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PINNACOL
ASSURANCE

group dividend

Monthly Article

Editor's Note: Association Newsletter Article –December 2009

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Pinnacol Board Takes Positions on Interim Committee Bills

The Pinnacol Assurance Board of Directors has voted to support two and oppose five of the bills recommended by the Interim Committee Studying Issues Related to Pinnacol Assurance.

The board will support the Workers' Compensation Accountability bill (Bill A) from Sen. Mary Hodge (D-Brighton) and the Workers' Compensation Claims Process Brochure bill (Bill G) from Rep. Joe Miklosi (D - Denver). The board is opposed to the remaining five bills on substantive grounds and noted that many are beyond the scope of the legal limitations imposed by SB281 because they impact the entire workers' compensation industry.

Pinnacol Board Chair Johnson said, "The board believes bills B, C, D, E and F present significant roadblocks to Pinnacol's future success. These bills have the potential to drive up workers' compensation costs in Colorado and others are redundant, as well as an inappropriate intrusion of the legislature into the operations of a company that, by statute, is directed to operate as a mutual insurance company."

Johnson noted that the Pinnacol board is especially concerned about Rep. Su Ryden's (D-Aurora) bill, the Workers' Compensation Policyholder Protection Act of 2010 and a bill from Rep. Miklosi concerning the Pinnacol Board of Directors.

The provisions in Ryden's bill that limit Pinnacol's surplus to 800 percent of risk-based capital (RBC) and require the company to issue dividends hinder Pinnacol's ability to be effective in the marketplace. The percentage of RBC written in the bill is arbitrary and there is no such RBC standard in the workers' compensation industry.

"This bill is dangerous," said Johnson. "The board, which is appointed by the governor and confirmed by the senate, is charged with making decisions regarding rates, surplus

levels and dividends and this bill inappropriately limits our authority. It also limits our ability to be flexible in responding to market conditions. Pinnacol has issued a general dividend for the past five years, returning nearly \$350 million to Colorado businesses.”

Johnson stated that Miklosi’s bill is not needed because the current board structure is working well. The board is concerned with language that adds two non-management employees to the group. Pinnacol is a multi-billion dollar company and board members need experience and expertise in order to make critical business decisions. The board is also concerned that adding the Executive Director of the Colorado Department of Labor and Employment (CDLE) creates a potential conflict of interest as the CDLE oversees workers’ compensation.

“The bill is a back door attempt to make Pinnacol a state agency by imposing a public testimony provision,” added Johnson. “Stakeholders with concerns have access to Pinnacol board members and to management through other means and Pinnacol is already subject to open meeting laws. This bill does nothing to further the transparency of Pinnacol’s operations. The company already has more oversight by state regulators and legislators than any other insurance company in Colorado.”

To read the complete text of all Interim Committee bills and a full description of Pinnacol’s positions on each, visit the legislation section of www.pinnacol.com.

Questions? Contact your Pinnacol marketing manager.