injured or worse on the job.

Pinnacol had initially expressed a desire to do something to help the legislature, but that collapsed soon enough in this poisoned atmosphere.

Meanwhile, House Majority Leader Paul Weissmann, D-Louisville, who sponsored one of the takeover bills, said yesterday, "Let me be very clear. I'm not interested in a deal."

If Pommer et al wish to take over Pinnacol, that's one thing. But to insult them with illogical comparisons is quite another.

The lack of reasoned debate and civility in this matter is truly regrettable, and I suspect the bad blood already has come back to haunt lawmakers, and part of the reason this raid has collapsed.

denverpost.com

business

Pinnacol dividend set

The insurer says giving \$120 million to firms is unrelated to a failed state effort to tap its reserves.

http://www.denverpost.com/search/ci_12407080

By Aldo Svaldi

The Denver Post

Posted: 05/20/2009 01:00:00 AM MDT

Pinnacol Assurance plans to return \$120 million to Colorado employers after workers' compensation claims and costs came in lower than expected.

The dividend distribution comes on the heels of the recent effort by state legislators to tap \$500 million of the insurer's \$2 billion in reserves to fund higher education.

But the dividend, the largest of five the insurer has made in the past five years, doesn't represent a move to give policyholders their money back before state legislators can grab it, said Ken Ross, Pinnacol's president and chief executive.

"It has nothing to do with the legislative activity," said Ross. "We would have issued this dividend anyway."

Pinnacol's board discussed a dividend payout in November and again in February but waited on making the payout until an audit was completed in April, Ross said.

The possibility of the state tapping Pinnacol's surplus came up in late March and got heated in April, when Attorney General John Suthers ruled such a move would be illegal.

Pinnacol has paid out dividends of \$327 million since 2004 and cut premiums by 42 percent the past four years, saving employers another \$205 million, Ross said.

As employers receive dividends and lower premiums, they are motivated to improve their safety records, resulting in lower costs, Ross said.

Gary Teague, owner of feed-lot operator Teague Diversified Inc. in Fort Morgan, expects to receive about \$20,000 back.

About half the money will go back into additional safety programs and the other half to fund salaries.

"Any time you can get a dollar back from an insurance company, it is a good thing to have," he said.

Dividend checks will go out to about 89 percent of policyholders and average \$2,200. Those with high claims are excluded.

Aldo Svaldi: 303-954-1410 or asvaldi@denverpost.com

BOULDER COUNTY BUSINESS REPORT

Boulder Chamber members earn dividend checks from Pinnacol

<http://www.bcbr.com/article.asp?id=101046>

By Business Report Staff
7/10/2009 - 11:27:17 AM

BOULDER - Boulder Chamber members received more than \$800,000 in dividend checks from worker compensation insurance firm Pinnacol Assurance.

More than 250 member businesses were enrolled in the Chamber's workers' comp program between February to May 2009.

"By working together to focus on claims management and claims prevention, the members of the Boulder Chamber and Pinnacol Assurance workers comp dividend program are able to substantially reduce their overall cost of workers' compensation coverage," says Doug Grande, sales manager at Taggart Insurance. "By focusing on safety and claims management, the chamber is able to consistently receive dividends. "

From an employer's standpoint, chamber member Denise Behunin co-owner of Tom J. Behunin Construction, said Pinnacol provides its policyholders a way to adhere to safety procedures and practices bringing awareness to the forefront. These dividend checks are a nice bonus. "It's a group effort and everybody can benefit."

Dividend checks were given to Pinnacol policyholders who have strong safety records and low claims costs. This year's dividend is based on policyholder performance between April 2008 to April 2009.

Eligible members enrolled in the program receive a 4 percent discount on their premium upon policy renewal date, and those who qualify for annual dividends are based on overall group performance.

By the numbers, the chamber group dividend paid so far in 2009 is \$206,611, and the chamber general dividend paid this year is \$621,006.

Safety seminars at the chamber are held quarterly and help educate policy holders to make

working environments safer. If you're a member and would like to receive more information, contact Christine Day at 303-442-1044, ext. 114.

Safety pays for local auto dealer, YMCA

<http://www.gazette.com/articles/local-59265-colorado-owners.html>

HELEN WOLT

2009-07-28 16:07:57

Business owners know that reducing expenses boosts their bottom line. Preventing on-the-job accidents and injuries is one way to cut costs.

Two local enterprises have successfully trimmed costly accident claims and are reaping financial benefits in the form of dividend checks from Pinnacol Assurance, Colorado's largest provider of workers' compensation insurance.

Pinnacol provided insurance to 66 percent of El Paso County employers in 2008, according to the National Council on Compensation Insurance.

This year, more than \$9 million is being repaid to nearly 5,000 policyholders here for good performance based on claims for the period from June 2007 to June 2008, the company said in a statement. The average dividend check is \$2,200.

Dividends are based on the size of the annual premium compared to claim costs. Those with strong safety records and low claim costs qualified for dividends based on the premiums they paid.

Based on performance during this year's dividend period, the YMCA of the Pikes Peak Region received close to \$18,000, and the Penkhus Motor Co. took \$28,000 to the bank.

YMCA of the Pikes Peak Region

Serving families with child care, kids' camps and six recreation centers the YMCA hosts an active clientele. With this potential for accidents, the organization diligently works to maintain a good safety record.

Lisa Austin, YMCA's vice president of human resources and risk management, makes a priority of minimizing on-the-job mishaps.

To pinpoint problem areas, Austin scrutinizes accident claims with a risk management committee.

"Most of the injuries were due to just playing. We encouraged the staff to take a coach role, rather than as an active participant," Austin said.

Monthly training sessions educate workers about accident prevention such as proper lifting techniques for childcare providers.

Austin's efforts have paid off.

"We're not having to pay higher premiums," Austin said. And the \$18,000 dividend goes back into YMCA programs and camp scholarships, she added.

Penkhus Motor Co.

In 1957, Bob Penkhus' father opened a used car lot. Since then, it has grown into a Volvo and Mazda dealership with 150 employees.

The company filed only two major claims in this year's performance period. Both were falls caused by ice. Penkhus admits luck is a factor when Mother Nature is involved, but he's also working to cut losses. To reduce claim costs, minor injuries are treated at walk-in clinics rather than hospital emergency rooms.

Consultants visit each quarter to train the work force in safety procedures.

And when Penkhus realized a shaded driveway was freezing in snowy weather and creating a hazard, he installed underground heaters to warm the cement, at a cost of \$60,000.

Penkhus gives most of the credit for his healthy safety record to his staff.

"All the employees really care and actively participate and discuss the issues," he said.

Penkhus says his operation has received dividends in the past for low claims, but the most recent, for \$28,000, is the largest.

[COVER STORY]



**LARGE COMPANIES
(250 employees or more)**

1. Pinnacol Assurance
2. Edward Jones
3. Omni Interlocken Resort
4. PricewaterhouseCoopers
5. Alpine Bank
6. Cheyenne Mountain Resort
7. Quest Diagnostics Inc.
8. CoBank
9. Merrick & Co.
10. T-Mobile USA - Colorado Call Centers
11. DaVita Inc.
12. The Children's Hospital
13. tw telecom
14. CH2M Hill
15. Hunter Douglas Window Fashions, Inc

**MEDIUM COMPANIES
(100 to 249 employees)**

1. Rally Software
2. PCL Construction Enterprises
3. Exclusive Resorts LLC Inc.
4. Stanley Consultants Inc
5. Classic Residence by Hyatt - Highlands Ranch

**SMALL COMPANIES
(25 to 99 employees)**

1. Infinity Systems Engineering
2. ReadyTalk
3. IP5280 Communications
4. Blu SKY Restoration Contractors Inc.
5. Memolink Inc.
6. Evolve
7. Moneytree Inc.
8. Return Path Inc.
9. Odell Brewing Co.
10. Administaff Inc.
11. Rothstein Kass
12. Aztek Networks Inc.
13. R.A. Nelson & Associates Inc.
14. SAFEbuilt Inc
15. Sterling-Rice Group

BEST COMPANIES TO WORK FOR IN COLORADO '09

Pinnacol Assurance, Rally Software and Infinity Systems Engineering rate the best among 35 finalists judged for having great workplaces in the state

In a time when workers are taking on extra duties, it's nice to know we still have companies that keep the office stocked with snacks, or in the case of one of this year's Best Companies finalists, "Scooby snacks."

Oh, and thanks for covering employee health-care insurance premiums. That's coming in handy right now as the nation braces for what could become wholesale changes to our health-care system.

As we face economic challenges, celebrating companies that create great workplaces couldn't be more important. The Best Company to Work For in Colorado finalists understand that keeping workers inspired and appreciated not only improves the bottom line but creates dividends that transcend it.

For the fourth year, *ColoradoBiz* has joined with the Colorado State Council of the Society of Human Resource Management and Jobing.com, an online employment advertising service, to produce a list of the best companies to work for in the state.

It's especially inspiring this year to hear what companies are doing to engage their workers and connect with their communities. Few companies can afford to pay 100 percent of health insurance benefit coverage for employees and their families, as ReadyTalk does, or plan an all-expense paid trip to an exotic locale every year for the entire staff, a long-time tradition at Infinity Systems Engineering. But those are only the more striking examples of what makes those companies a great place to work.

Even companies of modest means can make the grade by creating a workplace culture that champions the contributions of employees and strives to help them balance other aspects of their lives. Offering paid time off for employees who do volunteer work and matching their charitable cash contributions is one of the more common "best practices" among the companies the program honors each year. And with nonprofits strapped for support these days, continuing such programs is crucial.

Thirty-five companies made this year's Best Companies ranking and are profiled here. The 15 largest companies have 250 or more employees. The five companies in the medium category have 100 to 249 employees. The 15 companies in the small category include those with work forces of 25 to 99 employees.

To participate in the rankings, companies paid from \$625 to \$1,175 to be surveyed by Modern Think, a workplace-excellence consulting firm. All employees are surveyed in the small and medium categories. Up to 400 employees are surveyed in the large category depending on the size of the organization. If the company has more than 400 employees, the participating employees are chosen at random.

— Mike Cote, *ColoradoBiz* editor

PHOTOGRAPHY BY MARK MANGER

PINNACOL

ASSURANCE

LARGE
BEST COMPANY WINNER
Pinnacol Assurance
www.pinnacol.com

In Pinnacol Assurance plays a vital role in Colorado's economy, providing workers compensation insurance to more than 58,000 businesses representing 1.5 million employees across the state. More than half of all Colorado businesses are Pinnacol policyholders.

But while Pinnacol is known as "Colorado's insurer of last resort," it is first in the eyes of judges when it comes to Best Companies to Work For. The Denver-based insurer has gone to considerable lengths to take care of its own 622 employees.

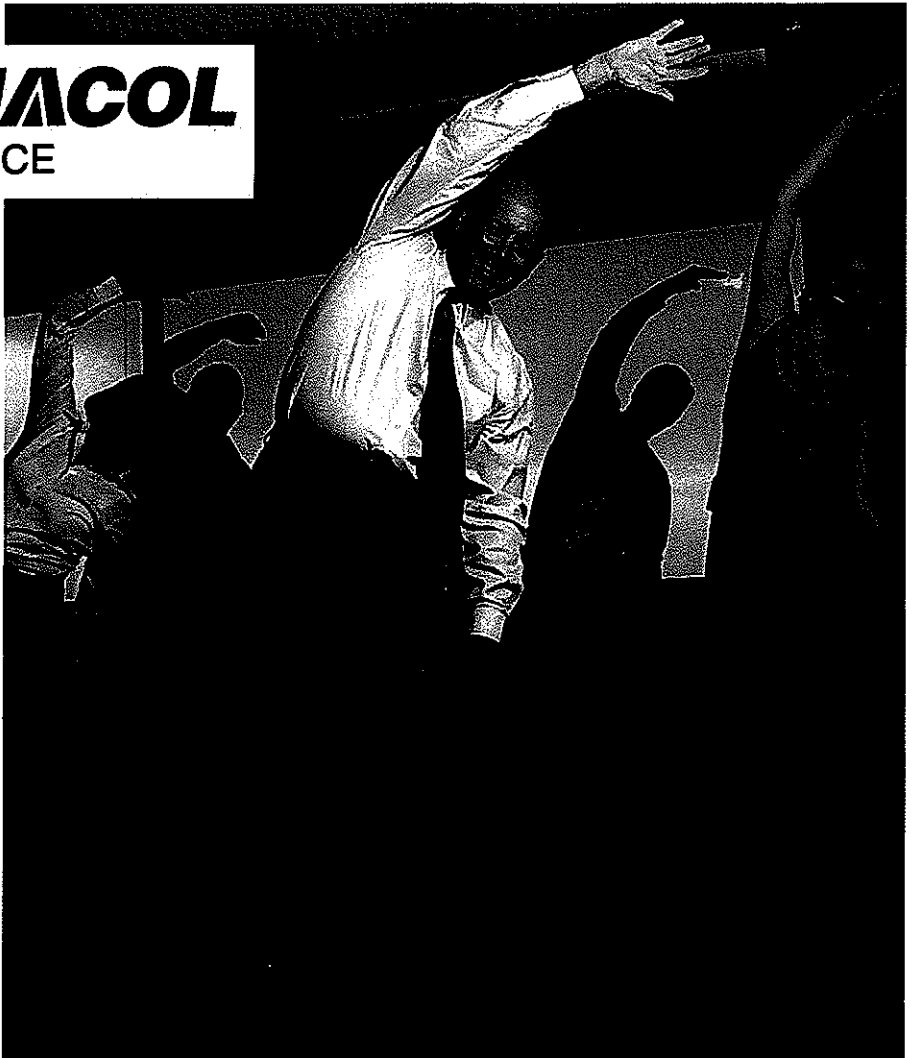
Perks at Pinnacol include a matching 401(k) plan, an in-house exercise room with pilates instruction and other classes, and a companywide ergonomics program to ensure optimum comfort and worker health in an environment where most work is done sitting in front of a desk.

In that program, new employees and employees changing workstations receive an ergonomic evaluation aimed at correcting hazards like ill-fitting chairs or poor seating posture. They also have weekly access to an on-site occupational therapist to discuss any symptom, regardless of cause. A stretching program further promotes employee health.

Of course, for a company that provides workers' compensation insurance, this sets a good example for policyholders. And vice versa.

"What we do as a business carries forth to our employees," says Ken Ross, who is nearing his fourth year as Pinnacol's president and CEO.

Pinnacol's history dates back to 1915, making it Colorado's oldest provider of workers' compensation insurance. The company was regularly in the news earlier this year when state legislators sought to tap \$500 million of Pinnacol's \$2 billion in reserves to fund higher education before a judge ruled that such a move would be illegal.



◀ Pinnacol Assurance CEO Kenneth Ross leads morning stretching to proactively avoid potential problems and promote employee health. From left: Rosemary Herrera; Brandon Williams; Ross; Jeff Tetric, CFO of Finance; and Johawna Robbins.

"Pinnacol's story is about our role in the Colorado marketplace, our role in the economy," Ross says. "We went through a rough time with our legislature in the springtime. The way we look at it is we prevailed, and we think the law is very clear how Pinnacol should operate in Colorado. Because of the size of Pinnacol and who we insure, we play a very crucial role. It is even magnified with these difficult economic times, that we're in a position to provide stability in the marketplace and still look to return dividends and reduce rates for our customers."

Indeed, Pinnacol has returned a dividend to policyholders for five straight years, most recently in May when it returned \$120 million, bringing the five-year total to \$347 million. Prior to 2005, it hadn't returned a dividend to policyholders in 22 years. Ross attributes the dividends to Pinnacol policyholders keeping safe workplaces, tending to claims and "working with our claims adjusters and our agents across

the state to try to keep their own employees safe and claims costs down."

Meanwhile back at the office, Pinnacol has not passed along increased health-coverage costs to employees for the past two renewals.

Pinnacol describes itself as Colorado's "safety net" workers' compensation provider – by law it must provide coverage to any Colorado business, regardless of its size or accident history. Thus, it takes on more risk than many of its competitors, but it balances this with careful underwriting, prudent pricing, effective claims management, and what it describes as "the relentless pursuit of internal efficiencies."

Count attention to its own employees' wellbeing as one demonstration of internal efficiencies – an area in which Pinnacol strives to show the way for the Colorado businesses it serves.

2008 RANK: No. 2

— Mike Taylor

2008

COMMUNITY INVOLVEMENT REPORT

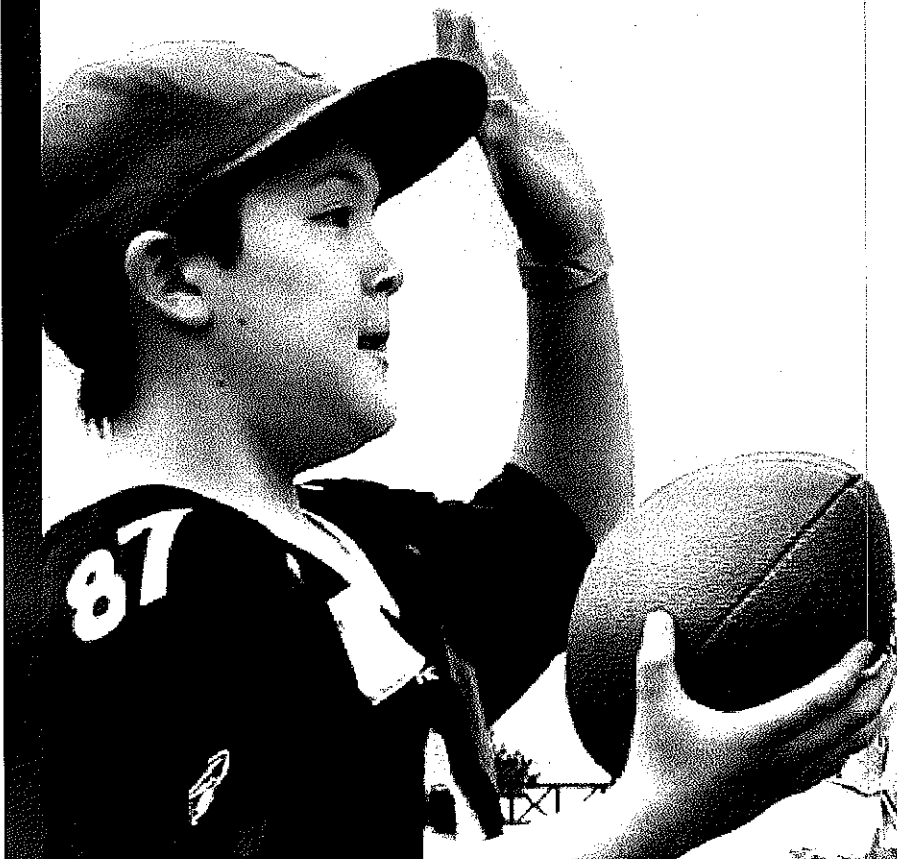


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FPO — PRINTER WILL
APPLY OFFICIAL LOGO

INTRODUCTION

Regardless of partner, program, or volunteer, a common thread runs across all of Pinnacol Assurance's community involvement activities—excellence.

Our partners continually tell us and recognize us for putting our hearts behind our volunteerism and raising programs to new levels and expectations. While we appreciate the honors we receive from these organizations, Pinnacol employees will say time and again that it's just the way we operate; we don't do anything halfway.

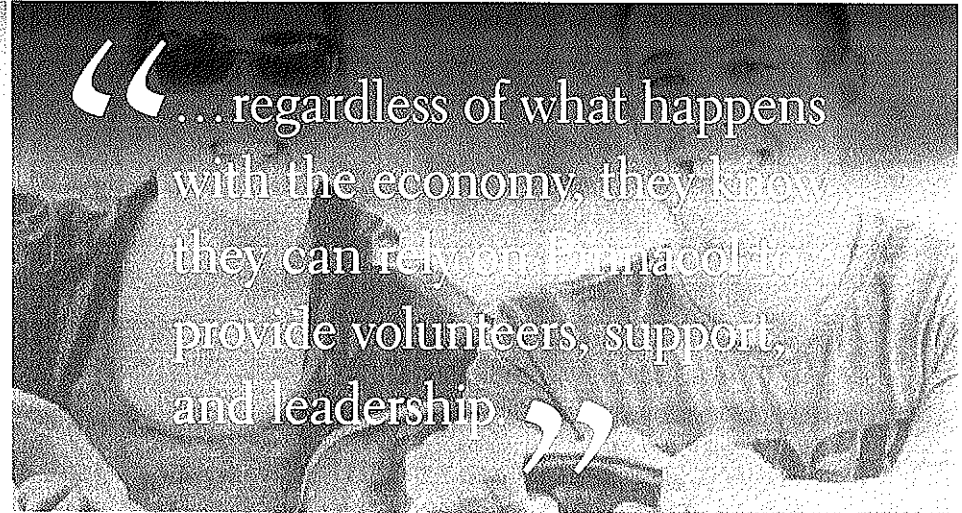
Our community involvement consists of three primary programs that help us better the communities in which we live and work:

- *Pinnacol in Action* employee volunteer program
- the Pinnacol Foundation college scholarship program
- the United Way Employee Giving Campaign.

In 2008, Pinnacol employees volunteered 5,121 hours, awarded 94 college scholarships, and pledged \$68,000 including a 100% company match. These numbers continue to climb year after year, and stand as a testament to the character of every person who works here.

In the following pages, you'll read about our partner organizations, and get a close-up look at two of them. You'll learn about the impact that Pinnacol employees are making on Colorado communities. And you'll come to understand why this is simply the way we do things at Pinnacol.

***493 Pinnacol employees volunteered
5,121 hours in the community.***



“... regardless of what happens with the economy, they know they can rely on Pinnacol to provide volunteers, support, and leadership.”

PRESIDENT'S MESSAGE

If I had to pick one word to summarize my personal experiences through Pinnacol Assurance's community involvement program, it would be *humbling*. I volunteer for several organizations, including Junior Achievement. There's nothing like walking into a classroom filled with students whose faces express the excitement and anticipation they feel, eager to hear what I have to teach them that day.

At Pinnacol, a lot of planning takes place during the year with respect to our community relations activities. But programs such as Junior

Achievement make these efforts worthwhile to every employee.

Sitting on the boards of Big Brothers Big Sisters of Colorado and Junior Achievement, I hear concerns about what's ahead in the wake of the current financial crisis. But regardless of what happens with the economy, they know they can rely on Pinnacol to provide volunteers, support, and leadership.

By allowing each employee 12 hours of paid time off to volunteer, we've been able to create opportunities for many busy people who may not otherwise get involved. Employee

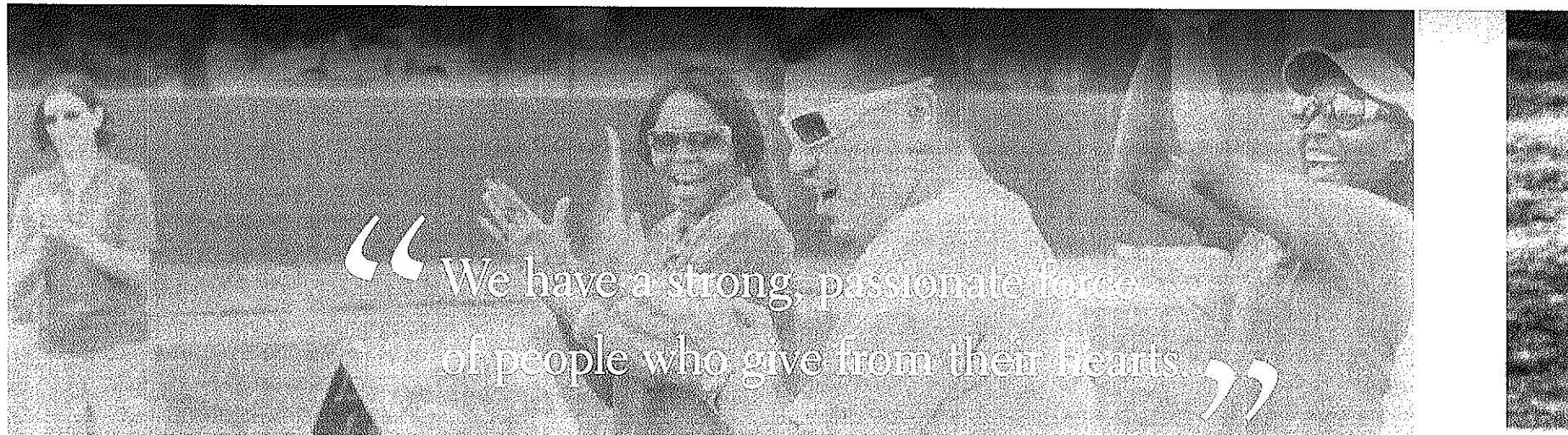
satisfaction rates are very high at Pinnacol. People feel good about their work here, including their time spent in the community. Reaching out and helping others is just part of being a Pinnacol employee, which is why I have a goal to raise our level of volunteerism to 100 percent. I want every employee to feel the benefits of community involvement.

Excellence is another common value shared by our employees. From collecting canned goods for the hungry to inspiring a child in need, we apply the same level of performance excellence in our volunteering as we do our business responsibilities with customers. It shows, because we're making a difference for causes close to our heart.

Ken Ross, President and CEO

PICTURED ABOVE

Volunteers of America (VOA) serves Colorado's most vulnerable neighbors, including low-income families and home bound seniors. Pinnacol employees, including President and CEO Ken Ross, spent 1,703 hours on VOA projects such as the Food Drive.



“ We have a strong, passionate force of people who give from their hearts. ”

PINNACOL IN ACTION OVERVIEW

Pinnacol in Action (PiA) is how Pinnacol employees drive our involvement with partner organizations. The program's growth and successes are made possible through employee volunteers dedicated to helping the communities in which we live and work.

The company created *PiA* in 2003 to provide ongoing opportunities for employees to donate their time. Everyone receives 12 hours of paid time off each year to volunteer for either *PiA* partners or the organization of his/her choice. An employee-led team manages every aspect of the program, from coordinating

volunteers to building partnerships with nonprofits. Also on the team are several executives who guide the overarching strategy of impacting the community, help identify and obtain needed resources, and ensure *PiA* remains an integral part of our corporate culture.

“Our goal as a company is to have 100 percent employee participation,” said Debby Magures, associate vice president and *PiA* chair. “We reached 80 percent in 2008, compared with the 30 percent mark in most companies.* We have a strong, passionate force of people who give from their hearts.”

Our troupe has made big strides with our partner organizations, all of whom echo the same sentiments—they're able to help more people because of Pinnacol's support.

“Our volunteer coordinators assume a lot of responsibility,” said Mark Andrealta, associate vice president and *PiA* executive sponsor. “They're in charge of nurturing relationships with our partners and ensuring the group's success within Pinnacol.”

Our seven *PiA* partners include:

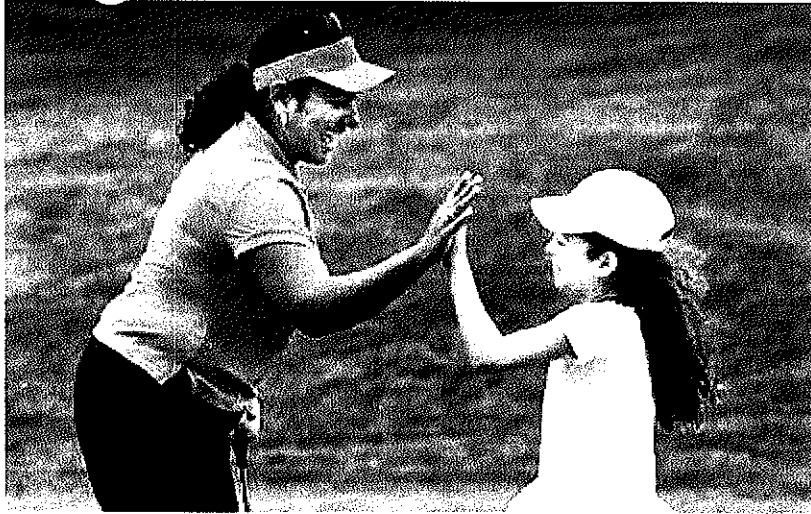
- Adopt-a-Spot
- Big Brothers Big Sisters
- 9Health Fair

- Bonfils Blood Center
- Junior Achievement
- National Sports Center for the Disabled
- Volunteers of America

ADOPT-A-SPOT

Volunteering for Adopt-a-Spot is one way to bring our work to Pinnacol's own neighborhood. The program helps keep communities free of litter, making them a better place to spend our time.

Pinnacol employees have taken responsibility for a mile-long stretch of Lowry Boulevard. Our quarterly cleanups give us an opportunity to



partner with second graders from nearby Lowry Elementary School in support of their Earth Day learnings.

The 64 employees who've spent 141 hours cleaning up our neighborhood have made a big difference in how residents feel about the area in which they live and work.

BIG BROTHERS BIG SISTERS

The children that Big Brothers Big Sisters (BBBS) serve have reason to mistrust adults. Yet relationships such as the ones these young people establish with Pinnacol employees help them learn to build trust over time. The organization seeks to create successful mentoring relationships for

all children who need and want them, contributing to brighter futures, better schools, and stronger communities for everyone.

Pinnacol's support for BBBS ranges from representation on the board of directors to employees volunteering weekly through a mentoring program at Fulton Elementary School.

In 2008, 20 employees volunteered their time to serve as "bigs" at Fulton Elementary School and 19 others paired with "littles" through the Golf Buddies program, which Pinnacol spearheaded. In total, 42 employees volunteered 534 hours to support BBBS activities.



CLOCKWISE FROM TOP LEFT

Lisa Mason, business director, congratulates her "little" during the BBBS Golf Buddies program.

German Velasco, underwriter, and his "little" spend time together on the golf course.

Pinnacol volunteers Tashana Pendergrass, medical claims associate; Janet Byrne, financial control analyst; Kandice Jackson, administrative support; Lynn Parker, special investigations unit assistant; Everline Turner, records technician; and Bonnie Cahoon, director of medical operations, pick up trash during an Adopt-A-Spot event.

PARTNER PROFILE: 9HEALTH FAIR

Jim Goddard takes health seriously. As president and CEO of 9Health Fair, Goddard's charged with overseeing Colorado's largest nonprofit, volunteer-driven health fair program. 9Health Fair offers free and low-cost health screenings and education in hundreds of communities around Colorado. The fair addresses the serious social need of health awareness by encouraging people to take responsibility for their own health.

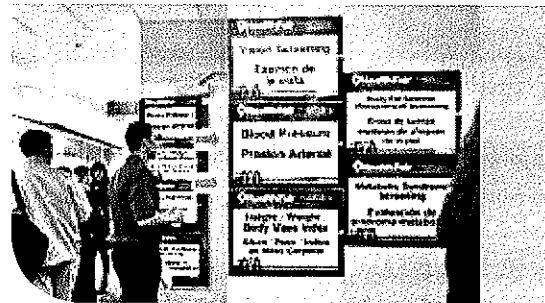
These are high expectations, and ones Goddard is able to achieve because of the partnerships he builds with companies such as Pinnacol Assurance.

"Having a partner like Pinnacol creates a lot of synergy in reaching our target audience," said Goddard. "It's nice to have support from a well-respected corporation and an employer that values health awareness and wellness."



A corporate sponsor of the statewide program, Pinnacol has hosted one of the most successful sites for the last five years. We also provide representation on 9Health's Community Involvement Committee.

"This was our most successful year yet," said Sharra Lee Leonard, Pinnacol's special investigations unit director, and one of two volunteer coordinators for the event. "We served 432 participants — a 7 percent increase from 2007—who had a great experience because each one of our 161 volunteers wanted to be there."



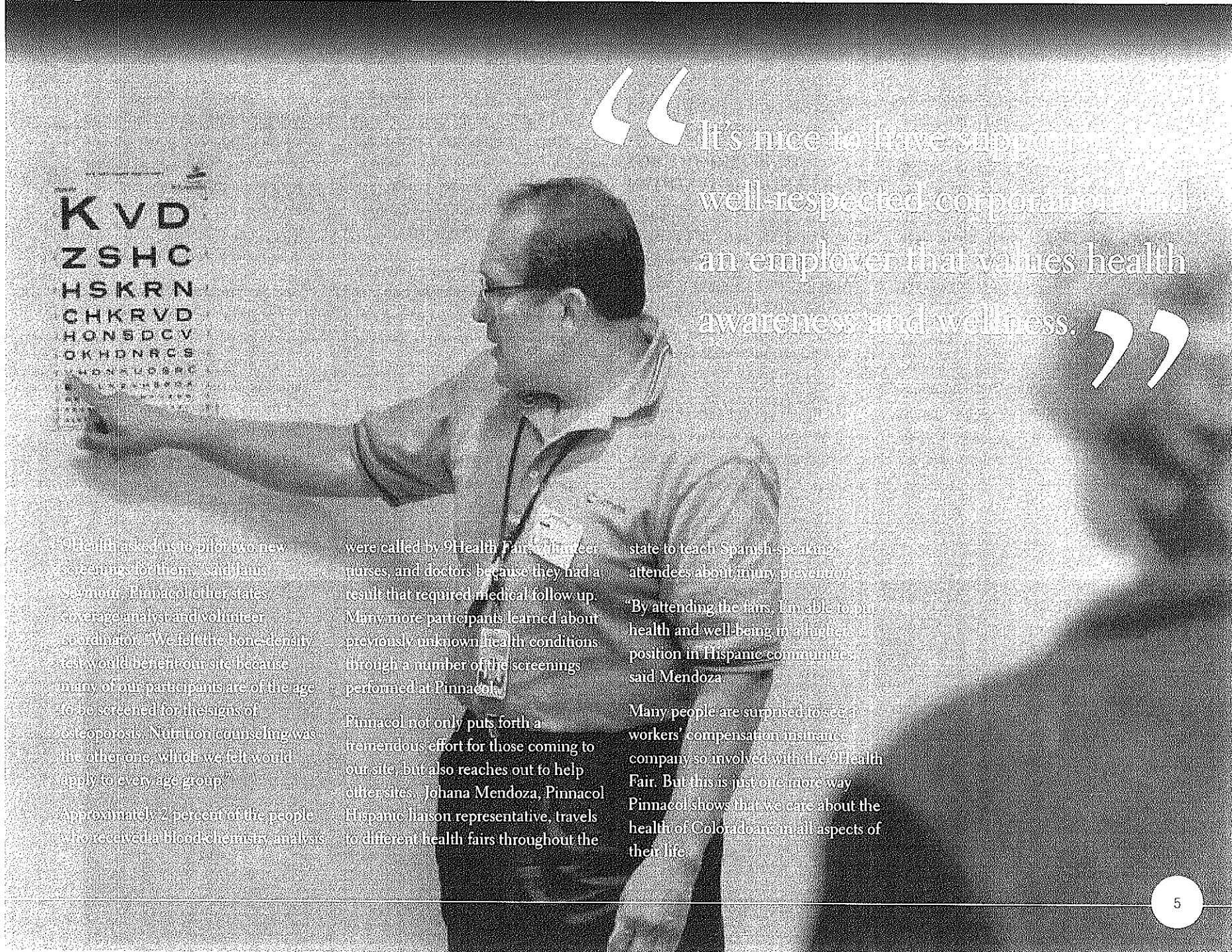
Performing 404 screenings at the Pinnacol site, participants received tests related to height, weight, blood pressure, body-mass index, skin-fold body-fat measurement, glucose finger stick, and blood draw. Screenings covered lung functions, bone density, and metabolic rates. In addition, attendees had the opportunity to speak with a healthcare professional about their concerns and receive health information.

In 2008, Pinnacol volunteers performed 404 screenings on 432 participants.



LEFT TO RIGHT

The Pinnacol site for 9Health Fair is one of the most successful locations. Community members take advantage of more than a dozen health screenings at the Pinnacol site. Christina Moloney, underwriter, helps one of the 9Health Fair attendees.



KVD
ZSHC
HSKRN
CHKRVD
HONSDCV
OKHNRCS
LHDKLJRSR
LHDKLJRSR
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"Health asks us to pilot two new screenings for them," said Luis Bermudez, Pinnacle's other states coverage analyst and volunteer coordinator. "We felt the bone density test would benefit our site because many of our participants are of the age 46 or older and we felt that the nutrition counseling was the other one, which we felt would apply to every age group."

Approximately 2 percent of the people who received a blood chemistry analysis

were called by 9Health Fair's volunteer nurses, and doctors because they had a result that required medical follow-up. Many more participants learned about previously unknown health conditions through a number of the screenings performed at Pinnacle.

Pinnacle not only puts forth a tremendous effort for those coming to our site, but also reaches out to help other sites. Johana Mendoza, Pinnacle's Hispanic liaison representative, travels to different health fairs throughout the

state to teach Spanish-speaking attendees about injury prevention.

"By attending the fairs, I'm able to put health and well-being in a higher position in Hispanic communities," said Mendoza.

Many people are surprised to see a workers' compensation insurance company so involved with the 9Health Fair. But this is just one more way Pinnacle shows that we care about the health of Coloradans in all aspects of their life.

“It’s nice to have support from a well-respected corporation and an employer that values health awareness and wellness.”



BONFILS BLOOD CENTER

Healthcare professionals have an ongoing demand for blood supply. Community blood drives are what enable Bonfils Blood Center to provide a constant 10-day inventory for 200 hospitals and healthcare facilities in and around Colorado.

Pinnacol's quarterly, onsite blood drives have collected a total of 246 units of blood from 140 employees. This goes a long way toward Bonfils' mission of saving and enhancing lives through blood donations. Pinnacol's participation will make a difference to up to 738 people in need.

JUNIOR ACHIEVEMENT

Junior Achievement (JA) helps prepare young people for the real world by showing them how to generate wealth and effectively manage it, how to create jobs that make their communities more robust, and how to apply entrepreneurial thinking to the workplace.

JA's unique approach allows volunteers from the community, such as Pinnacol Assurance employees, to deliver curriculum while sharing their experiences with students. These classroom volunteers transform the concepts of lessons into a message that

inspires and empowers students to believe in themselves, showing them they can make a difference in the world.

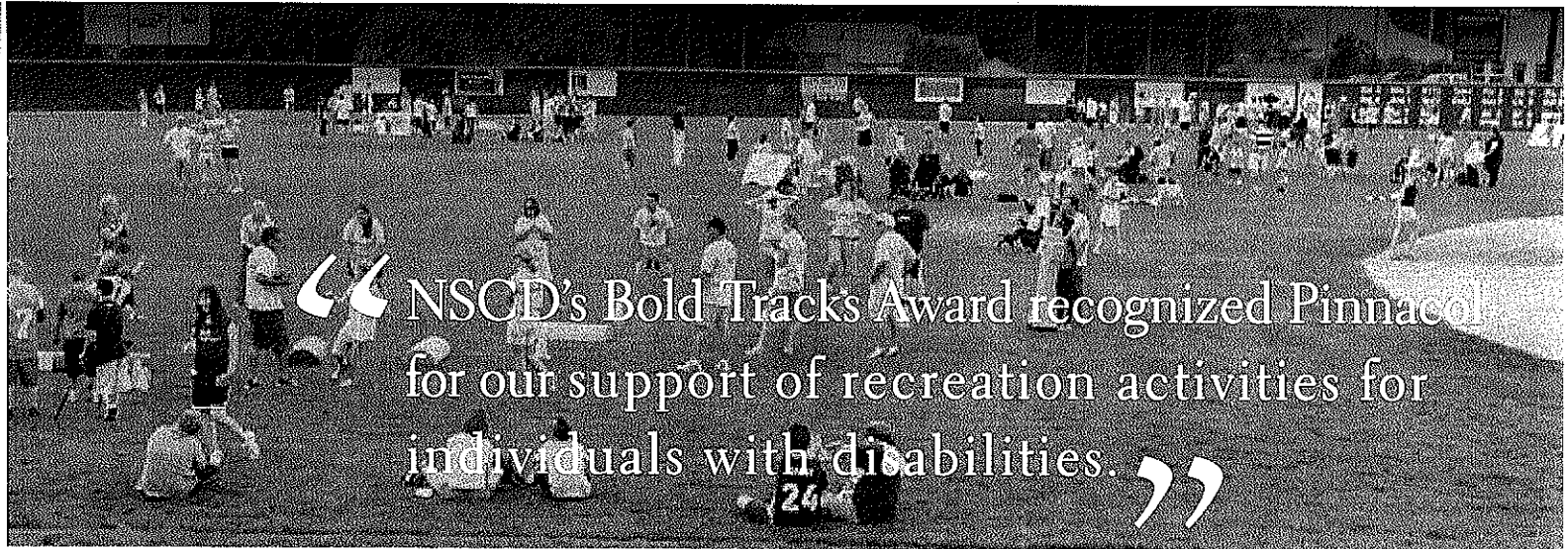
Pinnacol began volunteering with JA in 2006, and our CEO joined the board of directors in 2007. Forty-nine Pinnacol employees have donated 292 hours of their time, and are now working with JA to develop a Spanish initiative.

NATIONAL SPORTS CENTER FOR THE DISABLED

Hearing the swoosh of skis cutting through the snow on a cold, crisp

Colorado day is an exhilarating feeling. Many of us have experienced it, but perhaps few appreciate the sensation more than the athletes who participate thanks to programs designed by the National Sports Center for the Disabled (NSCD).

Seventy-two Pinnacol volunteers worked with more than 300 children at six Sports Ability Camps for NSCD this year, including football, baseball, basketball, soccer, sled hockey and lacrosse events. Employees also volunteered for the Green-Circle ski program at Winter Park and helped raise funds through the Wells Fargo Cup.



NSCD continually expresses their appreciation for Pinnacle's support. In 2008, the organization honored us with its annual Bold Tracks Award. NSCD created the award to recognize

prominent leaders in the community and to commend them for their support of recreation activities for individuals with disabilities.



FAR LEFT TO RIGHT

Jim Grasmek, director, blocks an NSCD football camp participant.

Laura Weddingfield, special events director, congratulates a camp participant on a great run.

Jennifer Paulson, Bonfils employee (far left), helps Pinnacle employee Lynn Parker, special investigations unit assistant (second from left), with her blood donation while Christina Zimbelman, Bonfils employee (far right), helps Kimberly Adams, Pinnacle records technician (second from right), during a Bonfils Blood Drive at Pinnacle.

In 2008, employees donated 246 units of blood.

PINNACOL FOUNDATION

Since 2001, we've provided an average of \$3,000 per scholarship to college-bound students—the children of Colorado employees killed or seriously disabled in a work-related accident, regardless of insurance carrier.

Because the scholarship criterion applies to such a narrow group of people, many of these students may not otherwise receive the financial support

they need to continue their education. The Foundation strives to connect with the families of qualified students any way we can, which includes community outreach, communications with stakeholders, and word-of-mouth.

Our efforts continue to pay off in that, in 2008, we awarded \$269,500 in scholarships to 94 students, a 50 percent increase from the previous year.

In 2008, scholarships provided by Pinnacol increased by 50% compared to 2007.

EMPLOYEE GIVING

Some people think their only chance to double their money involves a lottery ticket. But Pinnacol employees know a sure thing is right here at home, because when they donate to United Way, Pinnacol provides a 100 percent match.

United Way coordinates the collective strength of its donors and delivers long-term solutions for individuals and families in need. Denver donors can support individual organizations or

direct funds to one of United Way's initiatives, which focus on school readiness, youth success, and adult self-sufficiency.

Our employee participation increased from 26 percent in 2007 to more than 30 percent in 2008. Donations topped \$68,000 with the match. No matter how much employees pledged, we know their money makes a difference. For example, just \$7 a week, doubled with Pinnacol's match, means a full

person will receive a free job training or counseling to help them find a job on the streets.

United Way knows that more will when they see it. That's why they recognized Sheri Hildson, assistant manager for Pinnacol, as an Outstanding Company Champion. Pinnacol's United Way campaign

OTHER OUTREACH PROGRAMS

ARRUPE JESUIT HIGH SCHOOL

Arrupe Jesuit High School provides quality, college-prep education to low-income families who otherwise could not afford such an opportunity. The school's work-study program, part of the Cristo Rey Network, provides valuable exposure for its students with entry-level positions in a variety of industries.

Pinnacol is in our third year of working with Arrupe students, providing a job-sharing arrangement for four students who make up one full-time employee. Their "paycheck" is donated to the school to help pay the students' tuition. These entry-level

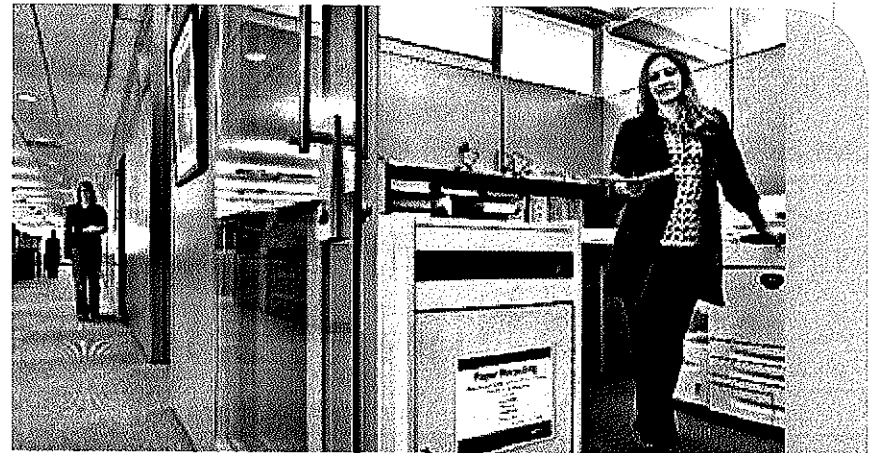
positions teach basic business etiquette and skills, and provide them with mentors in the business world.

GREEN TEAM

A new initiative, the Green Team, supports and promotes ecologically positive practices for employees throughout Pinnacol. By conducting research and educating employees about green opportunities, we've been able to reduce our energy footprint and waste through recycling and reducing consumption.

The Green Team has instituted a recycling program, redirecting the equivalent of five garbage trucks of paper, cans and bottles from landfills to recycling centers. They have also

organized a carpool program, a cell phone and electronics recycling drive, and an energy audit. During the audit, we secured an Energy Star rating from the Environmental Protection Agency for Pinnacol's energy efficiency.



LEFT TO RIGHT

Jazmine Vega (right), an Arrupe sophomore, chose to return to Pinnacol for her second year of work-study. She continues to develop workplace skills with the help of Jani Valdez, trainer and mentor.

Danielle Nieto, learning and development specialist (right), leads the Green Team employee recycling program.



“The Pinnacol team displays a tremendous commitment, generosity, and enthusiasm for each project.”

PARTNER PROFILE: VOLUNTEERS OF AMERICA

There's nothing like feeling needed and depended upon to add depth to volunteering. For the Pinnacol Assurance employees who support Volunteers of America (VOA), this is a powerful message they hear almost daily.

“The Meals on Wheels recipients are so happy,” said Susan Orsborn, administrative support for Pinnacol and volunteer coordinator for VOA's Meals on Wheels (MOW). “One lady tells us every day, ‘you make my day.’ Others tell us that the only thing better than the food is the people bringing it.”

For MOW recipients, the Pinnacol volunteers may be the only people they see all day. And since we take responsibility for a route the entire year, that's one less activity that VOA needs to worry about staffing.

VOA is an excellent program for Pinnacol because it provides a great deal of variety when it comes to volunteer opportunities; it's easy to make a personal connection. The high participation rate also means VOA can assist a broader base of people.

“The Pinnacol team displays a tremendous commitment, generosity, and enthusiasm for each project,” said Erin Kruse, division director for VOA. “I know that if any of the coordinators say they will do something, then it will be done and done with excellence.”

This certainly proved true for Cool Down Colorado when Pinnacol took responsibility for staffing the entire event in 2008.

“VOA receives funding based on how many people they touch in every county,” said Beth Muniz, Pinnacol

business director assistant and volunteer coordinator. “Pinnacol was able to deliver 402 fans and 600 smoke detectors in four counties, reaching from Golden to Aurora, Brighton to Castle Rock. This helped people in need, but it also helped the organization meet its outreach goals.”

The program for which Pinnacol received the greatest appreciation from VOA is the Safeway Food Drive in November and December. Pinnacol employees take responsibility for putting out collection barrels at nearly 50 Safeway grocery stores. Volunteers collect the



food throughout the weeks, bring it to Pinnacol, and box it up for VOA staff to pick up. In 2008, volunteers collected 6.5 tons of food!

VOA has been so appreciative of the work that they gave Pinnacol a one-time Colossal Appreciation Award

that represented the efforts of our employees.

“Through Pinnacol’s volunteerism, we’ve been able to provide more services, and ultimately, more mission to those individuals and families in our community with the most need,”

said Kruse. “The leadership that Pinnacol brings to its volunteer efforts is noteworthy.

“Corporate partners such as Pinnacol are especially critical because of the variety of resources and talents they bring to the table. Pinnacol is a

shining beacon of corporate volunteerism, and the staff and other volunteers of VOA hold the Pinnacol team in the highest esteem. Pinnacol’s contributions have reached far and wide throughout our family of services.”

LEFT TO RIGHT

Susan Orsbom, Pinnacol’s Meals on Wheels volunteer coordinator and administrative assistant (middle), and Debra Craig, nurse case manager (right), deliver a hot meal to John Carey (left) at his home.

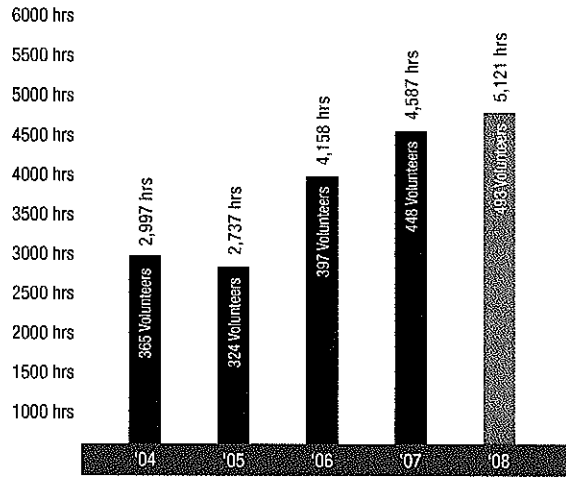
Pinnacol employees delivered fans and smoke detectors to residents in four counties.

In 2008, Pinnacol employees collected 6.5 tons of food for the VOA food pantry.

PINNACOL'S COMMUNITY INVOLVEMENT IMPACT

5 Years At A Glance

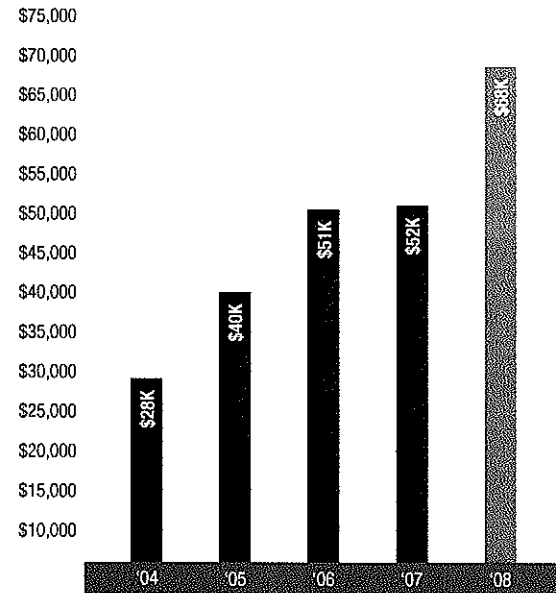
PINNACOL IN ACTION EMPLOYEE VOLUNTEER PROGRAM



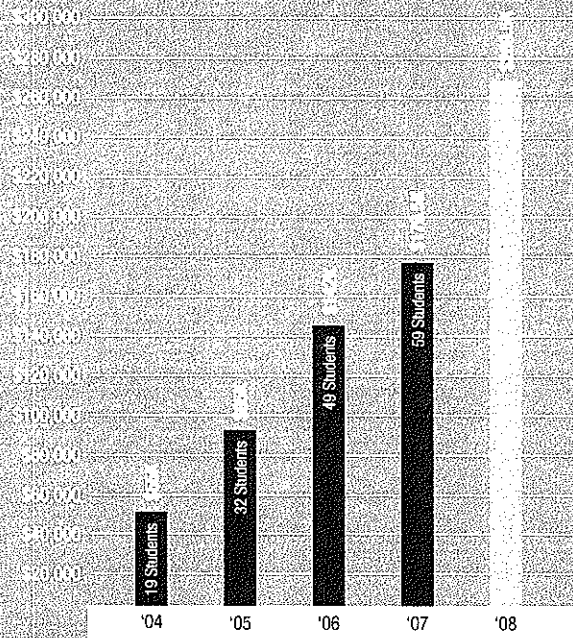
Pinnacol in Action Employee Volunteers gave 5,121 hours to community projects in 2008.

Employees pledged \$68,000 to United Way with Pinnacol's 100% company match in 2008.

EMPLOYEE GIVING



PINNACOL FOUNDATION



\$269,500
Pinnacol Foundation awarded \$269,500 to 94 students for the 2008-2009 school year.

RECOGNITION OF EXCELLENCE

Pinnacol received the following awards for community impact:

- >> Bold Tracks Award, National Sports Center for the Disabled
- >> "Colossal" Appreciation Award for Food Drive, Volunteers of America
- >> Support Award for Golf Buddies, Big Brothers Big Sisters
- >> Outstanding Company Chair, Mile High United Way
- >> Energy Star Rating, Environmental Protection Agency

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 Shaqui Maloney Jordan Mann Mike Mannia Zoni Manning Sandra Mansfield Nicole Manzaneros Brasa Marek Siers Mary Marissa Marinet Andrea Maron Leisa Mason Emma Mason
 Erin Mascher Shannon Maslins James Matlock Sue McMiller Nancy Medina Amanda Melcher Madeline Mena Johana Mendoza Amanda Milverton Mike Gerry Miller Yanna Milgrom
 Misbrenor Nancy Mohr Christina Moloney Mary Monroe Aisha Monique Jina Morris Nikki Moszer Cecilia Mur Naima Mullahs Kristin Mulholland Nichole Mutter Pam Muzumdar
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 Kerone O'Neil Daniel O'Neil Sara O'Connell Elizabeth O'Neil Lisa Oliver Susan Olson Susan Orsborn Rebecca Ornela George Orzoff Jonathan Orzoff
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