

Over the course of the last few months, many misleading statements have been made about Pinnacol Assurance. These statements are addressed in the Fact vs. Fiction chart below.

Fiction	Fact
<p>Pinnacol Assurance requires more government oversight.</p>	<p>Workers compensation in Colorado is the only line of insurance in the state that has two state agencies—the Division of Insurance (DOI) and the Division of Workers' Compensation—overseeing it. The DOI reports complete filings from Pinnacol Assurance, and since the company first became known as Pinnacol Assurance in 1999, it has never been subject to an enforcement action from the DOI.</p> <ul style="list-style-type: none"> <li>• Division of Insurance performs:               <ul style="list-style-type: none"> <li>○ A triennial audit that is reviewed by the Governor, State Auditor, General Assembly and the Executive Director of the Department of Labor</li> <li>○ Random market conduct examinations</li> </ul> </li> <li>• Division of Workers' Compensation performs:               <ul style="list-style-type: none"> <li>○ Periodic claims audits</li> </ul> </li> </ul> <p>Pinnacol is also subject to the following audit:</p> <ul style="list-style-type: none"> <li>• Annual financial audit conducted through the Colorado State Auditor's Office with the final audit report being presented to the Colorado Legislative Audit Committee.</li> </ul>
<p>Pinnacol is no different than AIG; they are just a greedy insurance company.</p>	<p>Any comparison to AIG is absurd. AIG was bailed out by the government. In Colorado, legislators have looked to Pinnacol to bail them out. And on the question of greed, the comparison becomes even more incongruous. Seventy-three employees were paid more than \$1 million each in bonuses in the AIG unit that lost so much money it brought the company to its knees and damaged the U.S. economy. The CEO of Pinnacol Assurance makes less than \$500,000 including his bonus, which is based on performance measures.</p>
<p>Pinnacol overcharges policyholders.</p>	<p>The workers' comp marketplace in Colorado is competitive; if Pinnacol was overcharging we would lose market share and, to the contrary, our market share has been stable over the last five years.</p> <p>In fact, Pinnacol's retention rate is over 91% and our customer satisfaction scores have increased every year for the past five years. In 2008 that score was 9.1 on a 10 point scale, the highest ever.</p>
<p>Pinnacol is making excessive profits.</p>	<p>According to an analysis performed by the Colorado Division of Insurance, Pinnacol does not make excessive profits. In some years it has not been at all profitable. After returning dividends to policyholders, the company's profit margins were: -2.9% in 2008, -0.2% in 2007 and 1.4% in 2006.</p> <p>These margins are in keeping with Pinnacol's charge to provide insurance coverage at the lowest possible rates while maintaining solvency and creating and maintaining a reasonable surplus.</p>
<p>The salary of Pinnacol President &amp; CEO Ken Ross's is more than any other public official in the state.</p>	<p>Ross is not a public official and is not paid with public funds. However, by comparison, there are public officials who make significantly more than Ross. The base pay of the chancellor of the University of Colorado-Denver exceeds Ross' and the chancellor's incentive plan makes it possible for his annual earnings to exceed \$700,000. In fact, more than 100 employees at CU make over \$300,000.</p>

<p>Pinnacol's expenses are higher than those of other carriers.</p>	<p>According to the Division of Insurance, Pinnacol's expenses equal 23.6% of its premiums, while the industry average is about 30%.</p>
<p>Pinnacol's travel and entertainment expenses are excessive and out of line with industry standards.</p>	<p>Pinnacol believes— as many businesses do —that it is important to recognize and reward our policyholders, agents and employees. In doing so, we allocate a small amount of our budget to be used for such marketing expenses. In fact, Pinnacol spends less than 1% of its annual budget on these types of expenses.</p>
<p>Having Pinnacol representatives on the interim committee is a conflict of interest – especially if the panel considers subpoenaing records or begins delving into topics such as executive bonuses.</p>	<p>The legislature included language in SB 281 to have Pinnacol representatives included on the interim committee.</p> <p>Pinnacol's executive compensation is already a matter of public record and is available from the Division of Insurance.</p>
<p>Pinnacol Assurance has been uncooperative with the interim committee's requests for information.</p>	<p>Pinnacol Assurance has provided thousands of pages of documents and only objected to providing a few that contained proprietary information.</p>
<p>Pinnacol Assurance is state-run/state-owned.</p>	<p>Pinnacol Assurance is not a state agency, and it receives no state funding. The law states, "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." (8-45-101 (1), C.R.S.)</p>
<p>The state is entitled to Pinnacol's assets.</p>	<p>The law (8-45-101 (1), C.R.S.) says that all Pinnacol's revenues, moneys, and assets belong solely to the company and the state of Colorado has no claim to the revenues, moneys, and assets and can't borrow, appropriate, or direct payments for any purpose.</p> <p>The statute also charges the chief executive officer with running the company just as the head of a private insurance company might or could do, subject to all the provisions of the law.</p> <p>In April 2009, Colorado's chief legal officer, Attorney General John Suthers, accepted a <a href="#">legal opinion</a> from the solicitor general stating that a plan by Colorado lawmakers to raid Pinnacol Assurance assets was unconstitutional. The Solicitor General stated that he could not "envision how our office would make a good-faith defense of such an action" and noted that a long and costly legal battle could ensue."</p>
<p>Pinnacol amassed a large surplus by overcharging policyholders and hoarding funds.</p>	<p>In the last four years, Pinnacol has lowered rates by 42%, saving policyholders more than n \$205 million over that time. In the last five years, Pinnacol has returned dividends totaling \$347 million to policyholders in every county in Colorado, including this year, when we issued a dividend of \$120 million. These dividends are returned to policyholders in return for their commitment to workplace safety and claims management.</p>
<p>The workers' compensation system in Colorado needs to be fixed.</p>	<p>To the contrary, Colorado's workers' comp system is one of the most stable in the country. According to a recent study, only three other states have lowered rates more than Colorado since 2002. If the state takes over the underwriting policies along with the management of claims and medical care,</p>

	<p>it would undo 20 years of progress that has created a viable, stable and competitive workers' comp system that has created an attractive economic climate for business.</p>
<p>The state has a right to Pinnacol's assets because the company was created by the state.</p>	<p>Pinnacol Assurance was originally created by the state, however, understanding Pinnacol's history helps clarify some of the misperceptions regarding the company's status. In 1915, the State Compensation Insurance Fund was created as a state agency to ensure that injured workers received medical care and that claims were paid. By the mid-1980's, the state agency faced a \$500 million deficit that posed a serious risk to the state's businesses 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. Since then, Pinnacol has become a nationwide model of excellence for compensation funds, and Colorado businesses and taxpayers no longer face the risk of funding a mismanaged and insolvent system.</p>
<p>Pinnacol's market share is 70%.</p>	<p>Pinnacol's market share is 57%, a number that has held steady for several years and is tracked by the Division of Insurance. This is not a percentage that Pinnacol determines; customers who are satisfied with our pricing and service drive that percentage.</p>
<p>The surplus is six times over and above what the Division of Insurance says is needed to ensure the solvency of Pinnacol's operations.</p>	<p>The staff from the Division of Insurance (DOI) stated publically, "The Division has not adopted standard for surplus levels. The board of directors and senior management of each carrier decide what level of surplus is necessary, reasonable and acceptable." DOI also stated that it is reasonable for Pinnacol to hold a higher level of surplus than other insurance companies because of the unique rules that govern the company—specifically having no ability to raise capital and not participating in the state's Guarantee Fund.</p>
<p>Taxpayer dollars fund Pinnacol's operations/Pinnacol receives funding from the state.</p>	<p>Pinnacol receives absolutely no state funding. In fact, the law requires Pinnacol to be self-sustaining and, therefore, it does not expose the state to financial losses.</p>
<p>Pinnacol is a "political subdivision of the state" under 8-45-101 (1), C.R.S.</p>	<p>This is an incomplete description of Pinnacol Assurance. The law says, "...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." (8-45-101 (1), C.R.S.).</p> <p>As required 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 absolutely no state funding.</p>
<p>Pinnacol is licensed by the state of Colorado.</p>	<p>Pinnacol was created by statute in 1915 and, therefore, is not licensed as other carriers customarily are.</p>
<p>Pinnacol has governmental immunity.</p>	<p>No. Pinnacol does not enjoy governmental immunity. The company can sue and be sued just like any private company.</p>
<p>Because Pinnacol does not pay state taxes, Colorado has lost out on billions of dollars in revenue.</p>	<p>Pinnacol pays the premium surcharge of 3.818% to the state just as all workers' comp carriers do.</p> <p>What Pinnacol does not pay is the state's 1% premium tax. Because we are mandated to cover the residual market, those businesses that cannot get coverage from other carriers, we are exempt from the state premium tax. We also provide coverage to some of the state's most dangerous occupations —</p>

	<p>coverage that other carriers don't want to insure because of the risk involved. Many of those businesses would not be operating—and paying state and local taxes—if Pinnacol did not insure them. The money generated from those businesses far exceeds the amount of Pinnacol's tax-exemption.</p> <p>It is also worth noting that a recent report from Conning Asset Management showed that there are private insurance carriers that pay no taxes.</p>
<p>Pinnacol is wrongly denying benefits to injured workers.</p>	<p>Injured worker benefits are determined by the legislature. Pinnacol, and all other workers' comp carriers in the state, must comply with the benefit levels established by state statute.</p>
<p>Pinnacol Assurance offered \$500 million to sever state ties.</p>	<p>No offer has ever been made to the state; an offer like that would have to be authorized by Pinnacol's board of directors and they have taken no such action.</p> <p>That is a misrepresentation of remarks made by Pinnacol President and CEO Ken Ross. What he said was he would like to see the law changed to "go the last 10%" and make Pinnacol a full mutual insurance company that would continue its current obligations to insure the residual market and maintain its current limitations to write only workers' compensation insurance and only do business in Colorado.</p> <p>Ross disclosed that last year, had Pinnacol been subject to a premium tax, it would have paid approximately \$5 million in state premium tax and others did some math—based on how long Pinnacol has been separate from the state—to come up with that figure.</p>