



Joint Budget Committee

Staff Budget Briefing FY 2026-27

Department of Regulatory Agencies

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Additional Resources

To find the online version of the briefing document search the General Assembly’s website for [budget documents](https://content.leg.colorado.gov/content/budget#budget-documents-section) (https://content.leg.colorado.gov/content/budget#budget-documents-section).

Overview of Department

The Department of Regulatory Agencies is responsible for consumer protection, which is carried out through regulatory programs that license, establish standards, approve rates, and investigate complaints. The Department enforces rules and regulations through boards, commissions, and advisory committees across a variety of professions, occupations, programs, and institutions.

Recent Appropriations

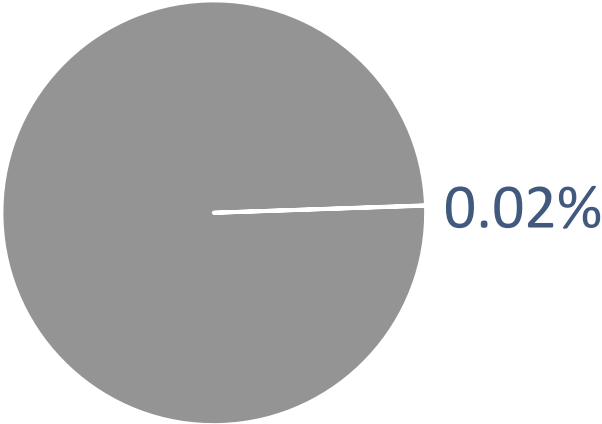
Regulatory Agencies: Recent Appropriations

Funding Source	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27 [1]
General Fund	\$13,579,217	\$3,597,763	\$3,114,582	\$3,270,400
Cash Funds	120,109,040	131,756,294	125,851,651	131,544,055
Reappropriated Funds	7,119,851	7,690,316	7,623,434	7,908,147
Federal Funds	1,746,638	1,889,821	2,055,639	1,990,094
Total Funds	\$142,554,746	\$144,934,194	\$138,645,306	\$144,712,696
Full Time Equivalent Staff	698.4	726.5	728.6	726.6

[1] Requested appropriation.

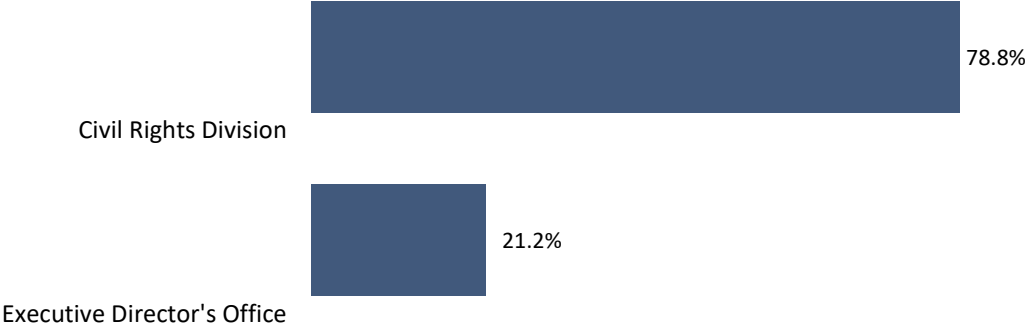
Graphic Overview

Department's Share of Statewide General Fund



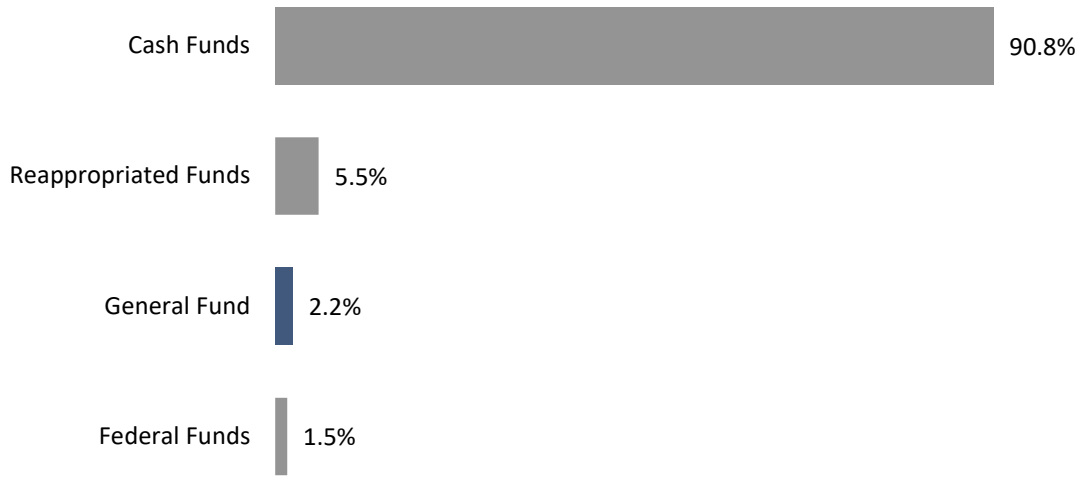
Based on the FY 2025-26 appropriation.

Distribution of General Fund by Division



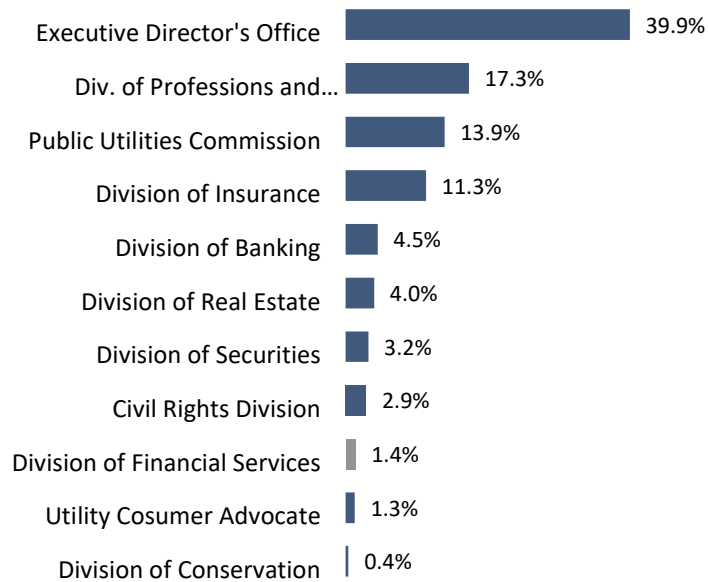
Based on the FY 2025-26 appropriation.

Department Funding Sources



Based on the FY 2025-26 appropriation.

Distribution of Total Funds by Division



Based on the FY 2025-26 Appropriation

Cash Funds Detail

Department of Regulatory Agencies Cash Funds Detail

Fund Name	FY 2025-26 Approp.	Primary Revenue Sources	Primary Uses in Dept.
Various cash funds	\$2,566,741	Various sources of revenue	Smaller cash funds which primarily contribute to common policy and centrally appropriated costs in the Executive Director's Office.
Division of Professions and Occupations Cash Fund	39,598,049	Application, exam, license, inspection, and permit fees and other sources	Costs of the Division of Professions and Occupations
Fixed Utilities Fund	25,160,856	Assessments on non-telecomm public utilities calculated on operating revenue	Administrative expenses for the PUC for regulation of non-telephone public utilities, for the Office of the Utility Consumer Advocate, and for the Colorado Electric Transmission Authority
Division of Insurance Cash Fund	22,003,212	Insurance industry license fees and premium tax revenue that would otherwise be credited to the General Fund.	Costs of the Division of Insurance
Division of Banking Cash Fund	8,357,090	Assessments on regulated banks and institutions and various fees	Costs of the Division of Banking
Division of Real Estate Cash Fund	9,543,279	Real estate and mortgage license fees and home owner association registration fees	Costs of the Division of Real Estate
Colorado Telephone Users with Disabilities Fund	1,911,859	Per month, per line surcharge to all business and personal telephone customers	Support the costs of a telephone relay service for disabled telephone users. Starting in FY 2025-26, these fees are routed to the Communication Services for People with Disabilities Enterprise created in HB 25-1154.
Division of Securities Cash Fund	6,446,584	Broker/dealer, representative and investment advisor license fees	Costs of the Division of Securities
PUC Motor Carrier Fund	3,505,742	Fees from regulated motor carriers and federally authorized motor carrier assessments	Administrative expenses of the PUC for regulation of motor carriers in Colorado.
Division of Financial Services Cash Fund	2,629,077	Assessments on regulated financial institutions based on assets	Costs of the Division of Financial Services
Prescription Drug Monitoring Fund	2,008,516	Assessments from licensees that have prescriptive authority and federal grants, gifts, and donations	Costs of the Prescription Drug Monitoring Program - a data system that allows prescribers to access and share prescription data pertaining to controlled substances
Telecommunications Utility Fund	1,385,939	Assessments on telecomm utilities calculated on operating revenue	Administrative expenses of the PUC for regulation of telecomm public utilities
Conservation Cash Fund	734,707	Fees from certification program applicants	Costs of the Division of Conservation
Total	\$125,851,651		

Additional detail for select funds

The Division of Insurance Cash Fund receives revenue from license fees and premium tax revenue. Colorado's insurance premium tax applies to charges from insurance companies licensed by the state and surplus line brokers who offer policies for insurance companies not licensed in the state. Funds may be appropriated to:

- the Division of Insurance Cash Fund (limited to 5.0 percent of revenue)
- the Wildfire Emergency Response Fund and Wildfire Preparedness Fund.

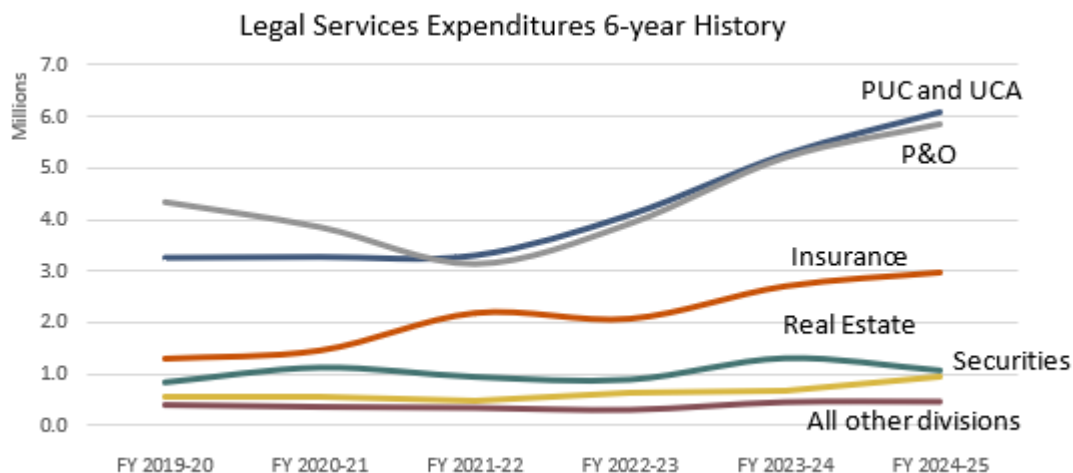
After appropriations, remaining revenue is credited to the General Fund. Therefore, funds that are appropriated from the Division of Insurance Cash Fund may directly reduce the amount of remaining General Fund revenue available for other purposes.

General Factors Driving the Budget

The Department of Regulatory Agencies manages licenses and registration for multiple professions and businesses, and implements regulation for Colorado industries. As a primarily regulatory entity, the Department’s budget is largely shaped by legal services, licensing, and new regulatory legislation.

Legal Services

The Department utilizes legal services to meet its statutory requirements related to rulemaking and enforcement of regulations across various industries. While some divisions do employ internal judges to manage these proceedings, they also purchase a significant number of hours of legal services from the Department of Law. Legal services account for 12.2 percent of the Department's FY 2024-25 total expenses. The Division of Professions and Occupations (DPO), the Public Utilities Commission (PUC) and Office of Utility Consumer Advocate (UCA), and Division of Insurance (DOI) accounted for 85.8 percent of the Department’s total expenditures for legal services in FY 2024-25. The following chart reflects the most recent five-year history by division. Notably, in the 2020-2021 fiscal year, legal rates were subsidized for Departments as a budget balancing measure.



Licensing and examinations

The Department is responsible for consumer protections. In pursuit of this mission, DORA licenses professionals in various industries and performs banking, credit union, and securities examinations. The Divisions of Insurance, Real Estate, Professions and Occupations, and Securities issue the majority of individual licenses and conduct examinations to protect consumers and to benefit firms. Examinations look for high risk or fraudulent activity by firms that could compromise client privacy and security. Each division sets examination and licensure fees to correlate with costs associated with regulating those industries. The following tables reflect the most recent five-year history for a selection of licensing and examinations activity.

Number of Licenses Regulated by the Divisions of Insurance, Real Estate, Registrations, and Securities

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 24-25
Insurance - Producer Licenses					
New Licenses	60,454	62,362	57,442	58,212	61,636
Active Licenses	221,609	244,196	246,026	262,794	270,471
Real Estate					
Broker & Salesperson	43,653	52,348	44,236	44,189	50,556
Mortgage Loan Originators	22,893	28,365	21,252	20,379	19,616
Appraisers	2,924	3,006	2,445	3,024	2,915
Professions and Occupations					
New Licenses	45,395	55,936	66,265	65,454	63,498
Active Licenses	452,321	467,703	496,089	516,197	598,250
Securities					
Sales Representative License Renewals	214,392	236,700	242,350	250,052	264,144
Investment Advisor License Renewals	15,118	15,838	15,975	16,109	16,751

Examinations Conducted by the Divisions of Banking, Financial Services, and Securities

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 24-25
Banking Examinations	155	139	166	133	152
Credit Union Examinations	39	30	32	29	29
Securities Examination	123	110	115	110	126

New Regulatory Legislation

The Department is the subject of a significant number of bills each legislative session. Those bill appropriations are a significant driver of the Department's budget. Most of these bills include the continuation of or sunrise of regulatory programs. These new and continuing programs often require increased workload for the Department and, therefore, more FTE. The majority of the Department's FTE are located in three Divisions: the Division of Professions and Occupations, the Public Utilities Commission, and the Division of Insurance.

The 2024 legislative session appropriated \$3.2 million in total funds and 21.4 FTE. However, the 2025 legislative sessions decreased appropriations by \$3.4 million and 2.0 FTE through the creation of the Communication Services for People with Disabilities Enterprise. Other legislation passed in 2025 that impacted DORA either continued current appropriations or delayed fiscal impacts of programming into out-years.

The following tables lists each bill with fiscal impacts for the Department from the 2024 and 2025 session.

2024 Legislation - Appropriations and FTE

	FTE	Total Funds	Primary Division(s)
SB 24-218 Modernize energy distribution	3.5	\$420,500	Public Utilities Commission
HB 24-1030 Railroad safety requirements	3.5	391,057	Public Utilities Commission
HB 24-1335 Sunset mortuary science code regulation	2.8	339,196	Professions and Occupations
HB 24-1108 Insurance commissioner study insurance market	0.3	329,863	Insurance
SB 24-080 Transparency in healthcare coverage	1.0	267,758	Insurance
HB 24-1315 Study remediation of property damage by fire	0.2	219,909	Insurance
HB 24-1051 Towing carrier regulation	0.6	165,629	Public Utilities Commission

	FTE	Total Funds	Primary Division(s)
HB 24-1004 Ex-offenders in regulated occupations	1.2	133,216	Professions and Occupations
SB 24-173 Regulate mortuary science	1.0	121,166	Professions and Occupations
SB 24-207 Access to distributed generation	1.5	116,505	Public Utilities Commission
HB 24-1262 Maternal health midwives	1.0	111,072	Civil Rights
SB 24-139 Creation of 911 services enterprise	0.8	107,695	Public Utilities Commission
HB 24-1111 Cosmetology Licensure Compact	1.0	104,620	Professions and Occupations
SB 24-010 Dentist and Dental Hygienist Compact	0.5	78,750	Professions and Occupations
SB 24-018 Physician Assistant Licensure Compact	0.5	78,750	Professions and Occupations
HB 24-1002 Social Work Licensure Compact	0.5	78,750	Professions and Occupations
HB 24-1149 Prior authorization requirement alternatives	0.4	36,514	Insurance
HB 24-1045 Treatment for substance use disorders	0.4	36,514	Insurance
HB 24-1370 Reduce cost of use natural gas	0.2	29,678	Public Utilities Commission
SB 24-126 Conservation easement tax credit	0.2	12,925	Conservation
HB 24-1438 Prescription drug affordability	0.2	8,874	Professions and Occupations
HB 24-1382 Insurance for pediatric neuropsychiatric syndrome	0.1	7,333	Insurance
Total	21.4	\$3,196,274	

2025 Legislation - Appropriations and FTE

	FTE	Total Funds	Primary Division(s)
HB 25-1154 Comm. serv. for people with disabilities enterprise	-2.0	-\$3,429,668	Public Utilities Commission
Total	-2.0	-\$3,429,668	

Summary of Request

Department of Regulatory Agencies

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2025-26 Appropriation						
SB 25-206 Long Bill	\$142,074,974	\$3,114,582	\$129,281,319	\$7,623,434	\$2,055,639	730.6
Other legislation	-3,429,668	0	-3,429,668	0	0	-2.0
Total	\$138,645,306	\$3,114,582	\$125,851,651	\$7,623,434	\$2,055,639	728.6
FY 2026-27 Requested Appropriation						
FY 2025-26 Appropriation	\$138,645,306	\$3,114,582	\$125,851,651	\$7,623,434	\$2,055,639	728.6
R1 Base reduction to Div. of Insurance and Civil Rights Div.	-401,502	-56,502	-345,000	0	0	0.0
Employee compensation common policies	5,795,462	213,948	5,375,384	273,784	-67,654	0.0
Operating common policies	-254,203	-1,628	-263,755	9,071	2,109	0.0
Impacts driven by other agencies	378,482	0	376,624	1,858	0	1.8
Prior year actions	549,151	0	549,151	0	0	-3.8
Total	\$144,712,696	\$3,270,400	\$131,544,055	\$7,908,147	\$1,990,094	726.6
Increase/-Decrease	\$6,067,390	\$155,818	\$5,692,404	\$284,713	-\$65,545	-2.0
Percentage Change	4.4%	5.0%	4.5%	3.7%	-3.2%	-0.3%

Changes are assumed to be ongoing unless otherwise noted.

R1 Base Reduction to Division of Insurance and the Civil Rights Division: The Department requests reductions in appropriations to the Colorado Civil Rights Division (CCRD) and the Division of Insurance (DOI).

Year 1: The total savings is \$401,502 General Fund.

The request includes a reduction of \$56,502 from the personal services line in the CCRD which is equal to 2.0 percent of the total General Fund appropriation to that division. The CCRD is the only division within DORA that receives a General Fund appropriation.

Additionally, the Department requests a reduction of \$345,000 in cash funds from the personal services line in the Division of Insurance (DOI), which is equal to 2.0 percent of the division's total appropriation. Reducing appropriations from the Division of Insurance cash fund results in more General Fund revenue. This is because revenue from insurance premium taxes reverts to the General Fund if not appropriated to the DOI.

The Department and OSPB state that these reductions will be absorbed through current retirement and vacancy savings and through management of contract expenses.

Employee compensation common policies: The request includes a net increase of \$5.8 million for employee compensation common policies. A common policy refers to general policies applied consistently to all departments.

Employee compensation common policies

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Health, life, and dental	\$2,783,593	\$100,583	\$2,633,055	\$79,133	-\$29,178	0.0
Salary survey	2,141,789	58,788	1,899,042	159,299	24,660	0.0
Unfunded liability amortization payments	631,639	38,172	641,321	1,937	-49,791	0.0
Step plan	168,218	9,314	119,503	39,401	0	0.0
PERA direct distribution	37,378	5,106	49,115	-6,086	-10,757	0.0
Paid family and medical leave insurance	28,424	1,718	28,859	87	-2,240	0.0
Short-term disability	4,421	267	4,489	13	-348	0.0
Total	\$5,795,462	\$213,948	\$5,375,384	\$273,784	-\$67,654	0.0

Operating common policies: The request includes a net decrease of \$254,203 for operating common policies.

Operating common policies

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Legal services	\$248,067	\$2,172	\$242,840	\$1,748	\$1,307	0.0
State accounting system (CORE)	229,190	8,877	205,711	11,801	2,801	0.0
Workers' compensation	44,622	1,352	41,131	1,554	585	0.0
Administrative law judge services	-332,047	-8,223	-323,824	0	0	0.0
Vehicle lease payments	-262,554	0	-262,554	0	0	0.0
Risk management & property	-172,467	-5,806	-158,154	-5,923	-2,584	0.0
Office of Information Technology services	-9,014	0	-8,905	-109	0	0.0
Total	-\$254,203	-\$1,628	-\$263,755	\$9,071	\$2,109	0.0

Impacts driven by other agencies: The request includes a net increase of \$378,482 for requests from other state agencies. These are also called "non-prioritized requests." The amount shown in the table below applies only to this department and does not necessarily reflect the total value of the request.

Impacts driven by other agencies

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	FTE
NP IT accessibility	\$170,762	\$0	\$170,762	\$0	0.9
NP SB24-205 AI compliance	133,760	0	132,144	1,616	0.9
Mortgage broker LAW request	28,653	0	28,653	0	0.0
Securities fraud LAW request	25,277	0	25,277	0	0.0
NP State accounting system (CORE) staff	20,030	0	19,788	242	0.0
Total	\$378,482	\$0	\$376,624	\$1,858	1.8

Prior year actions: The request includes a net increase of \$549,151 for the impact of prior year budget decisions and legislation.

Prior year actions

Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
SB 24-010 Dentist and dental hygienist compact	\$258,514	\$0	\$258,514	\$0	0.5
HB 23-1201 Pres. drug benefits contract terms	250,000	0	250,000	0	0.0
HB 24-1111 Cosmetology licensure compact	199,015	0	199,015	0	-0.2
SB 24-018 Physician assistant licensure compact	166,509	0	166,509	0	0.2

Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
HB 25-1002 Social work license compact	68,014	0	68,014	0	-0.6
SB 24-207 Access to distributed generation	33,756	0	33,756	0	0.2
HB 25-1154 Comm. serv. for people w/ disabilities ent.	33,435	0	33,435	0	0.0
HB 25-1284 Regulating apprentices in licensed trades	30,000	0	30,000	0	0.0
SB 25-165 Licensure of electricians	27,544	0	27,544	0	0.4
HB 24-1030 Railroad safety requirements	12,687	0	12,687	0	0.0
HB 25-1094 Pharmacy benefit manager practices	7,554	0	7,554	0	0.1
HB 24-1153 Physician continuing education	5,502	0	5,502	0	0.1
SB 24-218 Modernize energy distribution systems	-387,150	0	-387,150	0	-3.5
SB 23-189 Inc. access to reproductive care	-50,000	0	-50,000	0	0.0
SB 24-073 Max employees for small employer	-44,395	0	-44,395	0	-0.4
SB 24-141 Out-of-state telehealth providers	-25,363	0	-25,363	0	-0.3
HB 24-1108 Ins. commissioner study ins. market	-19,909	0	-19,909	0	-0.2
HB 24-1315 Study on remediation of property damage	-9,954	0	-9,954	0	-0.1
SB 24-173 Regulate mortuary science occupations	-6,608	0	-6,608	0	0.0
Total	\$549,151	\$0	\$549,151	\$0	-3.8

Budget Reduction Options

The Executive Budget Request includes reductions of \$56,502 General Fund for Colorado Civil Rights Division and of \$345,000 cash funds from the Division of Insurance Cash fund. Combined, these reductions total \$401,502 in General Fund relief, representing 1.8 percent of the current General Fund appropriations in this section of the budget.¹ This issue brief reviews these proposals and additional options identified by staff.

Summary

The Department of Regulatory Agencies represents 0.02 percent of total state General Fund appropriations in FY 2025-26. The Executive budget request includes proposed reductions of \$401,502. This amount represents 1.8 percent of the General Fund appropriations if the Division of Insurance cash fund is calculated as General Fund. These reductions are offset by proposed increases, so that the Department's total General Fund is requested to increase by 5.0 percent. This increase comes entirely from increases in employee compensation. The request includes a net neutral impact on the Division of Insurance Cash Fund.

The Department does not include any other proposed revenue enhancements.

Recommendation

Staff seeks guidance on the Committees interest in pursuing the options below. More research is necessary to determine the potential impact of the options provided.

Discussion

Funding History FY 2018-19 to FY 2025-26

The Department consistently represents less than 1.0 percent of General Fund appropriations because a majority of divisions utilize cash fund and federal fund revenues. As reflected in the table below, General Fund in this section of the budget has increased by 21.6 percent since FY 2018-19 after adjusting for inflation. This is more than the statewide increase of 13.6 percent over the same period.²

FY 2018-19 to FY 2025-26 General Fund Appropriations Comparison - Adjusted for Inflation

Fund	FY 2018-19 Nominal	FY 2018-19 Adjusted	FY 2025-26	\$ Change from FY 2018-19 Adjusted	% Change from FY 2018-19 Adjusted
General Fund	\$2,066,931	\$2,689,839	\$3,270,400	\$580,561	21.6%
Total Funds	\$99,733,783	\$129,790,409	\$144,712,696	\$14,922,287	11.5%

¹ Current FY 2025-26 appropriations do not include mid-year reductions in executive orders.

² Fiscal year 2018-19 appropriations are adjusted for inflation, calculated based on the Legislative Council Staff September 2025 forecast, which reflects an increase in the Denver-Aurora-Lakewood consumer price index of 30.1 percent between FY 2018-19 and FY 2025-26.

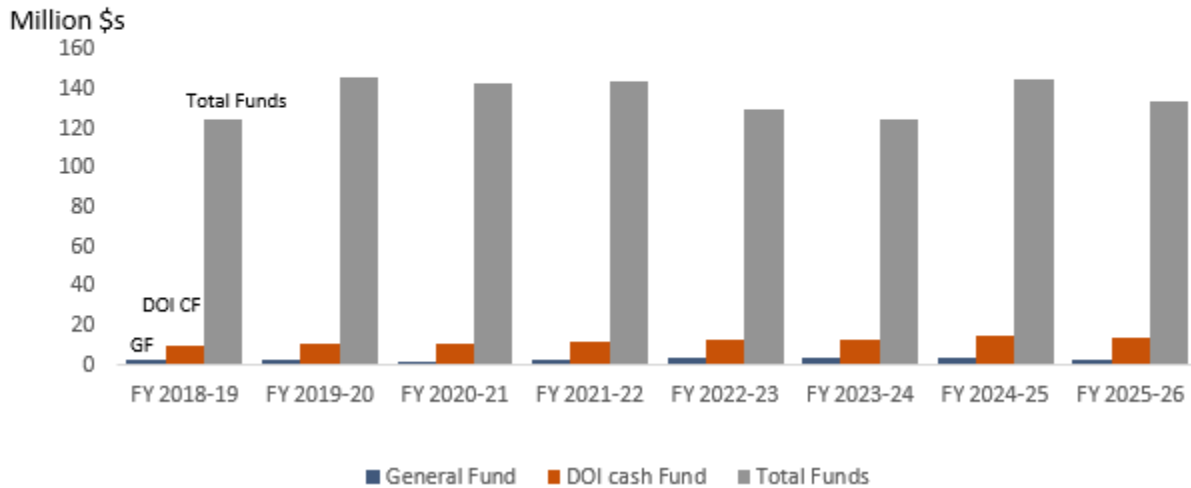
The Department also impacts General Fund revenue through appropriations from the Division of Insurance Cash Fund. Appropriations from the Division of Insurance Cash Fund have increased by 51.9 percent over this time period. Unspent insurance premium revenue deposited to the Division of Insurance cash fund is credited to the General Fund. Therefore, increases to appropriations from the Division of Insurance Cash Fund reduce available General Fund revenue.

FY 2018-19 to FY 2025-26 DIVISION OF INSURANCE Appropriations Comparison - Adjusted for Inflation

Fund	FY 2018-19 Nominal	FY 2018-19 Adjusted	FY 2025-26	\$ Change from FY 2018-19 Adjusted	% Change from FY 2018-19 Adjusted
Division of Insurance Cash Fund	\$7,595,047	\$9,883,955	\$15,014,409	\$5,130,454	51.9%
Total Funds	\$8,256,985	\$10,745,381	\$15,689,075	\$4,943,694	46.0%

In comparison to overall appropriations to the Department, DORA has not seen significant changes to General Fund or Division of Insurance appropriations.

Appropriations from the Division of Insurance Cash Fund and General Fund have remained largely consistent since FY 2018-19



Budget Requests for General Fund Relief

For this section of the budget, the request includes proposals for General Fund relief totaling \$401,504, representing 1.8 percent of appropriations that impact the General Fund. These reductions are offset by proposed increases, so that the Department’s total General Fund is requested to increase by 5.0 percent. This increase comes entirely from changes to employee compensation. The request includes a net neutral impact on the Division of Insurance Cash Fund. The proposals for General Fund relief are summarized in the table below.

Budget Requests for General Fund Relief

Option	General Fund	Other Funds	Bill? Y/N	Description
Revenue Enhancements				
Division of Insurance appropriation reduction	\$345,000	-\$345,000	N	The Division of Insurance Cash Fund (DOICF) includes premium tax revenue that would otherwise be credited to the General Fund. A decrease in DOICF appropriations represents an equivalent GF revenue increase.
Subtotal - Revenue	\$345,000	-\$345,000		
Expenditure Reductions				
Division of Civil Rights appropriation reduction	-\$56,502	\$0	N	This request represents a 1.0 percent base reduction in the Personal Services appropriation.
Subtotal - Expenditures	-\$56,502	\$0		
Net General Fund Relief	\$401,502			

Additional Options for JBC Consideration

During the 2025-26 budget cycle, the JBC decided to significantly reduce cash fund appropriations across all DORA divisions. Additionally, SB 25-264 included a net transfer of \$4.6 million in cash funds to the General Fund, which are shown in the table below.

FY 2025-26 DORA Cash Fund Transfers to the General Fund

Cash Fund Name	Transfer to GF
Prescription Drug Monitoring Fund	\$1,750,000
Divisions of Professions and Occupations Cash Fund	1,372,843
Highway-Rail Crossings Signalization Fund	700,000
Division of Real Estate Cash Fund	200,000
Division of Securities Cash Fund	200,000
Division of Banking Cash Fund	200,000
Disabled Telephone Users' Fund	200,000
Total Cash Funds transferred to GF	\$4,622,843

The compounding impact of appropriation reductions and cash fund transfers is still being managed by the Department. Budget relief from the appropriation reductions will have an ongoing impact on TABOR refunds in the coming fiscal years. Prior year actions have left few remaining options for General Fund relief from DORA.

Possible options are listed below; however, the fiscal impact of these actions cannot be determined until early 2026 because of potential supplemental requests as the Department smooths over prior year budget actions.

Expenditure Reductions

Adjust Statutory Transfers to the Highway-Rail Crossings Signalization Fund

Description: This budget option would reduce transfers to the Highway Crossings Protection Fund.

Key Considerations: Currently, the fund receives an annual transfer of \$240,000 from the Public Utilities Commission³. While this does not directly reduce General Fund expenditures, it does impact available General Fund in a TABOR refund situation. The department reports low utilization of the program with the most recent expenditure totaling \$294,427 in FY 2023.

Additional background: The Highway Crossings Protection Fund provides support for local projects related to railroad crossings over public highways. Project approval requires matching funds from both railroad companies and localities.

Refinance General Fund in the Executive Director's Office with Indirect Cost Excess Recoveries

Description: The general assembly may wish to refinance a portion of the General Fund appropriation to the Executive Director's Office. The amount available for this purpose is currently undetermined because of potential gaps in funding caused by the federal government shutdown.

Key Considerations: During the 2025-26 budget cycle, the General Assembly refinanced \$600,000 General Fund with the department's Indirect Cost Excess Recoveries Fund. Staff anticipates approximately \$1.0 million to be remaining in the fund at the end of the fiscal year, but lapses in federal funding may cause the Department to utilize the funds to replace federal dollars that were anticipated to fund indirect costs in the Civil Rights Division. Both staff and the Department will have a fuller idea of how much funding may be available during figure setting.

Identify Opportunities to Enterprise specific programs within DORA

Description: The Department of Regulatory Agencies is almost entirely cash funded through fees paid by industries that the Department regulates. Because of this, some of the Department's programming may fit the statutory definition of an enterprise.

Key Considerations: This is an option that staff has heard suggested by various stakeholders and members of the General Assembly. Staff believes that much of the Department's work does not fit this definition because regulation fulfills a core function of government. However, there may be some specific programs within the Department that fit the definition. If the Committee is interested in this option, staff will explore this opportunity with the Office of Legislative Legal Services.

³ § 40-29-116 (2), C.R.S.

Health Insurance Affordability Enterprise After OBBBA *and* the 2025 Special Session

This issue brief provides a status update for the Health Insurance Affordability Enterprise (HIAE) after the passage of the federal One Big Beautiful Bill Act (OBBBA) and HB25B-1006 (Improve Affordability of Private Health Insurance) during special session. The HIAE is charged with reducing the overall cost of health insurance for enrollees through investment of insurance premium taxes in three cost-saving programs.

Summary

The Federal Government has not yet extended enhanced premium tax credits for private health insurance policies purchased on the marketplace. These credits will expire on January 1, 2026. Additionally, downstream changes to health insurance premium tax credit eligibility may impact coverage for some enrollees.

Prior to Colorado's special legislative session, health insurance marketplace premiums were projected to increase by an average of 28.4 percent across the state with increases reaching 38.6 percent on the Western slope. Additionally, carriers anticipated that up to 110,000 Coloradans would lose healthcare coverage entirely.

Beyond the direct impacts of OBBBA, the Division of Insurance will lose a significant amount of federal revenue, which had previously supported the state's Reinsurance programs. According to the Congressional Budget Office, premium increases will likely result in more people being uninsured⁴, which may drive increases in premiums for employer provided health insurance plans.

House Bill 25b-1006 provided some additional revenue and flexibility for the HIAE. Since its passage, the Division of Insurance anticipates being able to:

- Provide more state-based premium subsidies to lower-income enrollees;
- Reduce the financial impact of premium increases through reinsurance; and
- Enroll over twice as many individuals on OmniSalud plans as previously estimated.

Health Insurance Affordability Enterprise Program Background

The Health Insurance Affordability Enterprise (HIAE) within the Division of Insurance was established in SB 20-215 (Health Insurance Affordability Enterprise) to "improve the affordability of health insurance for Coloradans purchasing coverage on the individual market". The enterprise operates three programs:

OmniSalud – provides access to health insurance for Coloradans whose incomes are below 150.0 percent of the federal poverty level and are not eligible for federal tax credits or Medicaid.

Reinsurance – reduces premiums across the entire individual market by covering a portion of claims for high-cost individuals which would otherwise drive-up premiums more broadly.

⁴ Congressional Budget Office memo, December 5, 2024 [[LINK](#)]

On Exchange Subsidies – prior to plan year 2026, this program subsidized out of pocket costs for enrollees at the lowest income levels. Beginning in 2026, this program will subsidize premium costs for individuals earning up to 400.0 percent FPL.

Initially, the HIAE was funded via a health insurance affordability fee, a hospital fee, a portion of premium tax revenue, and federal pass-through dollars. The passage of HB 24-1470 (Eliminate Premium Tax to health Insurance Affordability Fund) ended the premium tax revenue stream during FY 2023-24. The hospital fee portion of the affordability fee was only collected in calendar years 2022 and 2023 per statute⁵. Currently, the HIAE is funded via:

- A **health insurance affordability fee** assessed on insurers. Under current law, this fee is capped at 1.15 percent of premiums for nonprofit carriers and 2.1 percent for for-profit carriers; and
- **Federal pass-through funding** generated by the state’s 1332 state innovation waiver. The HIAE’s Reinsurance Program in collaboration with Colorado Option allows the state to qualify for this funding. The reinsurance program reduces the average cost of health plans by removing the highest cost claims from insurance premium calculations. This lower cost reduces the amount of money the US government pays to insurance companies through premium tax credits for lower income enrollees. The US Treasury’s Office of Tax Analysis (OTA) estimates the amount of money saved by the US government and pays that money back to Colorado. As of 2024, Colorado’s 1332 waiver directs federal dollars directly to the reinsurance program without funding any other HIAE programming.

Total revenue distributed to programming following a waterfall method that includes:

- up to 3.0 percent of total revenue to administrative costs;
- the first \$18.0 million to OmniSalud;
- the lesser of 73.0 percent of the remaining total or \$90.0 million to Reinsurance;
- 10.0 percent of the total OR the remaining amount to On Exchange Subsidies; and
- Any remaining funding goes back to OmniSalud coverage.

Federal pass-through money is directed to the reinsurance program and the affordability fee is directed to OmniSalud and the on-exchange subsidy.

Changes to the Private Health Insurance Market in OBBBA

The Federal Government’s Reconciliation Act includes many provisions that will directly impact access to and affordability of healthcare purchased on the Affordable Care Act marketplace. Specifically, provisions in the bill:

- Restrict access to premium subsidies for only “lawful permanent residents.” This removes subsidies from lawfully *present* immigrants including some asylum seekers, refugees, and students (effective January 2026);
- Requires enrollees to pay back excess premium tax credits that were caused by underestimating their annual income (effective beginning in FY 2026-27);

⁵ §10-16-1205 (1)(a)(II), C.R.S.

- End subsidies for people who enroll in plans during Special Enrollment Periods that are not associated with qualifying life events. This is expected to impact people earning below 150.0 percent of the poverty line (effective January 2027);
- Prevent individuals who have been removed from Medicaid due to work requirements from accessing premium tax credits on ACA plans (effective January 2027); and
- Require annual qualification and identification verification, effectively removing the “auto-renew” feature of health care plans (effective January 2028).

In addition to changes included in the bill, OBBBA did not include an extension of enhanced premium subsidies created by the American Rescue Plan Act and extended by the Inflation Reduction Act. The Division of Insurance expects the expiration of these subsidies to drastically reduce the amount of money that will be passed through to the reinsurance program.

Changes in Federal Pass-Through Awarded for Reinsurance

	2023	2024	2025 [1]	2026 [1]
Federal Pass-through Awarded	\$245,012,430	\$361,715,479	\$339,125,752	\$145,000,000
Change from previous year		\$116,703,049	-\$22,589,727	-\$194,125,752

[1] 2025 and 2026 figures represent projections only and do not include the impact of HB25B-1006.

Prior to the passage of HB25B-1006, the DOI estimated that changes could result in up to 110,000 Coloradan losing insurance coverage. After the passage of HB25B-1006, this estimate was reduced to 75,000.

Premium Tax Credits

The Affordable Care Act (ACA) as amended by the American Rescue Plan Act (ARPA) and the Inflation Reduction Act (IRA) provides premium tax credits to reduce the premium costs for marketplace enrollees whose projected income during the plan year is below 400.0 percent of the Federal Poverty level. The ACA identified an “expected premium contribution” based on a percentage of annual income for these individuals and families. This designation is shown in the table below.

ACA Premium Contributions Under Current Law

Income		Expected Premium Contribution Remaining After PTC	
Percentage of poverty line	Annual dollar amount	Premium contribution as % of income (in 2024)	Monthly contribution
Family of four			
<150%	\$46,800	0.0%	\$0
200%	\$62,400	2.0%	\$104
250%	\$78,000	4.0%	\$260
300%	\$93,600	6.0%	\$468
>400%	\$124,800	8.5%	varies
Individual			
<150%	\$22,590	0.0%	\$0
200%	\$30,120	2.0%	\$50
250%	\$37,650	4.0%	\$126
300%	\$45,180	6.0%	\$226
>400%	\$60,240	8.5%	varies

The premium tax credit is calculated based on the difference between an enrollee's expected premium contribution and the marketplace cost of a benchmark program. Credits are typically paid directly to insurers to reduce the monthly premium they collect from these enrollees but can be taken as part of a tax return.

These premium tax credits were expanded with the American Rescue Plan Act (ARPA). This expansion is highlighted in the table above. The original ACA formula created a "premium cliff" in which any enrollee earning greater than 400.0 percent of the FPL is ineligible for premium tax credits. The result was a drastic increase in premium costs as a percentage of income for these middle-income earners. During the pandemic, ARPA expanded credits such that all marketplace premiums were capped at 8.5 percent of enrollees' annual income. This created a sloping increase of premium costs provided for middle income enrollees rather than a cliff. The tax credits that cap marketplace premiums at 8.5 percent of annual income for all enrollees regardless if income are called "enhanced premium tax credits". These credits will expire on January 1, 2026.

Failure to extend these enhanced premium credits will increase health insurance costs in two ways:

1. **Middle income earners will no longer receive premium tax credits from the federal government.** They will be expected to pay the full cost of their health insurance premiums if their income is above 400.0 percent of the FPL; and
2. **Colorado will receive less federal pass-through money.** Prior to the passage of HB25B-1006, the Division of Insurance anticipated losing \$125.0 million in federal pass-through money. Connect for Health Colorado plans will provide less savings for the Federal Government. This is due to fewer people being eligible for premium tax credits. This will reduce the state's ability to invest in reinsurance, which will increase the cost of premiums across Colorado.

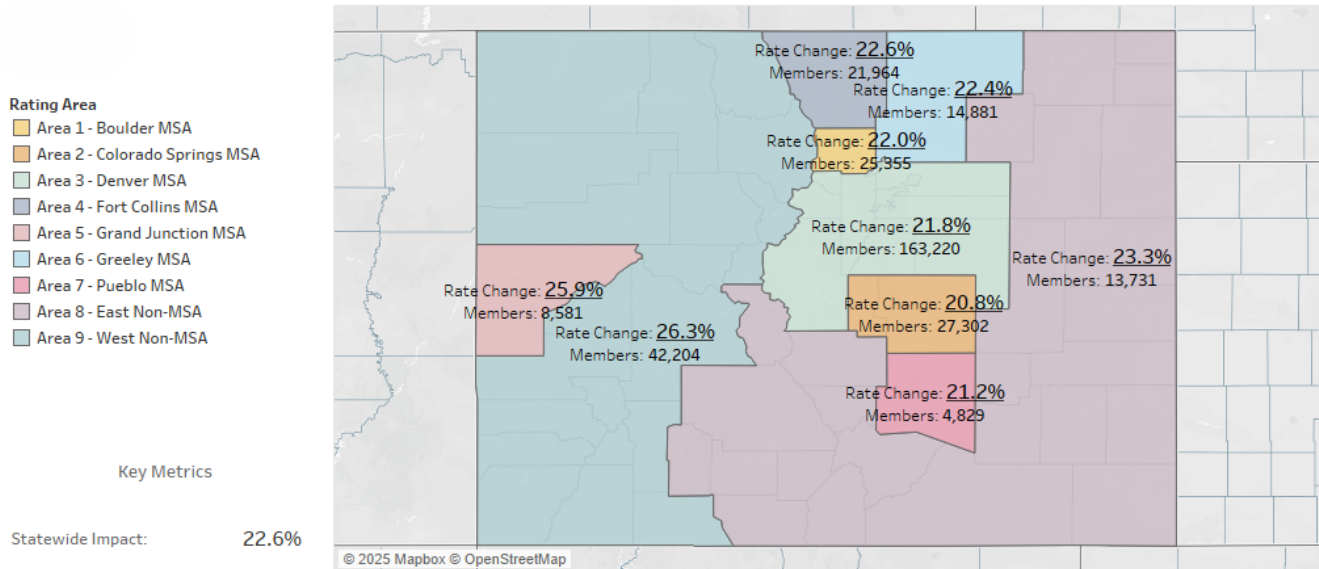
Impacts on Insurance Premiums for Plan Year 2026

Health insurance carrier throughout Colorado are anticipating large increases to premium costs for all plans. Even though OBBBA and HB25B-1006 directly impact individual plans purchased on Connect for Health Colorado, lower enrollment overall will increase the cost of health insurance more generally.

Individual Market Premium Adjustments

The passage of HB25B-1006 blunted the premium increases requested by insurance carriers. The average requested premium increase for insurance plans on the individual marketplace is 22.6 percent. This number would be 10.0 percent higher without the impacts of HB25B-1006. This increase does not include the financial impact on enrollees who will lose premium tax credits. Rate changes vary by region and are shown on the map below:

Approved 2026 Gross Premium Increases by Region



When including the financial impact of lost subsidies, middle- and lower-income Coloradans will feel an even more drastic increase. For example, a family of four with an annual income of approximately \$128,000 will no longer qualify for any financial assistance if the expanded tax credits are not extended. If that family lives in the Denver Metro area, they could see their premium bills increase by an estimated \$14,000 annually for a standard, middle tier plan. However, if they lived in a more rural area like the Western Slope or San Luis Valley, that increase could hit up to \$21,000 for the same plan. If enhanced premium tax credits were extended, that premium increase would be reduced by more than 80.0 percent.

Employer and Small Group Market Premium Adjustments

Although OBBBA, HB25B-1006, and expiration of the enhanced premium tax credits do not directly impact the small group or large group employer markets, changes to the individual insurance market may have downstream effects on the broader health insurance market because of increases in uncompensated care across health systems⁶.

In Colorado, insurance carriers requested an average premium increase of 13.6 percent for small group insurance plans. These plans serve small group employers, which is defined as companies with “no more than fifty (50) eligible employees”⁷.

The Division of Insurance does not estimate insurance premium changes for large group employer-provided coverage. However, one survey⁸ found that employers anticipate premiums to increase by an average of 6.5 percent after incorporating cost-savings changes to their insurance options. This is the largest premium increase in 15 years.

⁶ “How Will the One Big Beautiful Bill Act Affect the ACA, Medicaid, and the Uninsured Rate?” 2025, KFF. [\[Link to source\]](#)

⁷ Senate Bill 24-073 (Maximum Number of Employees to Qualify as Small Employer) decreased the maximum number of employees for an employer to qualify for a “small group plan” from 100 to 50.

⁸ “Employers Prepare for the Highest Health Benefit Cost Increase in 15 Years.” 2025. Mercer.com. 2025. [\[Link to source\]](#)

Impacts on Coloradans Served by OmniSalud

OmniSalud provides individual insurance market plans to Coloradans who do not otherwise qualify for insurance premium tax credits from the federal government. In anticipation of updated rules, Colorado's most recent 1332 Waiver ensured that federal pass-through money would not be used to support the program. Instead, all federal passthrough dollars are credited directly to the reinsurance program. This waiver was approved in 2022 and is good for five years. Prior to changes to the premium tax credits, the HIAE has been able to use insurer fees to provide access to affordable health insurance to more than 10,000 eligible Coloradans annually through OmniSalud. In plan year 2025, the program insured 12,000 Coloradans. Because of reduced funding in 2026, Connect for Health Colorado will use a lottery system to offer enrollment for up to 6,700 enrollees who were enrolled in plans in 2025. Prior to special session legislation, the Enterprise estimated that it would only be able to offer coverage to 2,500 people.

Overview of Special Session Legislation

House Bill 25B-1006 allows the state treasurer to sell corporate and premium tax credits for future fiscal years. The division may collect up to \$100.0 million in revenue from these sales. The proceeds are allocated as follows:

- Up to \$50.0 million to the reinsurance program;
- Up to \$50.0 million to insurance carriers with individual health plans on Connect for Health Colorado. These payments are meant to increase the affordability of insurance premiums for buyers who currently receive premium tax credits to reduce their insurance premium costs;
- Up to \$5.0 million to other HIAE programs.

Additionally, the bill transferred \$10.26 million to the HIAE from the Refinance Discretionary Account in the American Rescue Plan Act Refinance State Money Cash Fund. This transfer does follow the waterfall described previously in this document. The legislation also allowed the Enterprise to transfer up to \$20.0 million in surplus between funds.

HIAE's Approach to Containing negative Impacts

Provisions in HB25B-1006 and increased revenue will allow the HIAE to reduce the impact of premium increases by adjusting programs in the following ways:

- **Increase the positive impact of reinsurance:** Prior to special legislation, the reinsurance program could only save Coloradans 13.8 percent on their premiums. Now, improved rate filings show that the reinsurance program will save Coloradans 21.3 percent.
- **Redesign the on-exchange subsidy:** Prior to plan year 2026, the on-exchange subsidy was used to decrease out of pocket costs. For PY 2026, the on-exchange subsidy will now provide a premium wrap subsidy for members earning up to 400.0 percent of the poverty line.
- **Increase state investment in OmniSalud:** Special session legislation allowed the HIAE to increase revenue for OmniSalud by up to \$15.26 million. This will allow the program to cover approximately 6,700 enrollees. This is just over half of the number of enrollees covered in 2025.

Statewide R1: Pinnacol Conversion

This issue brief provides an overview of the Governor's statewide R1 request for Pinnacol Conversion. The Governor's FY 2026-27 request is similar to a statewide FY 2025-26 request. The full brief from 2025-26 is included in Appendix B and includes relevant information about past legislation impacting Pinnacol and examples of how other states have converted their state-owned insurance providers that is not included in this brief.

Summary

- The Governor's Statewide R1 request proposes "conversion" of the State's share of Pinnacol Assurance (Pinnacol), which is a quasi-government entity and provides Workers' Compensation Insurance and serves as the state's insurer of last resort.
- The request assumes that the conversion would result in at least \$400.0 million in TABOR-exempt revenue that could fund the senior citizens and disabled veteran's homestead exemption (\$193.0 million); level 1 controlled maintenance (\$109.0 million); and leave \$98.0 million for other budget-balancing purposes.
- Among other considerations, the proposal would require the state to find a solution for providing workers compensation insurance for the highest risk employers, who are currently served by Pinnacol as the insurer of last resort.
- The September 2025 Legislative Council Staff (LCS) forecast identifies a \$841.1 million projected deficit. This \$400.0 million in General Fund relief would address 47.5 percent of this gap.

Recommendation

Staff recommends the following actions related to the Statewide R1 at this time:

- Authorize staff to begin bill drafting. The legal mechanics of the sale of Pinnacol are complicated and there are many legal and logistical questions left to be answered. Allowing staff to work with OLLS in drafting legislation would begin the process of identifying and answering these questions
- Request a hearing with OSPB to field questions regarding specifics of the proposed transaction. Ideally, this would take place after the Governor's office has received outside valuation of Pinnacol, which is expected in early December.

Request Summary

The Governor's office requests legislation to spin off the remaining state-owned portion of Pinnacol Assurance. Pinnacol is the state's leading provider of workers' compensation insurance and serves as the state's insurer of last resort.

The request identifies projected revenue of at least \$400.0 million in proceeds from the conversion. The request suggests using these proceeds as follows:

- \$193.0 million to cover the senior citizens and disabled veteran's homestead exemption for property taxes;
- \$109.0 million allocated to controlled maintenance level 1 for capital repair and maintenance work; and

- Any remaining funds (estimated currently at \$98.0 million) to be used at the discretion of the General Assembly for one-time budget balancing purposes.

Notably, realizing the proceeds from the sale as TABOR exempt may require explicit language in legislation. House Bill 21-1213 (Conversion of Pinnacol Assurance) was the most recent attempt to convert the company. The fiscal note for this bill does not classify proceeds as exempt, though recent legislation⁹ has clarified the legal definition of “sale of property” under the state constitution.

Pinnacol Overview

Pinnacol is the State's leading workers' compensation insurer with a 49.0 percent market share.¹⁰ Pinnacol also serves as the State's insurer of last resort. The State-owned portion of Pinnacol is an asset that can be sold. Any proceeds from the sale are anticipated to be available to the State as TABOR-exempt revenue.

Pinnacol appears to be a highly respected insurance provider. They have maintained an A- consumer rating from AM Best since its initial rating in 2015.¹¹ Additionally, the Director of the Office of Administrative Courts at the Department of Personnel approves of their performance. Pinnacol tends to be more considerate in paying claims than other insurers. This includes initiating approval rather than simply denying benefits in the initial claims process. Pinnacol's attorneys bring objective data that leads to fair outcomes for claimants.

Pinnacol has maintained high satisfaction rates among customers and injured workers, holding the top position in the Injured Workers Satisfaction Survey collected by the Division of Workers' Compensation. After a claim is closed, injured workers are asked to grade the insurer on a scale from one to five, where Pinnacol has maintained an average score of four or above for the previous five years.^{12,13}

Pinnacol's Statutory Constraints

Although Pinnacol remains among the top performing workers' compensation insurance providers in the state, its performance is constrained by two main statutory limitations:

- Pinnacol may only provide workers' compensation insurance and cannot expand to other lines;
- Pinnacol may only insure workers within Colorado. Companies with remote employees living outside of Colorado must work with multiple insurance companies if they choose Pinnacol for in-state employees.

These constraints have led to Pinnacol's market share decreasing precipitously since the Covid-19 pandemic.

⁹ SB 25- 173 Revenue Classification Taxpayers Bill of Rights [\[LINK\]](#)

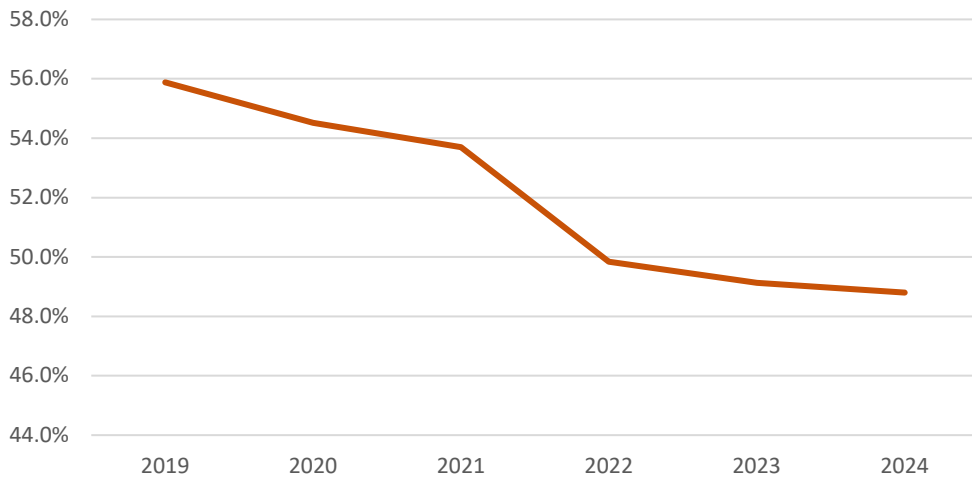
¹⁰ Colorado Insurance Industry Statistical Report [\[LINK\]](#)

¹¹ Pinnacol Assurance Credit Rating from AM Best [\[LINK\]](#)

¹² Department of Labor and Employment, Division of Workers' Compensation. Injured Worker Exit Survey [\[LINK\]](#).

¹³ Pinnacol Assurance. “New state data shows injured workers rate Pinnacol highest-performing workers' comp carrier in the state by a wide margin”. Press Release, March 24, 2024. [\[LINK\]](#)

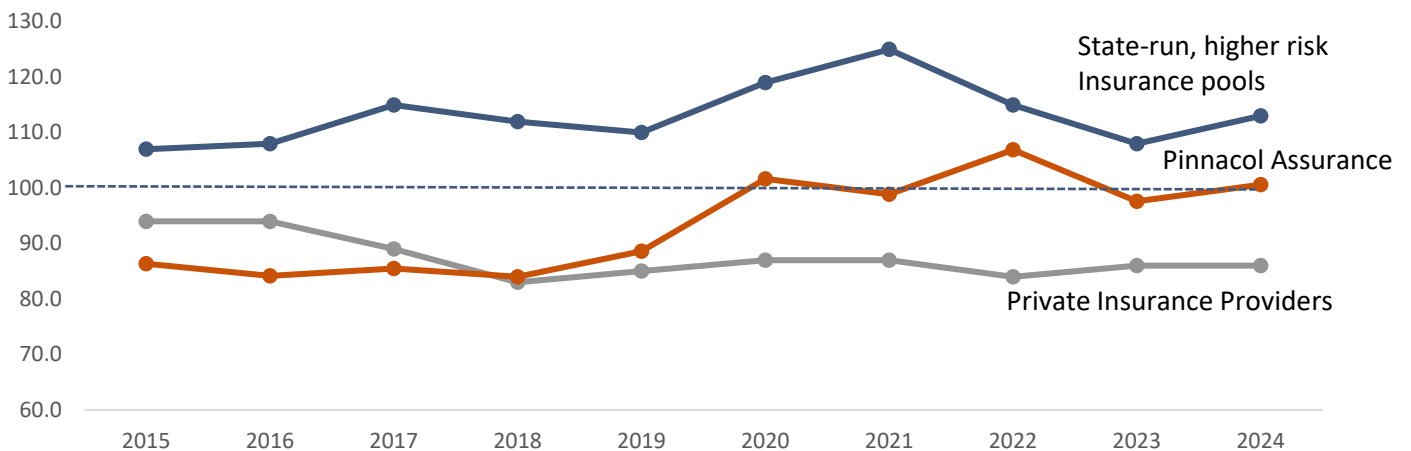
Pinnacol's market share decreased steeply after 2020



These market constraints have impacted Pinnacol’s financial strength. Currently, Pinnacol must offer workers compensation insurance to all employers within Colorado regardless of their level of risk. High risk employers intrinsically bring more liability to the insurance company. As a quasi-state entity, Pinnacol manages this risk entirely.

One measure of the financial wellbeing of an insurer is its *combined ratio*. This ratio compares all expenses and losses to premium revenue in a given year. A combined ratio of 100 signifies a company’s ability to pay for all expenses within a year with their annual premium revenue. A combined ratio *over* 100 signifies losses and expenditures exceeding earned premiums in a given year. Conversely, a ratio *under* 100 signifies earned premiums exceeding losses and expenses in a given year. Although Pinnacol once maintained a combined ratio that was better than most workers compensation providers across the country, in recent years, their ratio has trended closer to the combined ratio of state-run providers who specialize in coverage for the highest-risk employers. This suggests that having a higher concentration of high-risk clients has increased losses at a faster pace than premium revenue.

While private insurers have seen more consistency in their combined ratio, Pinnacol's ratio has been more volatile and approaching other state-run, higher risk pools.



Potential Revenue from Conversion

The revenue that could be recovered from conversion depends on several factors:

1. Actuarial estimates for the cost of disaffiliating from PERA;
2. Valuation of the state’s share of Pinnacol;
3. Negotiations between the governor’s office and the Pinnacol board

While JBC staff has no role in the third factor, estimates for Pinnacol’s valuation and disaffiliation costs from PERA were provided during the 2025-26 budget cycle.

Disaffiliation from PERA

As a quasi-state entity, Pinnacol’s employees are members of PERA. If the state spins off their portion, the employees will no longer benefit from the state’s pension system. Because of this, PERA would charge a disaffiliation fee to cover the unpaid liability of Pinnacol’s current employees.

Rather than charging the full cost of this liability, PERA would offer a discount rate on the full cost. This discount rate would be determined during conversion negotiations and would be paid from the value of the state’s portion of the company. During the 2025-26 budget cycle, PERA provided the following cost estimate. [see Appendix B for the full actuarial report].

Pinnacol Disaffiliation Cost Estimates

Discount Rate	Cost Estimate
5.25%	\$316,799,445
6.25%	\$242,598,032
7.25%	\$183,471,641

Valuation of Pinnacol

A sale of Pinnacol could be crafted in two ways. First, Pinnacol could buy out the State’s share. As a mutual insurance company, this would effectively allow employers covered by Pinnacol to purchase the state’s share. Alternatively, the state’s share could be sold on the private market. While this is likely to generate more revenue for the state, it would also change ownership of that portion of the company.

Pinnacol has recently provided a third party estimate of the “investment value of the remaining interest of the State of Colorado in Pinnacol Assurance as of December 31, 2025” [see Appendix C for full report]. This valuation estimated the overall proceeds from a conversion of Pinnacol as between \$319.6 million and \$410.5 million. This estimate includes assumptions regarding the disaffiliation fee from PERA.

Notably, the Governor’s request identifies an alternative valuation report that would estimate Pinnacol’s value after conversion when statutory constraints have been lifted. This report is anticipated by early December.

Considerations Beyond Revenue

Conversion of Pinnacol would mean releasing the company from statutory obligations. This may result in losing some consumer protections, especially for high-risk companies that cannot otherwise find or afford workers compensation insurance. For a summary of other legislation that has impacted Pinnacol, see appendix D for the issue brief discussed during the 2025-26 budget cycle.

Pinnacol's Current Statutory Role

As the insurer of last resort, Pinnacol provides coverage for the highest risk businesses in Colorado. Statute requires certain protections for these companies and benefits for the state including¹⁴:

- **Pinnacol's board of nine directors is appointed by the Governor.** These appointments include 4 employers who are covered by Pinnacol including at least one rancher; 3 employees whose employers are covered by Pinnacol; 1 person with experience in finance; and 1 person with experience in insurance management. These board members select and hire the company's CEO.
- **Pinnacol assumes all liabilities associated with all covered employers.** This clarifies that the state cannot be held responsible for paying for losses incurred by Pinnacol.
- **Pinnacol "shall not refuse to insure any Colorado employer or cancel any insurance policy due to the risk of loss or amount of premium"**¹⁵ Statute further implies that these high risk employers should be afforded the same level of service as lower risk, private market employers.
- **Pinnacol must charge employers equitably and at the "lowest possible rate 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".**¹⁶ While they may consider risk level, Pinnacol cannot unjustly determine premium rates differently for different employers. Additionally, Pinnacol must maintain the lowest premiums possible to ensure their own solvency without generating an overly large surplus of revenue. Statute includes additional guardrails related to calculation of Pinnacol's allowable surplus¹⁷.
- **Pinnacol must distribute overpayment dividends back to policyholders annually**¹⁸.
- **Pinnacol is subject to oversight from the Commissioner of Insurance, the state Treasurer, and the Office of the State Auditor.** While some of this oversight is consistent with other insurers, Pinnacol's statutory oversight is more comprehensive. Annual financial reports from both the state auditor and Pinnacol are required.

Statutory benefits to Pinnacol include:

- **Protections under the Colorado Governmental Immunity Act.**¹⁹ This act protects governmental entities and employees from liability associated with personal injury claims.
- **No requirement to pay insurance premium taxes to the state.** The Governor's office estimates this amount to be at least \$5.0 million.

Conversion of Pinnacol may result employers across Colorado losing protections that they are currently given under statute. Similarly, Pinnacol would lose protections and be required to pay state and federal taxes.

Status as Colorado's Insurer of Last Resort

Outside of the revenue that could be realized through conversion, selling Pinnacol would result in losing the company as insurer of last resort.

¹⁴ 10-45-101, C.R.S.

¹⁵ § 8-45-101 (5)(f), C.R.S.

¹⁶ § 8-45-106 (1), C.R.S.

¹⁷ § 8-45-107 (2), C.R.S.

¹⁸ § 8-4-112, C.R.S.

¹⁹ §24-10-101, C.R.S.

There are three alternatives for this:

1. **Contract with Pinnacol or another workers compensation provider to serve as the state’s insurer of last resort.** This would require a request for proposals that could be negotiated as part of legislation for conversion. Pinnacol has indicated a desire to fill this role if some of their current benefits were preserved. Additionally, they have indicated that release from holding the full liability of insuring high-risk companies (like subscribing to Colorado Insurance Guaranty Association) would be part of their proposal.
2. **Join the National Council on Compensation Insurance (NCCI)’s National Workers Compensation Reinsurance Association (NWRCA).** Colorado has already designated NCCI as the licensed rating and statistical organization for workers compensation insurance in the state. NCCI provides data analysis that helps to set insurance premiums across the country. Colorado could expand their relationship with NCCI to be part of a national reinsurance pool, the National Workers Compensation Reinsurance Association. This organization currently pools and administers risk for 23 states.
3. **Develop a state reinsurance pool.** Some states who have converted their state-run insurance providers have created their own high-risk insurance pool and distributes that risk across providers. These pools tend to increase risk for individual states but avoid the impact of pooling risk from other state markets. Colorado could choose to administer this pool internally or work with NCCI to administer a new state pool.

For more information on how other states have managed conversion, see Appendix B for the Pinnacol briefing issue discussed during the 2025-26 budget cycle.

FY 2025-26 Executive Order Budget Adjustments

Executive Order D 2025 014, as amended, does not identify any changes specifically impacting the Department of Regulatory Agencies.

Other Balancing Holds

For the State as a whole, the Governor's Office anticipates \$3.0 million General Fund savings from a FY 2025-26 hiring freeze. The Governor's Office has not provided estimates at the department level.

Footnotes and Requests for Information

Update on Long Bill Footnotes

The General Assembly includes footnotes in the Long Bill to:

1. set forth purposes, conditions, or limitations;
2. explain assumptions; or
3. express legislative intent.

This section discusses a subset of the footnotes relevant to the divisions covered in the briefing. For a full list of footnotes, see the end of each departmental section of the [2026 Long Bill](https://leg.colorado.gov/bills/sb25-206) (<https://leg.colorado.gov/bills/sb25-206>)

The Department of Regulatory Agencies included no footnotes.

Update on Requests for Information

The Joint Budget Committee may submit requests for information (RFIs) to departments. The Joint Budget Committee must prioritize the requests per Section 2-3-203 (3), C.R.S.

This section discusses a subset of the RFIs relevant to the divisions covered in the briefing. For a full list of RFIs, see the [letters requesting information](https://leg.colorado.gov/sites/default/files/rfi_fy_2025-26.pdf) (https://leg.colorado.gov/sites/default/files/rfi_fy_2025-26.pdf).

Department of Regulatory Agencies Requests

1. Department of Regulatory Agencies, Division of Insurance - On or before November 1 of each year, the Department is requested to provide a report regarding the Prescription Drug Affordability Board including the following information:
 - a. A summary of revenues and sources;
 - b. Annual expenditures including the number actual and allocated FTE;
 - c. A list of all drugs currently or scheduled to be under consideration by the board;
 - d. A summary of legal cases that have been initiated and/or anticipated including projections of costs associated with those cases.

Comment: Staff received the RFI along with the November 1 budget submission. A summary is provided below:

- a. **Summary of revenue:** The Prescription Drug Affordability Board (PDAB) has not generated any revenue.
- b. **Annual Expenditures:**

For state fiscal year 2024-2025 (SFY25), the PDAB had the following contracts in place:

DMD/AnalySource (data): \$47,913

SSR Health (data): \$26,400

CIVHC (data): \$34,000

PORTAL (contractor, provides technical support and analysis): \$160,000

Total SFY25 Contracting Costs: \$268,313

For SFY25, the PDAB had the following allocated FTE:

PDAB director, 1.0 FTE

Rx Senior Analyst, 1.0 FTE

Policy Analyst, 1.0 FTE

Data Analyst 1.0 FTE

Data Science Manager 0.5 FTE

Total SFY25 FTE Expenditures: \$579,461

c. Drugs currently or scheduled to be under consideration:

Trikafta, Genvoya, Stelara, Cosentyx, and Enbrel

Of these five drugs, the Board determined use of Stelara, Cosentyx, and Enbrel were unaffordable to Colorado consumers.

d. Summary of legal cases:

Enbrel's manufacturer, Amgen, brought legal action against the Board on March 22, 2024 in the United States District Court for the District of Colorado, alleging the PDAB statutes and their application to Enbrel were unconstitutional. On March 28, 2025, the District Court ruled against Amgen, finding Amgen lacked standing to bring its challenge and dismissing the case. On April 8, 2025, Amgen appealed the District Court's ruling to the Federal Circuit Court of Appeals. That appeal remains pending before the Federal Circuit with no oral argument set at this time. To date, the Division's legal costs total \$191,430, including, but not limited to, attorney/paralegal time and costs for the District of Colorado and Federal Court of Appeals litigation.

2. Department of Regulatory Agencies, Division of Professions and Occupations – The Department is requested to provide the following information to the Joint Budget Committee quarterly on or by the first day of June, September, January, and March:

- a. The number of Certified Nurse Aide (CNA) candidates that have passed the written exam over the past year, broken down by month;
- b. The number of candidates that are currently registered for a skills exam, broken down by the month in which the skills exam is scheduled;
- c. The number of skills exams that have been cancelled, including: the location, the date the exam was scheduled for, the date the exam was cancelled, and the reason for cancellation; and
- d. Updates on the progress of efforts to improve the language accessibility of the current certification process, real-time information pertaining to test availability, and vendor communications to candidates.

Comment: Staff has received these reports as requested. In general, CNA exam cancellation has not been an issue since the beginning of these reports.

3. Department of Regulatory Agencies, Totals – The Department is requested to provide, by September 1, an Excel file report which summarizes:

- a. Sunset reviews being conducted in the current fiscal year by department; and
- b. A comprehensive list of sunset reviews completed in the previous three fiscal years including the Department's recommendation for continuation of the program, any legislation that was passed regarding its continuation, and the current fiscal year impact of the legislation.

Comment: Staff has received this report as requested. In the past three fiscal years, the General Assembly has passed legislation that aligns with approximately 88.3 percent of recommendations.

Department Annual Performance Report

Departments must publish an **Annual Performance Report**²⁰ for the *previous state fiscal year* by November 1 of each year. This report summarizes the Department's performance plan and most recent performance evaluation. In addition, departments develop and submit a **Performance Plan**²¹ for the *current fiscal year* to the Joint Budget Committee and the relevant Joint Committee of Reference by July 1 of each year.

Per statute²², the Joint Budget Committee must consider performance plans submitted by departments and may prioritize budget requests intended to enhance productivity, improve efficiency, reduce costs, and eliminate waste. To find the performance plans, search the Office of State Planning and Budgeting website and select the [performance plan](http://www.colorado.gov/pacific/performancemanagement/department-performance-plans) (www.colorado.gov/pacific/performancemanagement/department-performance-plans).

²⁰ Section 2-7-205, C.R.S.

²¹ Section 2-7-204 (3)(a), C.R.S.

²² Section 2-7-204 (6), C.R.S.

Appendix A: Numbers Pages

Appendix A details the actual expenditures for the last two state fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. Appendix A organizes this information by line item and fund source.

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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Department of Regulatory Agencies Patty Salazar, Executive Director

(1) Executive Director's Office and Administrative Services

The Executive Director's Office provides administrative and technical support for the Department's divisions and programs, including functions associated with accounting, purchasing, budgeting, communications, legislative services, and human resources. The Office also includes the Colorado Office of Policy, Research, and Regulatory Reform, which is responsible for sunrise and sunset reviews.

Personal Services	<u>3,192,113</u>	<u>3,377,606</u>	<u>3,628,696</u>	<u>3,775,799</u>
FTE	34.2	38.6	35.7	35.7
General Fund	5,498	10,200	12,584	12,584
Cash Funds	31,083	23,650	18,304	18,304
Reappropriated Funds	3,155,532	3,343,756	3,597,808	3,744,911
Federal Funds	0	0	0	0
Health, Life, and Dental	<u>6,429,740</u>	<u>7,218,985</u>	<u>8,296,852</u>	<u>11,080,445</u>
FTE	0.0	0.0	0.0	0.0
General Fund	282,177	303,537	242,015	342,598
Cash Funds	5,775,702	6,425,651	7,212,369	9,845,424
Reappropriated Funds	371,861	489,797	690,985	770,118
Federal Funds	0	0	151,483	122,305
Short-term Disability	<u>68,885</u>	<u>78,096</u>	<u>39,778</u>	<u>44,199</u>
FTE	0.0	0.0	0.0	0.0
General Fund	1,826	2,662	949	1,216
Cash Funds	62,899	69,853	34,682	39,171
Reappropriated Funds	4,160	5,581	3,291	3,304
Federal Funds	0	0	856	508

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Paid Family and Medical Leave Insurance	<u>0</u>	<u>234,289</u>	<u>255,711</u>	<u>284,135</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	7,985	6,100	7,818	
Cash Funds	0	209,560	222,954	251,813	
Reappropriated Funds	0	16,744	21,154	21,241	
Federal Funds	0	0	5,503	3,263	
Step Pay	<u>0</u>	<u>1,119,763</u>	<u>250,219</u>	<u>168,218</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	18,725	5,255	9,314	
Cash Funds	0	982,779	215,413	119,503	
Reappropriated Funds	0	118,259	17,856	39,401	
Federal Funds	0	0	11,695	0	
IT Asset, Hardware, and Software Maintenance	<u>0</u>	<u>0</u>	<u>1,702,006</u>	<u>1,702,006</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	600	600	
Cash Funds	0	0	1,364,387	1,364,387	
Reappropriated Funds	0	0	337,019	337,019	
Temporary Employees Related to Authorized Leave	<u>1,217</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	1,217	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Unfunded Liability Amortization Equalization					
Disbursement Payments	<u>0</u>	<u>5,206,447</u>	<u>5,682,473</u>	<u>6,314,112</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	177,466	135,565	173,737	
Cash Funds	0	4,656,899	4,954,528	5,595,849	
Reappropriated Funds	0	372,082	470,084	472,021	
Federal Funds	0	0	122,296	72,505	
S.B. 04-257 Amortization Equalization Disbursement	<u>2,338,059</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	74,547	0	0	0	
Cash Funds	2,122,779	0	0	0	
Reappropriated Funds	140,733	0	0	0	
Federal Funds	0	0	0	0	
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>2,338,059</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	74,547	0	0	0	
Cash Funds	2,122,779	0	0	0	
Reappropriated Funds	140,733	0	0	0	
Federal Funds	0	0	0	0	
PERA Direct Distribution	<u>161,501</u>	<u>1,078,695</u>	<u>1,114,382</u>	<u>1,151,760</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	5,242	56,379	26,585	31,691	
Cash Funds	146,665	946,454	971,626	1,020,741	
Reappropriated Funds	9,594	75,862	92,188	86,102	
Federal Funds	0	0	23,983	13,226	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Salary Survey	<u>2,168,142</u>	<u>1,653,204</u>	<u>1,560,895</u>	<u>2,141,789</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	82,778	64,340	37,265	58,788	
Cash Funds	1,926,543	1,456,861	1,360,963	1,899,042	
Reappropriated Funds	158,821	132,003	129,247	159,299	
Federal Funds	0	0	33,420	24,660	
Workers' Compensation	<u>194,828</u>	<u>257,364</u>	<u>233,543</u>	<u>278,165</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	6,511	8,597	7,078	8,430	
Cash Funds	181,415	239,652	215,273	256,404	
Reappropriated Funds	6,902	9,115	8,132	9,686	
Federal Funds	0	0	3,060	3,645	
Operating Expenses	<u>136,286</u>	<u>151,453</u>	<u>182,057</u>	<u>182,057</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	2,582	2,582	
Cash Funds	0	0	66,799	66,799	
Reappropriated Funds	136,286	151,453	112,676	112,676	
Federal Funds	0	0	0	0	
Legal Services	<u>15,590,034</u>	<u>17,374,738</u>	<u>17,612,668</u>	<u>18,558,444</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	260,321	297,953	154,241	156,413	
Cash Funds	15,205,633	16,952,705	17,241,581	18,182,130	
Reappropriated Funds	124,080	124,080	124,080	125,828	
Federal Funds	0	0	92,766	94,073	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Administrative Law Judge Services	<u>336,998</u>	<u>372,715</u>	<u>679,975</u>	<u>347,928</u>	*
FTE	0.0	0.0	0.0	0.0	
General Fund	15,226	16,840	16,840	8,617	
Cash Funds	321,772	355,875	663,135	339,311	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Payment to Risk Management and Property Funds	<u>681,876</u>	<u>339,086</u>	<u>320,147</u>	<u>147,680</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	23,404	11,633	10,777	4,971	
Cash Funds	634,593	315,584	293,579	135,425	
Reappropriated Funds	23,879	11,869	10,994	5,071	
Federal Funds	0	0	4,797	2,213	
Vehicle Lease Payments	<u>320,781</u>	<u>438,317</u>	<u>754,631</u>	<u>492,077</u>	*
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	320,781	438,317	754,631	492,077	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
IT Accessibility	<u>214,221</u>	<u>136,392</u>	<u>0</u>	<u>170,762</u>	*
FTE	0.0	0.0	0.0	0.9	
General Fund	0	0	0	0	
Cash Funds	214,221	136,392	0	170,762	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Information Technology Asset Maintenance	<u>1,147,703</u>	<u>670,848</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	1,053,742	493,244	0	0	
Reappropriated Funds	93,961	177,604	0	0	
Federal Funds	0	0	0	0	
Hardware/Software Maintenance	<u>503,188</u>	<u>564,472</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	329,791	305,871	0	0	
Reappropriated Funds	173,397	258,601	0	0	
Federal Funds	0	0	0	0	
Leased Space	<u>4,575,775</u>	<u>4,315,600</u>	<u>5,222,606</u>	<u>5,222,606</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	195,825	208,557	0	0	
Cash Funds	3,930,972	3,622,729	4,547,052	4,547,052	
Reappropriated Funds	448,978	484,314	497,044	497,044	
Federal Funds	0	0	178,510	178,510	
Payments to OIT	<u>6,309,046</u>	<u>6,507,036</u>	<u>7,485,114</u>	<u>7,629,890</u>	*
FTE	0.0	0.0	0.0	0.9	
General Fund	288,891	291,509	0	0	
Cash Funds	5,964,240	6,161,136	7,394,664	7,537,691	
Reappropriated Funds	55,915	54,391	90,450	92,199	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
CORE Operations	<u>276,199</u>	<u>77,007</u>	<u>68,984</u>	<u>298,174</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	10,885	3,032	2,672	11,549	
Cash Funds	250,848	69,946	61,917	267,628	
Reappropriated Funds	14,466	4,029	3,552	15,353	
Federal Funds	0	0	843	3,644	
Consumer Outreach/Education Program	<u>163,741</u>	<u>138,152</u>	<u>200,000</u>	<u>200,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	163,741	138,152	200,000	200,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (1) Executive Director's Office and Administrative Services	47,148,392	51,310,265	55,290,737	60,190,246	8.9%
FTE	<u>34.2</u>	<u>38.6</u>	<u>35.7</u>	<u>37.5</u>	<u>5.0%</u>
General Fund	1,328,895	1,479,415	661,108	830,908	25.7%
Cash Funds	40,760,199	44,001,310	47,793,857	52,349,513	9.5%
Reappropriated Funds	5,059,298	5,829,540	6,206,560	6,491,273	4.6%
Federal Funds	0	0	629,212	518,552	(17.6%)

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(2) Division of Banking

The Division of Banking regulates state-chartered commercial banks, trust companies, money transmitters, and national and interstate banks that maintain Public Deposit accounts in Colorado.

Personal Services	<u>4,241,381</u>	<u>4,874,635</u>	<u>5,135,697</u>	<u>5,212,829</u>	
FTE	39.2	42.3	45.0	45.0	
General Fund	0	0	0	0	
Cash Funds	4,241,381	4,874,635	5,135,697	5,212,829	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>442,905</u>	<u>616,849</u>	<u>611,050</u>	<u>611,050</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	442,905	616,849	611,050	611,050	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Board Meeting Costs	<u>10,094</u>	<u>9,587</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	10,094	9,587	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>411,837</u>	<u>497,786</u>	<u>470,695</u>	<u>470,695</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	411,837	497,786	470,695	470,695	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (2) Division of Banking	5,106,217	5,998,857	6,217,442	6,294,574	1.2%
FTE	<u>39.2</u>	<u>42.3</u>	<u>45.0</u>	<u>45.0</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	5,106,217	5,998,857	6,217,442	6,294,574	1.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(3) Civil Rights Division

The Division of Civil Rights enforces Colorado's anti-discrimination laws in the areas of employment, housing, and public accommodations.

Personal Services	<u>2,891,542</u>	<u>1,865,787</u>	<u>3,676,487</u>	<u>3,694,200</u> *
FTE	40.7	42.2	41.8	41.8
General Fund	1,741,014	1,865,787	2,312,992	2,299,010
Cash Funds	0	0	0	0
Reappropriated Funds	1,150,528	0	823,423	823,423
Federal Funds	0	0	540,072	571,767
Operating Expenses	<u>191,360</u>	<u>144,456</u>	<u>191,858</u>	<u>191,858</u>
FTE	0.0	0.0	0.0	0.0
General Fund	191,360	144,456	140,482	140,482
Cash Funds	0	0	0	0
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	51,376	51,376
Hearings Pursuant to Complaint	<u>2,553</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	0.0	0.0	0.0	0.0
General Fund	2,553	0	0	0
Cash Funds	0	0	0	0
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Commission Meeting Costs	<u>527</u>	<u>1,521</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	527	1,521	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>113,703</u>	<u>113,703</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	113,703	113,703	
TOTAL - (3) Civil Rights Division	3,085,982	2,011,764	3,982,048	3,999,761	0.4%
FTE	<u>40.7</u>	<u>42.2</u>	<u>41.8</u>	<u>41.8</u>	<u>0.0%</u>
General Fund	1,935,454	2,011,764	2,453,474	2,439,492	(0.6%)
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	1,150,528	0	823,423	823,423	0.0%
Federal Funds	0	0	705,151	736,846	4.5%

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(4) Office of the Utility Consumer Advocate

The Office of Consumer Counsel represents the public interest and the specific interests of residential, small business, and agricultural consumers in rate and rulemaking cases before the Public Utilities Commission, federal agencies, and the courts.

Personal Services	<u>1,276,089</u>	<u>1,532,649</u>	<u>1,592,947</u>	<u>1,649,470</u>
FTE	9.0	9.4	14.0	14.0
General Fund	0	0	0	0
Cash Funds	1,276,089	1,532,649	1,592,947	1,649,470
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Operating Expenses	<u>84,599</u>	<u>43,442</u>	<u>61,389</u>	<u>61,389</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	0	0	0
Cash Funds	84,599	43,442	61,389	61,389
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Indirect Cost Assessment	<u>113,255</u>	<u>156,256</u>	<u>146,438</u>	<u>146,438</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	0	0	0
Cash Funds	113,255	156,256	146,438	146,438
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
TOTAL - (4) Office of the Utility Consumer Advocate	1,473,943	1,732,347	1,800,774	1,857,297	3.1%
<i>FTE</i>	<u>9.0</u>	<u>9.4</u>	<u>14.0</u>	<u>14.0</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	1,473,943	1,732,347	1,800,774	1,857,297	3.1%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(5) Division of Financial Services

The Division of Financial Services examines and supervises state-chartered credit unions and savings and loan associations, enforces the Savings and Loan Public Deposit Protection Act, and regulates certain financial activities of life care institutions.

Personal Services	<u>1,352,981</u>	<u>1,510,246</u>	<u>1,620,805</u>	<u>1,684,023</u>
FTE	13.5	14.3	15.6	15.6
General Fund	0	0	0	0
Cash Funds	1,352,981	1,510,246	1,620,805	1,684,023
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Operating Expenses	<u>126,304</u>	<u>122,550</u>	<u>132,280</u>	<u>132,280</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	0	0	0
Cash Funds	126,304	122,550	132,280	132,280
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Indirect Cost Assessment	<u>160,616</u>	<u>0</u>	<u>163,175</u>	<u>163,175</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	0	0	0
Cash Funds	160,616	0	163,175	163,175
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
TOTAL - (5) Division of Financial Services	1,639,901	1,632,796	1,916,260	1,979,478	3.3%
<i>FTE</i>	<u>13.5</u>	<u>14.3</u>	<u>15.6</u>	<u>15.6</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	1,639,901	1,632,796	1,916,260	1,979,478	3.3%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(6) Division of Insurance

The Division of Insurance regulates companies and agents providing health insurance, property and liability insurance (homeowners and automobile), life insurance, and title insurance.

Personal Services	<u>11,191,406</u>	<u>12,206,141</u>	<u>12,705,039</u>	<u>12,691,787</u>	
FTE	94.9	98.4	114.7	113.3	
General Fund	0	0	0	0	
Cash Funds	11,191,406	12,206,141	12,622,236	12,595,564	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	82,803	96,223	
Operating Expenses	<u>256,431</u>	<u>447,577</u>	<u>399,146</u>	<u>398,634</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	256,431	447,577	399,146	398,634	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Senior Health Counseling Program	<u>1,534,424</u>	<u>1,757,942</u>	<u>533,253</u>	<u>533,253</u>	
FTE	2.0	4.8	2.0	2.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	1,534,424	1,757,942	533,253	533,253	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Transfer to CAPCO Administration	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	13,500	13,500	13,500	13,500	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Colorado Reinsurance Program	<u>499,730</u>	<u>927,963</u>	<u>765,122</u>	<u>765,122</u>	
FTE	2.5	4.7	4.0	4.0	
General Fund	0	0	0	0	
Cash Funds	499,730	927,963	765,122	765,122	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Appropriation to the Reinsurance Cash Fund	<u>10,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	10,000,000	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>1,092,484</u>	<u>1,193,957</u>	<u>1,286,779</u>	<u>1,286,779</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	1,092,484	1,193,957	1,241,589	1,241,589	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	45,190	45,190	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
TOTAL - (6) Division of Insurance	24,587,975	16,547,080	15,702,839	15,689,075	(0.1%)
<i>FTE</i>	<u>99.4</u>	<u>107.9</u>	<u>120.7</u>	<u>119.3</u>	<u>(1.2%)</u>
General Fund	10,000,000	0	0	0	0.0%
Cash Funds	13,053,551	14,789,138	15,041,593	15,014,409	(0.2%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	1,534,424	1,757,942	661,246	674,666	2.0%

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(7) Public Utilities Commission

The Public Utilities Commission regulates investor-owned electric, natural gas, telecommunications, private water utilities, and motor vehicle carriers for hire.

Personal Services	<u>12,189,823</u>	<u>13,776,094</u>	<u>14,588,007</u>	<u>14,570,864</u>	
FTE	89.5	101.1	136.5	133.2	
General Fund	0	19,124	0	0	
Cash Funds	12,189,823	13,756,970	14,588,007	14,570,864	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>511,436</u>	<u>655,235</u>	<u>575,441</u>	<u>577,887</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	511,436	655,235	575,441	577,887	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Expert Testimony	<u>154,355</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	154,355	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Disabled Telephone Users Fund Payments	<u>285,019</u>	<u>130,225</u>	<u>700,000</u>	<u>700,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	285,019	130,225	700,000	700,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Transfer to Reading Services for the Blind Cash Fund	<u>610,000</u>	<u>610,000</u>	<u>860,000</u>	<u>860,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	610,000	610,000	860,000	860,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Commission for the Deaf and Hard of Hearing Cash Fund	<u>2,614,214</u>	<u>2,584,653</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	2,614,214	2,584,653	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Colorado Talking Book Library	<u>253,381</u>	<u>253,381</u>	<u>253,381</u>	<u>253,381</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	253,381	253,381	253,381	253,381	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Colorado Bureau of Investigation Background Checks					
Pass-through	<u>2,884</u>	<u>1,699</u>	<u>50,000</u>	<u>50,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	2,884	1,699	50,000	50,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Highway-Rail Crossing Signalization Fund	<u>0</u>	<u>0</u>	<u>244,800</u>	<u>244,800</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	0	0	244,800	244,800	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>1,261,251</u>	<u>1,395,255</u>	<u>1,496,393</u>	<u>1,496,393</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	1,261,251	1,395,255	1,448,694	1,448,694	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	47,699	47,699	
Colorado Electric Transmission Authority	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	500,000	500,000	500,000	500,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
TOTAL - (7) Public Utilities Commission	18,382,363	19,906,542	19,268,022	19,253,325	(0.1%)
<i>FTE</i>	<u>89.5</u>	<u>101.1</u>	<u>136.5</u>	<u>133.2</u>	(2.4%)
General Fund	0	19,124	0	0	0.0%
Cash Funds	18,382,363	19,887,418	19,220,323	19,205,626	(0.1%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	47,699	47,699	0.0%

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(8) Division of Real Estate

The Division of Real Estate licenses real estate agents, appraisers, and mortgage loan originators and registers mortgage companies and homeowners associations.

Personal Services	<u>4,152,540</u>	<u>4,219,388</u>	<u>4,582,087</u>	<u>4,733,974</u>
FTE	45.7	45.6	48.9	48.9
General Fund	110,623	0	0	0
Cash Funds	4,041,917	4,219,388	4,582,087	4,733,974
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Operating Expenses	<u>108,429</u>	<u>109,650</u>	<u>148,970</u>	<u>148,970</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	0	0	0
Cash Funds	108,429	109,650	148,970	148,970
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Mortgage Broker Consumer Protection	<u>227,376</u>	<u>248,108</u>	<u>258,745</u>	<u>287,398</u>
FTE	0.0	0.0	0.0	0.0
General Fund	0	0	0	0
Cash Funds	227,376	248,108	258,745	287,398
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Indirect Cost Assessment	<u>503,471</u>	<u>545,779</u>	<u>511,488</u>	<u>511,488</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	503,471	545,779	511,488	511,488	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (8) Division of Real Estate	4,991,816	5,122,925	5,501,290	5,681,830	3.3%
FTE	<u>45.7</u>	<u>45.6</u>	<u>48.9</u>	<u>48.9</u>	<u>0.0%</u>
General Fund	110,623	0	0	0	0.0%
Cash Funds	4,881,193	5,122,925	5,501,290	5,681,830	3.3%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(9) Division of Professions and Occupations

The Division of Professions and Occupations regulates licensees in over 50 professions, occupations, and businesses to ensure a basic level of competence to protect the public welfare.

Personal Services	<u>16,997,358</u>	<u>28,613,877</u>	<u>19,829,219</u>	<u>20,531,060</u>	
FTE	198.6	208.0	240.2	241.1	
General Fund	0	0	0	0	
Cash Funds	16,735,045	28,020,426	19,235,768	19,937,609	
Reappropriated Funds	262,313	593,451	593,451	593,451	
Federal Funds	0	0	0	0	
Operating Expenses	<u>1,051,673</u>	<u>1,023,489</u>	<u>1,594,561</u>	<u>1,592,063</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	1,051,673	1,023,489	1,594,561	1,592,063	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Office of Expedited Settlement Program Costs	<u>483,600</u>	<u>473,765</u>	<u>0</u>	<u>0</u>	
FTE	5.0	5.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	483,600	473,765	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Hearings Pursuant to Complaint	<u>300,886</u>	<u>307,072</u>	0	0	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	300,886	307,072	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Payments to Department of Health Care Policy and Financing	<u>14,652</u>	<u>14,652</u>	<u>14,652</u>	<u>14,652</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	14,652	14,652	14,652	14,652	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>2,354,342</u>	<u>2,550,515</u>	<u>2,524,796</u>	<u>2,524,796</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	2,354,342	2,550,515	2,512,465	2,512,465	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	12,331	12,331	
Electronic Medical Records Assistance	<u>35,000</u>	<u>87,500</u>	0	0	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	35,000	87,500	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
TOTAL - (9) Division of Professions and Occupations	21,237,511	33,070,870	23,963,228	24,662,571	2.9%
<i>FTE</i>	<u>203.6</u>	<u>213.0</u>	<u>240.2</u>	<u>241.1</u>	<u>0.4%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	20,975,198	32,477,419	23,357,446	24,056,789	3.0%
Reappropriated Funds	262,313	593,451	593,451	593,451	0.0%
Federal Funds	0	0	12,331	12,331	0.0%

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(10) Division of Securities

The Division of Securities monitors the conduct of broker-dealers and sales representatives, investigates citizen complaints, and investigates indicators of investment fraud.

Personal Services	<u>2,341,180</u>	<u>2,485,144</u>	<u>2,613,111</u>	<u>2,666,775</u>	
FTE	22.5	22.3	24.0	24.0	
General Fund	0	0	0	0	
Cash Funds	2,341,180	2,485,144	2,613,111	2,666,775	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Operating Expenses	<u>72,426</u>	<u>88,533</u>	<u>93,769</u>	<u>93,769</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	72,426	88,533	93,769	93,769	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Board Meeting Costs	<u>263</u>	<u>83</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	263	83	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Securities Fraud Prosecution	<u>1,264,827</u>	<u>1,348,445</u>	<u>1,501,754</u>	<u>1,527,031</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	1,264,827	1,348,445	1,501,754	1,527,031	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>247,102</u>	<u>267,866</u>	<u>251,037</u>	<u>251,037</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	247,102	267,866	251,037	251,037	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
TOTAL - (10) Division of Securities	3,925,798	4,190,071	4,459,671	4,538,612	1.8%
FTE	<u>22.5</u>	<u>22.3</u>	<u>24.0</u>	<u>24.0</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	3,925,798	4,190,071	4,459,671	4,538,612	1.8%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(11) Division of Conservation

The Division of Conservation, in conjunction with the Conservation Easement Oversight Commission, certifies conservation easement holders and conservation easement tax credit certificates.

Conservation Easement Program Costs	<u>331,214</u>	<u>383,142</u>	<u>478,144</u>	<u>501,076</u>	
FTE	3.1	3.5	6.2	6.2	
General Fund	0	0	0	0	
Cash Funds	331,214	383,142	478,144	501,076	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Indirect Cost Assessment	<u>59,716</u>	<u>64,734</u>	<u>64,851</u>	<u>64,851</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	59,716	64,734	64,851	64,851	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

TOTAL - (11) Division of Conservation	390,930	447,876	542,995	565,927	4.2%
FTE	<u>3.1</u>	<u>3.5</u>	<u>6.2</u>	<u>6.2</u>	0.0%
General Fund	0	0	0	0	0.0%
Cash Funds	390,930	447,876	542,995	565,927	4.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

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	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
TOTAL - Department of Regulatory Agencies	131,970,828	141,971,393	138,645,306	144,712,696	4.4%
<i>FTE</i>	<u>600.4</u>	<u>640.2</u>	<u>728.6</u>	<u>726.6</u>	(0.3%)
General Fund	13,374,972	3,510,303	3,114,582	3,270,400	5.0%
Cash Funds	110,589,293	130,280,157	125,851,651	131,544,055	4.5%
Reappropriated Funds	6,472,139	6,422,991	7,623,434	7,908,147	3.7%
Federal Funds	1,534,424	1,757,942	2,055,639	1,990,094	(3.2%)

Appendix B: 2025-26 Pinnacol Assurance Issue Brief

Appendix B includes the 2025-26 issue brief on Pinnacol Assurance presented during the budget briefing for the Department of Regulatory Agencies on November 21, 2024 by Alfredo Kemm.

Statewide R2 Pinnacol Conversion

This issue brief provides an overview of the Governor's statewide R2 request for Pinnacol Conversion.

Summary

- The Governor's Statewide R2 request proposes "conversion" of the State's share of Pinnacol Assurance (Pinnacol), the State's workers' compensation insurer.
- Although total valuation remains unknown and generally undefined, it is estimated at over \$305 million and may be greater than \$1 billion.
- The TABOR-exempt proceeds would be paid in a lump sum to PERA for the unfunded liability. For that payment, the State would claim a \$100.0 million General Fund offset for FY 2025-26, with additional declining offsets in future years, credited to the PERA Direct Distribution payment.
- The September 2024 Legislative Council Staff (LCS) forecast identifies a \$921.3 million projected deficit. This \$100.0 million in General Fund relief would address 10.9 percent of this estimated balancing need.

Discussion

Proposed Solution

The Governor's Statewide R2 request seeks to "convert" or sell the State's share of Pinnacol Assurance (Pinnacol). Although total valuation remains unknown and undefined, the proposed "conversion" provides a \$100.0 million General Fund offset for FY 2025-26 in the Governor's budget proposal. The offset is credited to the PERA Direct Distribution payment.

Pinnacol is the State's workers' compensation insurer and serves as the State's insurer of last resort. The State's interest or portion in Pinnacol is an asset that can be sold. On that basis, the proceeds from the sale are anticipated to be available to the State as TABOR-exempt revenue. The Governor's proposal is still relatively undefined in terms of policy solution detail. However, the concept is generally straightforward and broadly includes three components.

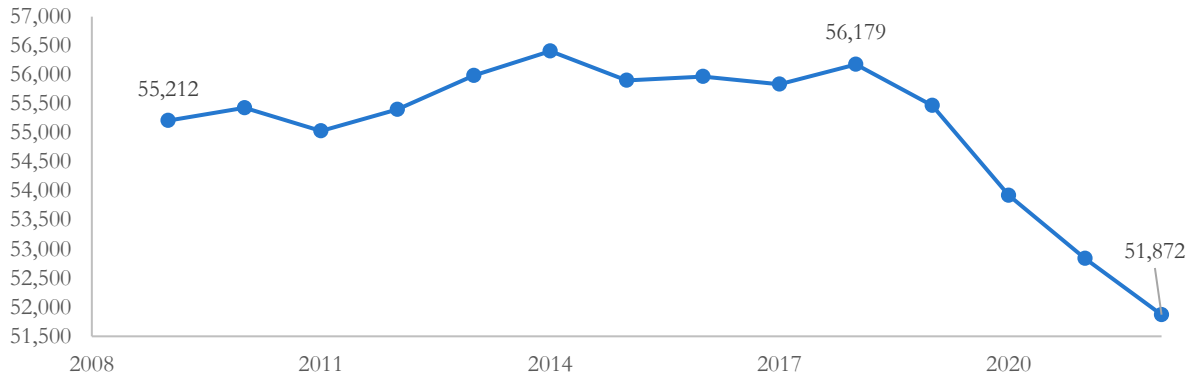
Pinnacol Privatization

Pinnacol seeks to better adapt to market forces that, along with statutory restrictions currently in place, are reducing Pinnacol's market share and premium base. Based on these market trends, as its business declines, the risk increases to Pinnacol's viability to serve as the State's insurer of last resort and as a competitive insurer in the market.

Specifically, Pinnacol is restricted from providing workers' compensation insurance for workers in other states. However, since the pandemic, multi-state employers have doubled and now

represent 54 percent of Colorado employers. While Pinnacol has attempted to craft insurance solutions for the market, multi-state solutions require that a company purchase multiple policies; most companies prefer to simplify coverage through a single policy, which any other insurer can provide.

Pinnacol's total policies have decreased since 2018



A straightforward statutory change can be made to allow Pinnacol to insure workers outside of Colorado. However, some states may still restrict Pinnacol from covering their state's workers because Pinnacol remains a political subdivision of Colorado.

Budget Balancing for FY 2025-26

The State faces a current budget balancing challenge. The September 2024 Legislative Council Staff (LCS) forecast identifies a \$921.3 million projected deficit. This R2 request is identified in the Governor's budget request as providing \$100.0 million in General Fund relief to be taken as a credit for the PERA Direct Distribution payment for FY 2025-26 that would address 10.9 percent of this estimated balancing need.

Additionally, based on the actual proceeds of the sale of Pinnacol, the State would receive additional years of similar relief. Over time the General Fund relief would gradually diminish, allowing the base budget relief to adjust to the loss of this revenue source over time. This solution anticipates this source as one-time revenue and adjusts over a number of years to soften the experience of an out-year "revenue cliff".

PERA's Unfunded Liability

The R2 request proposes that the proceeds from the sale of Pinnacol would be paid directly to PERA in a lump sum. This would enable PERA to begin earning its investment return on the total capital amount provided from the sale of Pinnacol.

In exchange for the lump sum, the State would reduce its \$225.0 million statutory payment for the PERA Direct Distribution by \$100.0 million for FY 2025-26. Additional reductions to the payment would be scheduled in years following at a graduated and reduced amount, such as \$100.0 million in FY 2026-27, \$75.0 million in FY 2027-28, and \$50.0 million in FY 2028-29. The

actual schedule and credit amounts each year would be determined based on the actual proceeds generated from the sale of Pinnacol.

Additionally, as staff understands the intention of this policy mechanism, this is not simply a dollar for dollar credit. PERA would receive some premium of up to 10-20 percent over the total amount credited for the State's reductions to the PERA Direct Distribution.

Capital Assets Equivalency

A key component to this request is the capital assets conversion. In this proposal, a one-time stock of equity assets in Pinnacol is converted into an equivalent stock of financial assets for the purpose of increasing the funded status for PERA. In this way, this balancing request broadly seeks to remain asset neutral in its effect.

Yes, the State would receive "discounts" or "credits" from its operating cash outflows, so it is not simply an even exchange of assets for assets. However, the State's contribution to PERA through the PERA Direct Distribution policy is about paying annual State revenue (flow) to increase State-related assets (stock). On that basis, the use of these proceeds from the sale of Pinnacol honors the interest in retaining these State assets as a "stock" rather than expending the assets within annual revenue "flow". This is preferable to expending the proceeds on operations from the sale of an asset.

Prior Legislation

H.B. 02-1135 – Pinnacol Assurance created

In 2002, H.B. 02-1135 created/renamed Pinnacol Assurance from the Colorado Compensation Insurance Authority (CCIA). Provisions included that Pinnacol: may only be dissolved by the General Assembly; shall operate as a mutual insurance company; has ownership of all revenue and assets and that the State has no claim on assets for any purpose; is required to function as the insurer of last resort. At the time of this bill, the CCIA's assets totaled \$998.8 million and liabilities totaled \$893.4 million, leaving a surplus of \$105.4 million. However, at a claimant reserve discount of 4.25 percent, the fund had a deficit of \$67.6 million.

S.B. 09-273 – \$500m Pinnacol Reserves Sweep

In 2009, the JBC introduced legislation as part of the Long Bill package that included a significant Pinnacol transfer. In that bill, S.B. 0-273 (Pinnacol Assurance), Pinnacol would have been required to transfer to the State, \$500.0 million of its capital reserves. Of that amount, \$300.5 million was intended to backfill an equivalent General Fund cut for funding for the College Opportunity Fund, and \$199.5 million was intended to refill the statutory reserve. This bill did not include a provision related to Pinnacol privatization, and was simply a funds sweep. The bill passed, as amended, through the Senate, but was postponed indefinitely by the House in the first committee of reference.

H.B. 21-1213 Pinnacol Conversion - \$305m valuation/transfer

In 2021, H.B. 21-1213 (Conversion of Pinnacol Assurance) would have required Pinnacol to convert to a stock insurance company within 120 days; transfer \$305 million to the State; disaffiliate from PERA; contract with the Commissioner of Insurance to serve as the insurer of last resort through December 31, 2024 (generally, three calendar years); and begin paying premium tax. The \$305 million would have been split equally between the Controlled Maintenance Trust Fund and the Just Transition Trust Fund. The bill was postponed indefinitely by the State, Civic, Military, and Veterans Affairs Committee. At that time, for the purposes of the bill, the State's share of Pinnacol was valued at \$305 million.

Insurer of Last Resort Alternatives

Pinnacol Assurance serves as the State's "insurer of last resort". This requires that Pinnacol provide workers' compensation insurance coverage to all employers unable to acquire coverage from another market provider regardless of risk (section 8-45-101, C.R.S.). Maintaining an insurer of last resort or equivalent policy solution is critical to moving forward on this proposal.

Pinnacol Continues as Insurer of Last Resort

From a perspective of streamlined policy change, the State could simply retain Pinnacol as the insurer of last resort. It is reasonable that requiring/granting Pinnacol to serve in this capacity for a specified conversion transition period, such as three years, would ensure that Pinnacol continues as the insurer of last resort and minimizes disruptions for businesses purchasing these insurance policies. Further, this could allow the State a period of time to decide on a permanent policy solution to address this issue.

Due to the unique characteristics of serving a market segment that may not qualify for coverage from another market provider, this component may have some "increased provider cost vs. increased market share" calculus that must be negotiated as part of the conversion valuation negotiation.

The R2 proposal suggests that Pinnacol may be released from this statutory requirement. If so, the State may ensure the provision of workers' compensation insurance to high risk employers through the following alternatives.

Contracting Services

The initial proposed alternative would be to issue an RFP and contract the role of "insurer of last resort". Rather than assign this role to Pinnacol, an RFP process would open the provision of insurer of last resort to all workers' compensation insurance companies. Pinnacol currently receives tax incentives to fulfill the State's obligation of offering last resort insurance and it is likely that similar incentives could be provided for another insurer serving this role.

National Pooling Mechanism

The National Council on Compensation Insurance (NCCI) administers reinsurance pools for states. The pooling mechanism serves as a central insurance mechanism that allows the risk of claims to be shared, keeping premiums manageable while providing the resources to cover large claims. For a filed claim, the insurer is responsible for payment of the claim up to a certain threshold; the amount above the threshold is paid from the reinsurance pool.

The R2 request proposes that Colorado could join the NCCI pool as an alternative. Currently 26 other states use an NCCI solution with 23 participating jointly in the National Workers Compensation Reinsurance Association (NWRCA) national pool. Within the NWRCA, insurers in participating states contribute premiums to the reinsurance pool. With the NWRCA pool, NCCI provides administrative services covered through the collected premiums, including: financial statements, operating results, collections and indemnification, and compilation. Premiums vary by state and are determined by NCCI based on risk profiles.

There is no direct cost to the State to participate in the NCCI pool.

State Pooling Mechanism

Three states – Michigan, Massachusetts, and New Mexico – maintain statewide reinsurance pools with administration from NCCI. This option allows states to remain centralized without added administrative costs.

The remaining 24 "non-NCCI" states rely on identified insurers of last resort or state funds that ensure coverage for at-risk employers. While these funds do not typically include general funding from the states, they may require additional resources for administrative purposes.

The R2 proposal offers as an alternative, conversion to a state pool administered either in Colorado or by NCCI. Like the national pool, this mechanism is funded entirely through collected premiums.

Other States' Conversions

The R2 proposal notes a number of conversions adopted in other states. It is notable that while these states converted from state-operated workers' compensation systems through mutualization or privatization, none is a direct match to the proposed actions in Colorado.

Maryland

Summary

Maryland's conversion differs from the State's proposal in that the fund formerly housed within the government was an entirely state-run fund. It was converted to an entirely private entity subject to steep regulations defined in statute ensuring that it would maintain a comparable level of coverage while opening the workers' compensation insurance market to a broader range of insurers.

Discussion

In 2013, Maryland converted their Injured Workers' Insurance Fund (IWIF) to the Chesapeake Employers' Insurance Company (CEIC), a private, nonprofit, nonstock corporation under control of a governor appointed board. The statute creating the conversion includes strict regulation on the corporation including requirements to remain the insurer of last resort in Maryland; be authorized and regulated by the Maryland Insurance Commissioner; maintain premium rates identified by the Commissioner; and begin paying taxes that were previously exempted. Since its conversion, CEIC has not seen a significant change in its market share, which continues to hover around 20 percent, although market share has decreased since 2019. In 2023, Maryland required CEIC to join NCCI, suggesting that NCCI pooling was fiscally appealing.

Nevada

Summary

In an effort to improve insurance provision for consumers, Nevada shifted from the monopolistic State Industrial Insurance System (SIIS) to a privatized market for insurance that incorporated the state's provider as a mutual insurance company. At the time of mutualization, SIIS held about 65 percent of the market share with approximately 270 alternative providers available. By 2010, the resulting mutual insurance company held a 6 percent share in Nevada and had expanded to 29 other states.

Discussion

The 1999 privatization of Nevada's workers' compensation market had a variety of goals. First, it sought to improve overall coverage for workers by increasing competition and provision of adequate compensation for already existing claims that had been paused when the company was near bankruptcy in 1993. Next, it eliminated a \$1.6 billion liability from the state. Finally, it sought to free the company, SIIS, to enter a wider insurance market across state lines. As a result of the shift, the Employers Insurance Co. of Nevada, formerly SIIS, estimated losing about 10 percent of their accounts in the first 6 months following the bill's signing.

During the years following the restructure of SIIS, Nevada maintained a state fund for their assigned risk pool requiring any employer seeking coverage through from the state to be declined coverage by at least two private companies, one of which had to be EICN for the first year of the open market. However, in 2012, Nevada moved their assigned risk pool to NCCI where it remains today.

Oklahoma's and West Virginia's changes to workers' compensation insurance law followed a similar trajectory in which legislatures dissolved state-run systems to preserve financial viability of their respective providers and eventually settled on NCCI to provide insurance to the assigned risk pool.

Arizona

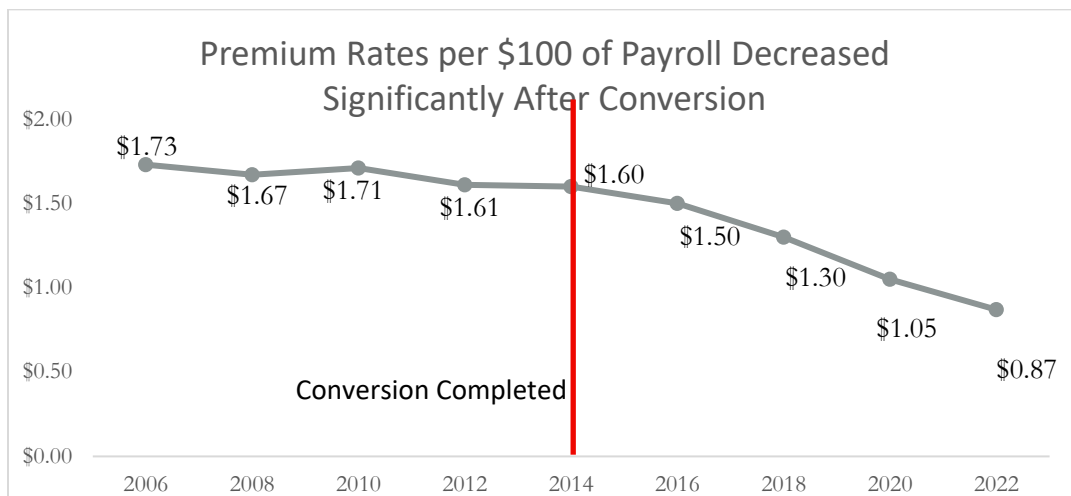
Summary

The case of Arizona lacks comparability to Colorado because the previous source of workers' compensation funding from the state was in the form of a funding account rather than an identified insurer of last resort. It is notable that privatization reduced premiums for employers; although Arizona's changes resulted in fewer employers being insured, forcing litigation from claimants.

Discussion

In 2013, Arizona converted the State Compensation Fund, a standalone government agency, to a privatized mutual insurer corporation, Copper Point Mutual Insurer. The goal of the conversion was to combat rising premiums due to a high claims expense-to-premium ratio.

As reported by the Industrial Commission of Arizona, premiums decreased by nearly 50% in the years following the conversion.



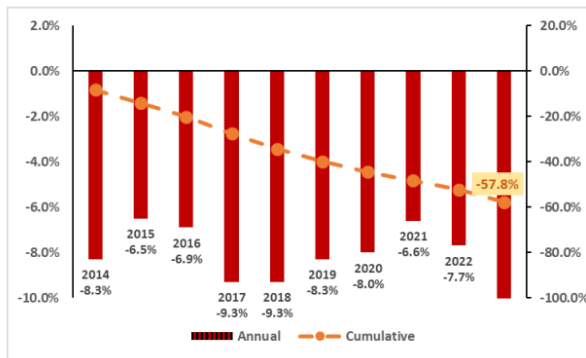
Though statute requires employers to procure workers' compensation insurance, Arizona does not have a last resort carrier. Rather, workers seeking compensation from an uninsured employer must either file a civil lawsuit or report the employer to the Industrial Commission of Arizona (ICA). The ICA is statutorily able to impose fines on employers found to not maintain insurance. The Commission uses these fines and other fees to maintain a "Special Fund" for the payment of workers' compensation claims filed with the Commission. In FY 2021, ICA completed 751 investigations resulting in employers obtaining insurance and settled 41 claims without litigation. The total cost of these proceedings was not readily available.

compensation regulatory body, the Compensation Advisory Organization of Michigan (CAOM), called the Michigan Workers' Compensation Placement Facility (MWCPF), which distributed the high risk employers across registered workers' compensation providers. Both organizations are funded through membership fees, expense assessments, and other revenue generated by products and services provided by insurers. No state money is used to fund either organization, though their rates are regulated closely by the State.

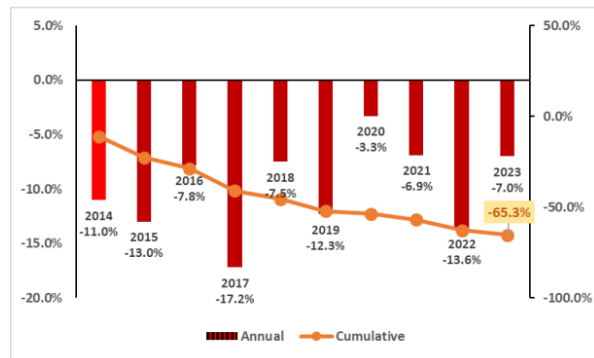
By declining to join NCCI, which administers assigned risk for 35 other states, Michigan effectively created two separate markets for workers' compensation insurance – the voluntary market (CAOM) and the Assigned Risk Market (MWCPF). Although the pricing across both pools is relatively similar, the assigned risk market has proven to be more volatile in terms of price levels for policies.

Premium price reflects similarity with more volatility in the Assigned Risk Market

- Voluntary Market (CAOM)



- Assigned Risk Market (MWCPF)



While the example of Michigan has had decades to settle into the realities of a privatized market, the case suggests the ability to remove state general fund financial burden from the provision of workers' compensation insurance. Additionally, even the earliest available data demonstrates little difference between Michigan's residual market burden and NCCI's, though the residual market volatility in Michigan could negatively impact individual employers.

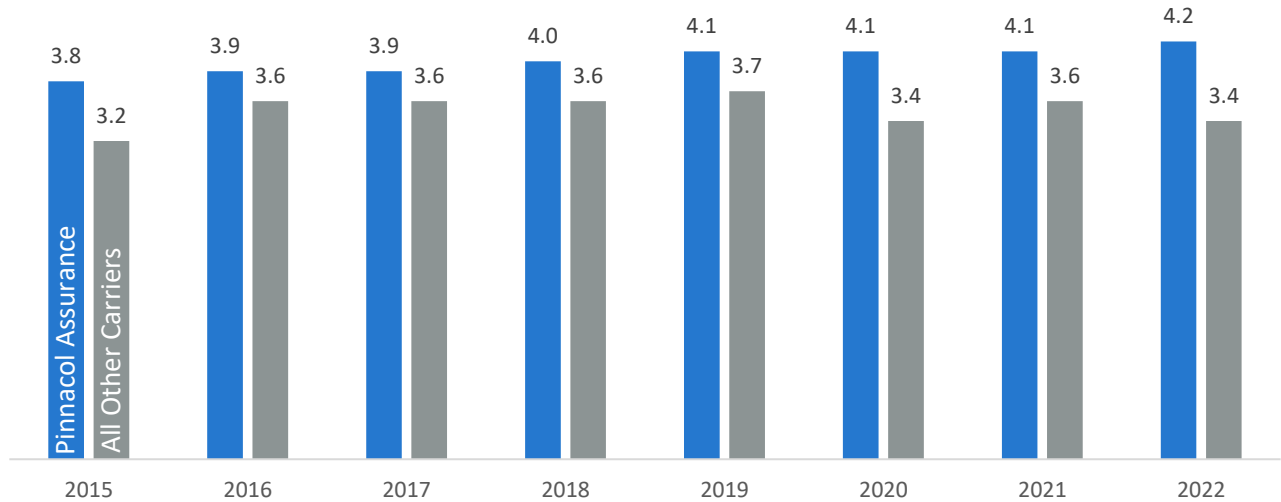
Pinnacol's Ratings and Standing

Based on preliminary meetings across stakeholders and background research, Pinnacol appears to be a highly respected insurance provider.

Pinnacol has maintained high satisfaction rates among customers and injured workers, holding the top position in the Injured Workers Satisfaction Survey collected by the Division of Workers' Compensation. After a claim is closed, injured workers are asked to grade the insurer on a scale

from one to five, where Pinnacol has maintained an average score of four or above for the previous five years.^{2,3}

Pinnacol has maintained their position as the top performing carrier for injured workers



Pinnacol has received multiple awards in their position as the carrier of last resort. These awards include: Ward's 50 list of top-performing property-casualty insurance companies in the United States out of 2,900 companies;⁴ named one of the top workers' compensation carriers in the United States by Forbes advisor out of the 25 largest insurers;⁵ and is currently a finalist for Best Corporate Steward in the U.S. Chamber of Commerce Foundation's 25th Annual Citizens Awards.⁶

² Department of Labor and Employment, Division of Workers' Compensation. Injured Worker Exit Survey. <https://cdle.colorado.gov/injured-worker-exit-surveys-change-of-physician-surveys>

³ Pinnacol Assurance. "New state data shows injured workers rate Pinnacol highest-performing workers' comp carrier in the state by a wide margin". Press Release, March 24, 2024. <https://www.pinnacol.com/press-release/new-state-data-shows-injured-workers-rate-pinnacol-highest-performing-workers-comp-carrier-in-the-state-by-a-wide-margin>

⁴ Aon. "Property-Casualty Ward's 50 Companies". 2024. <https://ward.aon.com/ward-benchmarking/wards50/property-casualty>

⁵ Forbes Advisor. "Best Workers' Compensation Insurance of 2024". November 1, 2024. <https://www.forbes.com/advisor/business-insurance/best-workers-compensation-insurance/#:~:text=Commissions%20do%20not%20affect%20our,could%20suffer%20major%20financial%20consequences.>

⁶ U.S. Chamber of Commerce Foundation. "2024 Citizens Awards Finalists: Large Business Category". October 1, 2024. <https://www.uschamberfoundation.org/corporate-social-responsibility/2024-citizens-awards-finalists>

Staff also received positive feedback from the Director of the Office of Administrative Courts at the Department of Personnel. Pinnacol tends to be a more conscientious payer of claims, including initiating approval rather than simply denying benefits in the initial claims process, as compared to other insurers. Pinnacol's attorneys bring objective data that leads to fair outcomes for claimants.

Ensuring that Pinnacol is able to sustainably continue as a conscientious provider in the market is a key piece of the Pinnacol conversion.

Valuing Pinnacol

There is likely to be a range of values based on various valuation methods. This includes a simple time value of money that was used in HB21-1213 and valued the State's share of Pinnacol at \$305 million. On the basis of the time value of money, that amount will have increased. Other valuations may be based on market valuations that could value the State's share at \$1.0 billion or more.

It is anticipated that additional clarity on minimum and maximum valuations may be prepared and submitted as a January 2nd budget amendment clarification.

Pinnacol's Exit from PERA

With conversion, Pinnacol will be required to disaffiliate from PERA. PERA's October 28, 2024 estimate from actuarial consultant, Segal, totals \$316.8 million.

Generally, a Pinnacol conversion will require that this amount of capital be set aside from a negotiated total valuation and paid to PERA for Pinnacol's disaffiliation. As staff understands this, the PERA disaffiliation amount will reduce the amount that would be available as proceeds for the State's share of Pinnacol.

Budget Process

The Governor's team on the R2 request has communicated to staff its intention to have a defined policy solution ready by March 2025. This will give the Committee the opportunity to make a decision in time for balancing. Staff anticipates that as early as January 2nd, additional detail will be provided on the progress toward estimated valuation and policy solution detail.

Additional detail will consist of:

- a more clearly identified range of estimated value for the State's share of Pinnacol;
- a policy objective for the provision of an insurer of last resort or alternative;
- the anticipated timeline and structure of the conversion negotiation process;
- the anticipated future year methodology or schedule of credits to be applied to the PERA Direct Distribution.

Staff believes that it is in the best interest of the process to allow the Governor's team to take the lead on defining a policy solution for Pinnacol conversion. Nevertheless, it is critical that the Committee communicate its preferences and priorities in how the policy solution is tailored.

At a minimum, the Committee should communicate preferences for:

- addressing the insurer of last resort policy and
- maintaining structures that would seek to continue or encourage Pinnacol's current business practices and standards as an insurance provider.

Appendix C: Pinnacol Assurance Valuation Report

Appendix C includes the “Appraisal of the Investment Value of the Remaining Interest of the State of Colorado [in Pinnacol] as of December 31, 2025”. The report is dated March 20, 2025 and includes a valuation of Pinnacol if disaffiliation were to occur on December 31, 2025. The report was produced by RSM at the request of Pinnacol Assurance.

PINNACOL ASSURANCE

APPRAISAL OF THE INVESTMENT VALUE

OF THE REMAINING INTEREST OF

THE STATE OF COLORADO

AS OF DECEMBER 31, 2025

(Valuation Date and Anticipated Date of Disaffiliation)

Detailed Report Date March 20, 2025



RSM US LLP

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March 20, 2025

Kathy Kranz
Vice President and Chief Financial Officer
Pinnacol Assurance
7501 East Lowry Boulevard
Denver, CO 80230

Dear Kathy:

Pursuant to your request, we have performed an appraisal of the investment value ("Investment Value") of the remaining interest of the State of Colorado (the "State") in Pinnacol Assurance ("Pinnacol," "Client," or the "Company") as that interest is identified in the State's draft disaffiliation bill ("Remaining Interest"), with the Investment Value as of a valuation date of December 31, 2025 ("Valuation Date" or "Date of Valuation"), the anticipated date of disaffiliation. We understand the appraisal will be used by the Board of Directors of the Company to evaluate a potential transaction in which Pinnacol would purchase, from the State, the State's Remaining Interest in the Company (the "Purpose"), which would terminate the Company's status as a political subdivision of the State. The Company would then become a taxable, private mutual insurance carrier, allowing the Company opportunities to expand its services to other states and lines of business. The use of the valuation analysis should be restricted to and consistent with this stated purpose only.

Given the anticipated date of disaffiliation date is December 31, 2025, the effective date of this appraisal is the date of this Report.

It is our understanding that the State, specifically the Office of the Governor of Colorado and potentially the Legislature of the State of Colorado will be provided with our appraisal for informational purposes only.

Our appraisal and this detailed report (the "Detailed Report") have been prepared in accordance with procedures required by Standards 9 and 10 of the Uniform Standards of Professional Appraisal Practice ("USPAP"), the standards and procedures promulgated by the American Society of Appraisers, and the American Institute of Certified Public Accountants' ("AICPA") Statement on Standards for Valuation Services ("SSVS") No. 1. In compliance with Treasury Department Circular 230, unless stated to the contrary, any federal tax advice contained in this report is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties.

Based on the data, information, and analysis presented in this Detailed Report, it is our opinion that the investment value of the Remaining Interest of the State of Colorado in Pinnacol is estimated to range from approximately \$319.6 million to \$410.5 million (rounded) as of December 31, 2025.

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The Report must be read and interpreted as a whole, and not on a piecemeal basis, taking into consideration all relevant supporting information and documentation contained therein.

REG-brf

13 November 2025
RSM International. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Kathy Kranz
Pinnacol Assurance
March 20, 2025

We are pleased to provide you with the accompanying appraisal report and appreciate the opportunity to be of service to you. If you have any questions regarding the appraisal, please contact Suzanne Marra at +1 312 634 4965.

Sincerely,

RSM US LLP

RSM US LLP

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VALUATION EXHIBITS

Exhibits	Exhibit #
Summary of the State of Colorado's Interest in Pinnacol Assurance	Exhibit 1
Hypothetical Premium Tax: 2002-2025 and 2002 Surplus	Exhibit 2
Premium Over Surplus (1.15x multiple)	Exhibit 3
Initial Surplus	Exhibit 4
Guideline Transaction Multiples	Exhibit 5

SUPPORTING EXHIBITS

Supporting Exhibits	
Historical Balance Sheets	Exhibit 6
Historical Balance Sheet - Common Size Analysis	Exhibit 7
Historical Income Statements	Exhibit 8
Historical Income Statements - Common Size Analysis	Exhibit 9

DISCLAIMER

Our analyses were conducted in accordance with the appropriate and applicable standards of USPAP, the standards and procedures promulgated by the American Society of Appraisers and SSVS No. 1 of the American Institute of Certified Public Accountants. The Detailed Report documents our valuation conclusions, provides support for the conclusions through widely accepted valuation methodology, and will comply with applicable appraisal report standards.

The Detailed Report and any portion thereof (including without limitation any valuation conclusions, the identity of RSM US LLP or any individuals signing or associated with the Detailed Report, or the professional associations or organizations with which they are affiliated) is for the sole benefit and use of Client and other than as explicitly provided in the Terms and Conditions hereto, may not be relied upon or used by any third party other than as explicitly provided in the Terms and Conditions; provided, however, that Client may share any advice, information or work product provided to it by RSM with Client's regulators (including the IRS or other taxing authorities), the Office of the Governor of Colorado, the Legislature of the State of Colorado, auditors and advisors in the ordinary course of business as necessary.

Client and its management team were responsible for the accuracy of the information provided to us for use in performing the valuation analysis. Our engagement cannot be relied upon to disclose errors, irregularities or illegal acts, including fraud or defalcations that may exist.

Our estimate of value does not constitute a fairness opinion or an opinion of solvency and cannot be relied upon as such.

See the [Assumptions and Limiting Conditions](#) and [Appraiser's Certification](#) sections for more information.

VALUATION SUMMARY

REPORT SUMMARIZED:	This section summarizes the Detailed Report issued on March 20, 2025 by RSM US LLP as contained herein. Our opinion is subject to the Assumptions and Limiting Conditions found in Section 11.
SUBJECT OF VALUATION:	Investment Value of the Remaining Interest of the State of Colorado in Pinnacol Assurance ("Subject Interest").
INVESTMENT VALUE DEFINITION:	Investment Value is defined as the value of the Subject Interest to a particular investor, which in this case the party is the State of Colorado. Investment Value is the standard of value that governed our analysis.
BUSINESS ACTIVITY:	Pinnacol Assurance provides workers' compensation insurance to employers in the State of Colorado. The Company's services include safety, claims, medical management, underwriting, and hands-on policy management; safety resources, and training and education services; return-to-work programs for injured employees; SelectNet network providers that offer services for treating workplace injuries; and out-of-state coverage for Colorado businesses through a fronting agreement with a third-party carrier. Pinnacol Assurance's initial predecessor entity was founded in 1915. The Company is headquartered in Denver, Colorado.
PURPOSE OF VALUATION:	We understand that the valuation analysis will be used by the Board of Directors of the Company to evaluate a potential transaction in which Pinnacol would purchase, from the State, the State's Remaining Interest in the Company, which would terminate the Company's status as a political subdivision of the State. The Company would then become a taxable, private mutual insurance carrier, allowing the Company opportunities to expand its services to other states and lines of business. The use of our valuation analysis shall be restricted to the above-stated purpose only.
DATE OF SEPARATION	July 1, 2002 – this represents the date the State of Colorado disclaimed prospective liability for Pinnacol, and Pinnacol, while still a political subdivision, began operating as a domestic mutual insurer. Many of the valuation parameters are effective as of this date "Date of Separation" or "Separation Date".
DATE OF VALUATION	December 31, 2025 – for valuation parameters that are effective as of the Date of Separation, those amounts have been brought to future value as of the Date of Valuation (or Valuation Date). One valuation parameter is based on the intervening time between the Date of Separation and the Date of Valuation. Based on discussion with Client management ("Management"), the disaffiliation is expected to occur on or near December 31, 2025, and as such, the Investment Value has been estimated as of December 31, 2025, using market information available as of the date of the Detailed Report as a proxy for the 2025 calendar year. Given this, the effective date of this appraisal is the date of this

Utah

Summary

In 2017, the state of Utah removed reference to the state-run Worker's Compensation Fund from statute, allowing the fund to provide insurance across state lines as a privatized mutual fund. The change in statute had little impact on the company's market share in Utah but did allow it to provide insurance across state lines.

Discussion

The Worker's Compensation Fund continues to be the leading provider of Workers' Compensation Insurance in Utah since becoming a private mutual fund in 2017. Between 2012 and 2023, the market share for WCF remained virtually unchanged, shifting from 50 percent in 2012 to 44.95 percent in 2023. The fund is now able to provide insurance in California, Idaho, Colorado, Nevada, and Arizona. Additionally, the 2017 bill passed after over a decade of lobbying from the company, which also attempted to privatize in 2004. It does not appear that the removal of the WCF from state statute made any notable difference to the insurance market in Utah.

Since 1984, residual workers' compensation in Utah has been covered by the Uninsured Employer's Fund (UEF). This fund is maintained through a tax surcharge on workers' compensation insurance premiums, penalties incurred by uninsured employers, and fees assessed on self-insured employers. However, before the 2017 removal of the WCF from statute, the insurer was required to act as the "insurer of last resort" for employers. The existence of the UEF was not impacted by the conversion of the WCF nor did it see a significant spike in use after 2017.

Michigan

Summary

While older and not noted in the State's request, Michigan provides the most comparable example of privatization of a formerly state-housed insurance option. Michigan ensures continuous coverage for high risk employers through the maintenance of a "workers' compensation placement facility" which distributes self-employed and high risk employers across providers.

Discussion

At the time of conversion, Michigan was required to reduce their state budget by roughly 20 percent. Michigan began the process of privatizing their quasi-state agency in charge of providing high risk workers' compensation insurance. At the time of transfer after auction in 1995, the Accident Fund of Michigan was sold to Blue Cross Blue Shield for approximately \$255 million. This action effectively created a sister organization managed by the state's Workers'

<p>VALUE CONCLUSION:</p>	<p>Detailed Report. For the accretion rate, the average monthly 2025 SOFR rate has been used as a proxy for the average SOFR rate for 2025.</p> <p>It is our opinion that the investment value of the Remaining Interest of the State of Colorado in Pinnacol ranges from approximately \$319.6 million to \$410.5 million (rounded) as of December 31, 2025.</p>
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Section 1. COMPANY BACKGROUND

1.1 COMPANY DESCRIPTION AND RELATIONSHIP WITH THE STATE OF COLORADO¹

Pinnacol Assurance was established as a political subdivision of the State of Colorado under provisions of the Workers' Compensation Act of Colorado (Title 8, Article 45 of the Colorado Revised Statutes, as amended) to operate as a domestic mutual insurance company for the benefit of injured employees and dependents of deceased employees in Colorado. As required under State law, Pinnacol provides an assured source of workers' compensation insurance to Colorado employers. Pinnacol 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 Title 8, Article 45, C.R.S.

Pinnacol is controlled by a nine-member Board of Directors, which is appointed by the Governor with the consent of the Colorado Senate. The Board of Directors has control over all monies of Pinnacol and is restricted to use such monies only for the purposes provided in Title 8, Article 45, C.R.S., as amended. The Board of Directors appoints a chief executive officer who is vested with full power and jurisdiction over the administration of Pinnacol. Pinnacol is not an agency of State government. By statute, the State retains no liability on the part of Pinnacol and no State monies are used for Pinnacol operations. All revenue, monies, and assets of Pinnacol belong solely to Pinnacol. The State of Colorado has no claim to, nor any interest in, such revenue, monies, and assets and shall not borrow, appropriate, or direct payments from such revenue, monies, and assets for any purpose.

Prior to the Date of Separation, Pinnacol's customer base was concentrated in the construction and service industries. As noted in the Company's audited financial statements, studies indicated the construction industry represents 31.0 percent and 32.0 percent of Pinnacol's business in 2002 and 2001, respectively, and the services industry represents 25.0 percent and 23.0 percent, respectively, with all other individual industries constituting a small fraction of Pinnacol's business. The dominance of the construction industry in Pinnacol's customer base and thus related revenue is a factor impacting the analysis of the Company's value.

1.2 KEY DATES IN THE COLORADO WORKERS COMPENSATION MARKET

1915

The Workers' Compensation Act was approved in Colorado and the State Compensation Insurance Fund ("SCIF") was created. This ensured that the State's workers would receive benefits covering lost wages and medical cost if and when injured on the job, regardless of cause of injury. The State contributed \$20,000 to SCIF (which would become Pinnacol) and this amount is inherently included in the Company's surplus as of July 1, 2002.

1987

SCIF's leadership team filed a "Plan for the Future" with the Division of Insurance and transitioned from a purely State agency to a quasi-public authority, creating the State Compensation Insurance Authority ("SCIA").

1990

Effective July 1, 1990, Colorado Statutes were revised, changing the term SCIA to Colorado Compensation Insurance Authority ("CCIA").

2002

CCIA changed its name to Pinnacol Assurance and further separated from the State. Statutory amendments required that, as of July 1, 2002, the State disclaimed prospective liability for Pinnacol and Pinnacol, while still

¹ Annual Report for the fiscal year ended December 31, 2023.

a political subdivision, began operating as a domestic mutual insurer. The State disclaiming prospective liability for Pinnacol implied that the liabilities and surplus of Pinnacol had been under the State control until that date. All revenues, monies, and assets thereby belong to Pinnacol, leaving the State with only its Remaining Interest. As a result, July 1, 2002, is viewed as the “inception” for the Company. Therefore, our analysis will focus on the time period of July 1, 2002, through December 31, 2025 (the “Lookback Period”).

1.3 PINNACOL IN 2002

When the Company further separated from the State in 2002, it, like other workers’ compensation insurance carriers at the time, did not have adequate surplus due to a myriad of industry and economic factors.

As noted in Pinnacol’s 2002 audited financial statements, Section 8-45-111, C.R.S. required Pinnacol to submit a plan for approval by the commissioner of insurance to attain a reasonable surplus. Management of Pinnacol developed, filed and received approval, effective January 1, 2001, of a long-range plan (the “Plan”) to strengthen its financial position and attain “a reasonable policyholders’ surplus.” The Plan calls for Pinnacol to achieve the “company action level of risk-based capital.”

As further noted in the 2002 audited financial statements, the Plan was filed with and approved by the Colorado Division of Insurance, and called for the achievement of a level of risk-based capital, not a specific precise level of statutory surplus. The achievement of the Plan, originally anticipated by Management to take in excess of 10 years, was achieved by December 31, 2003.

Pinnacol had policyholders’ surplus of \$215.5 million and \$143.7 million as of December 31, 2002, and 2001, respectively. This is below regulatory levels considered acceptable in the industry. The Plan, as described above, called for Pinnacol to achieve the “company action level of risk-based capital.” Risk-based capital is a regulatory measure of capital adequacy and the “company action level” is the minimum level of risk-based capital required by insurance regulation (i.e., the level at which the Division of Insurance requires a plan for corrective action). Risk-based capital includes factors that relate to the size of the entity, the perceived risks in the company’s business, and factors relating to the insurance industry in general.

The Plan focused on five critical areas for the ultimate development of a reasonable level of surplus: (1) expense control, (2) loss cost control, (3) appropriate pricing, (4) investment yield, and (5) leadership. The Plan also included a periodic reporting process to keep the Colorado Division of Insurance informed of progress toward the goal of “a reasonable level of surplus.”

The risk-based capital calculation allows a company to compute surplus using discounted tabular reserves, which are indemnity reserves that are calculated using discounts determined with reference to actuarial tables. Nontabular discounted reserves may not be included in the risk-based capital calculation without adjustment. These reserves are calculated with reference to an estimated payout pattern and interest rate based on Pinnacol’s proprietary data and experience. As of December 31, 2002, Pinnacol discounted its reserves by \$222.2 million in total. For purposes of calculating risk-based capital only, Pinnacol calculated the tabular discount for certain case-based indemnity reserves of \$121.5 million. Accordingly, \$100.7 million of the total discount relates to nontabular reserves, which when adjusted, yields a surplus of \$114.8 million for risk-based capital purposes. This was below the benchmarks established for risk-based capital. Specifically, the company action level for risk-based capital required \$172.8 million as of December 31, 2002.

As of December 31, 2003, Pinnacol had achieved its goal of attaining an acceptable level of surplus as required under the surplus recovery plan, which was verified through an examination conducted by the Colorado Division of Insurance and completed November 8, 2004. Pinnacol’s investments were transferred to their own control from the State’s Treasurer on November 30, 2004.

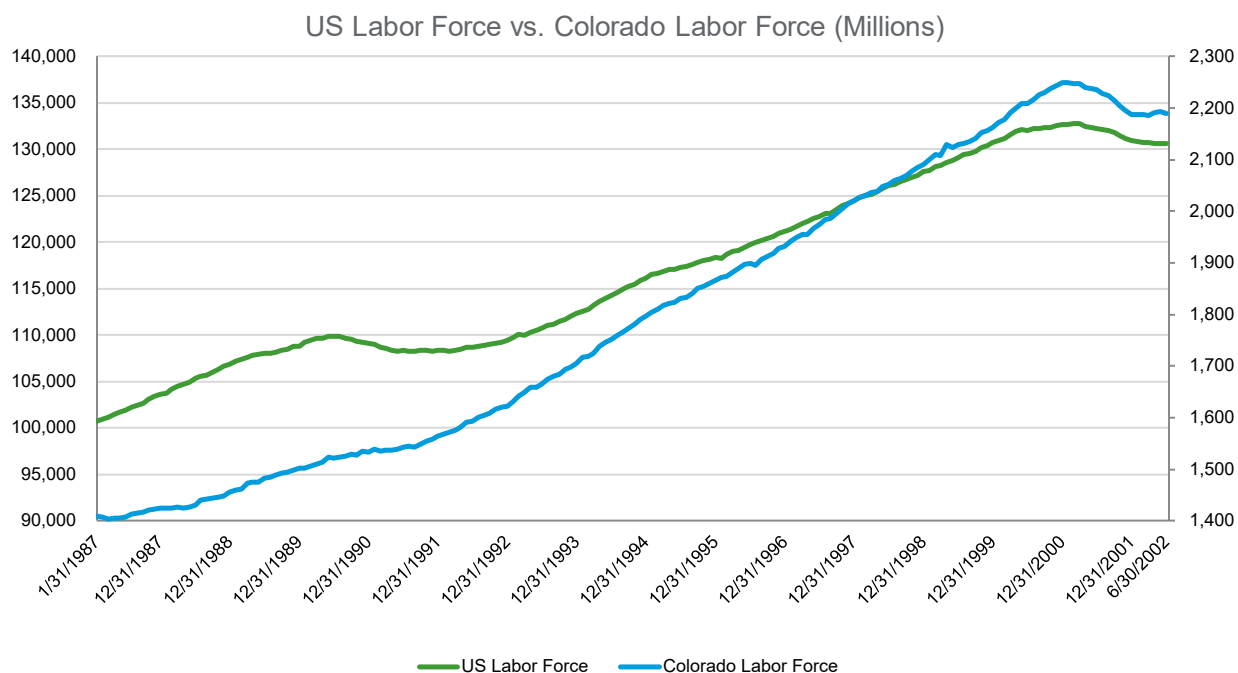
Section 2. COLORADO ECONOMIC BACKGROUND

Given that Pinnacol is limited to providing workers' compensation insurance in Colorado, we have considered historical economic information within the State. An understanding of the historical economic trends in Colorado is fundamental to developing reasonable understanding about the conditions in which the Company was operating prior to and during 2002. Consideration of these economic conditions is, therefore, an important part of the business valuation process.

Overall, population and GDP growth were generally favorable to the business environment until the attacks of September 11, 2001. While Colorado outperformed the broad economy in several areas, the State still experienced reduced economic growth and reduced tax revenues. These conditions were neutral with respect to our overall analysis. Key factors that play an important part in the economic condition of a state are discussed below. The Colorado State Publications Library was the source for the following Colorado information.

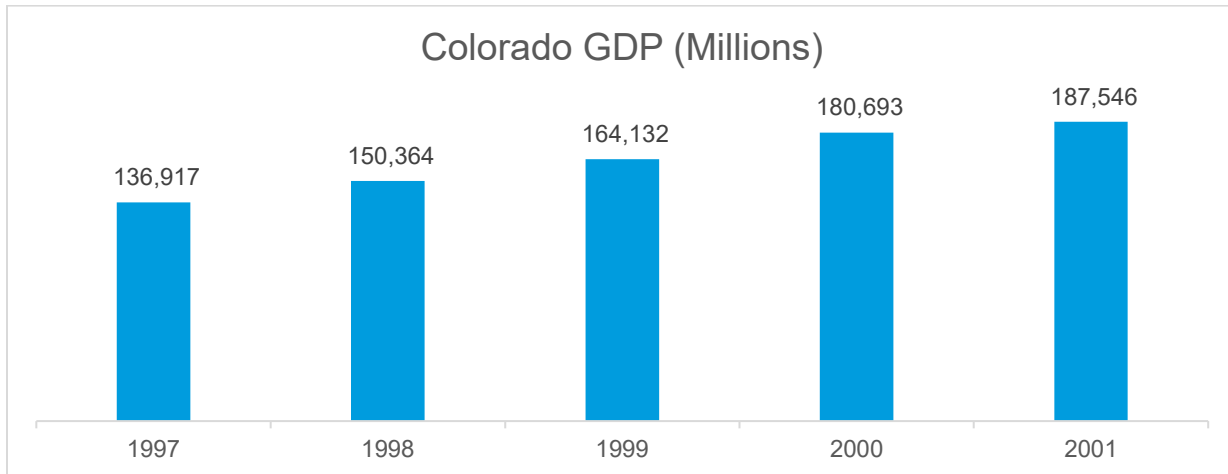
LABOR FORCE

As the labor force increases, so does the opportunity for worker's compensation insurers like Pinnacol. From 1987 through July 1, 2002, the size of Colorado's labor force increased from 1.4 million to 2.2 million people, which represents an annualized increase of 2.9 percent. Over this same period, the total U.S. labor force increased from 100.7 million to 130.7 million, which represents an annualized increase of 1.7 percent.

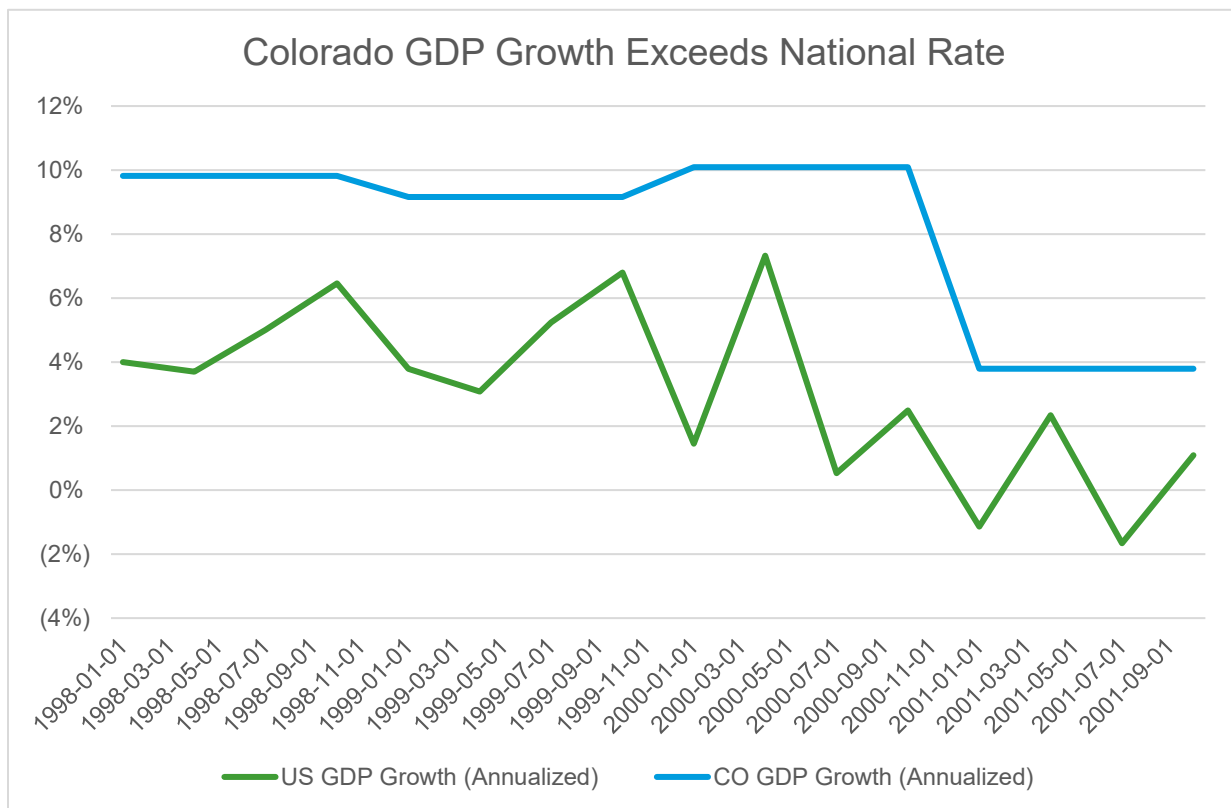


GDP

Gross domestic product (GDP) is a relevant measure to analyze overall economic conditions. GDP is the measure of the market value of all the goods and services produced during a specific time period. Colorado's GDP increased to \$187.5 billion in 2001 from \$136.9 billion in 1997, which represented an 8.2 percent annualized increase over that time period.



Colorado’s observed GDP growth between 1997 and 2000 averaged 9.7 percent, and then decreased to 3.8 percent in 2001, following the events of September 11. The more muted growth of 2001 still outperformed the broader U.S. economy, which experienced some contraction.



GENERAL FUND REVENUES

In September 2002, Colorado’s General Fund revenues forecast for fiscal year (“FY”) 2002-2003 was lowered compared to the prior quarter due to changes in income tax and sales tax forecast. The State’s fiscal year is from July 1 through June 30. The General Fund revenues were projected to grow 2.6 percent in FY 2002-2003 and 6.2 percent in FY 2003-2004. The General Fund revenues declined by 12.6 percent in FY 2001-2002 due to the lower taxes discussed above, as well as the post-September 11 recession.

TABOR

In 1992, Colorado passed the Taxpayer's Bill of Rights (TABOR) Amendment. Colorado's TABOR amendment restricts revenues for all levels of government (state, local, and schools). Under TABOR, state and local governments cannot raise tax rates without voter approval and cannot spend revenues collected under existing tax rates if revenues grow faster than the rate of inflation and population growth without voter approval.

As of September 2002, there was no projected TABOR surplus for FY 2001-2002. The TABOR surplus was set to reduce to zero based on three reasons: poor economic conditions in Colorado, increased funding for public schools and property tax relief for senior citizens and recouped lost revenues due to TABOR limits computed in the 1990s.²

² Office of State Planning and Budgeting, State of Colorado Memorandum on June 2002 Revenue Forecast, June 19, 2002.

Section 3. NATIONAL ECONOMIC OVERVIEW

An understanding of the historical economic trends is fundamental to developing reasonable understanding about the conditions in which the Company has operated. Trends in the industry in which the business operates are influenced by the economy, and performance and prospects for most business enterprises depend on general economic conditions. Consideration of economic conditions is therefore an important part of the valuation process.

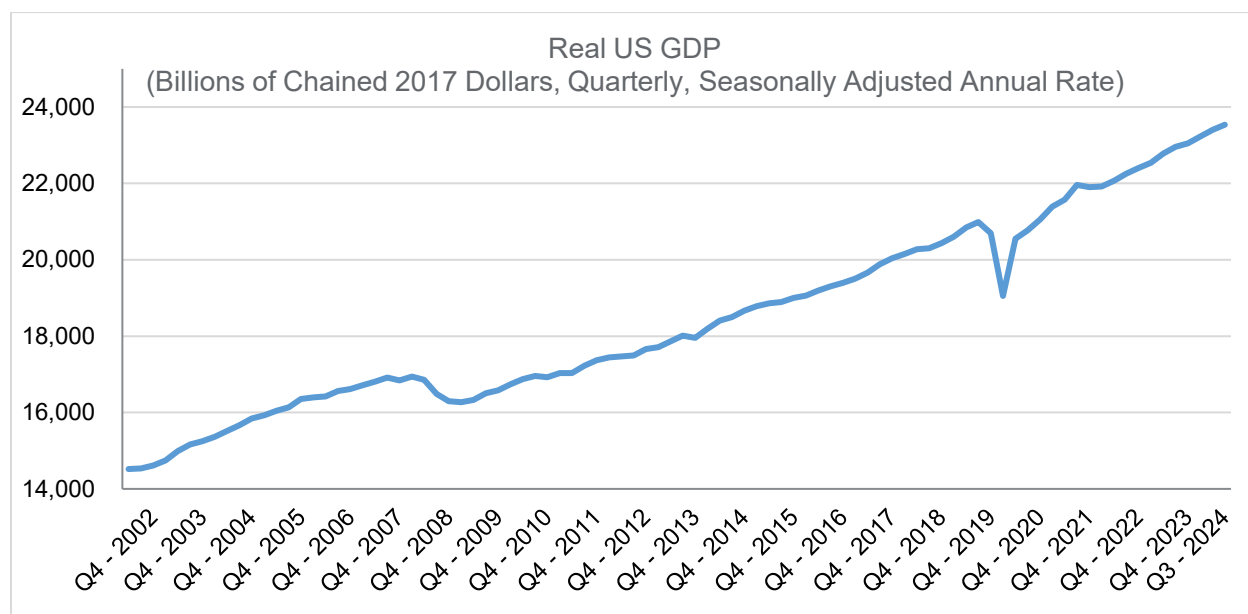
Given the valuation approach and the relevance of the Separation Date, information in this section is as of the Separation Date versus as of the anticipated Valuation Date (information available through the Detailed Report date has been included).

The economic conditions that Pinnacol is currently operating in are vastly different from the conditions at the inception date of July 1, 2002. Since 2002, the United States has experienced the worst economic downturn since the Great Depression followed by the longest period of economic growth in history. The COVID-19 pandemic then created additional challenges to the operating environment of the Company and its peers.

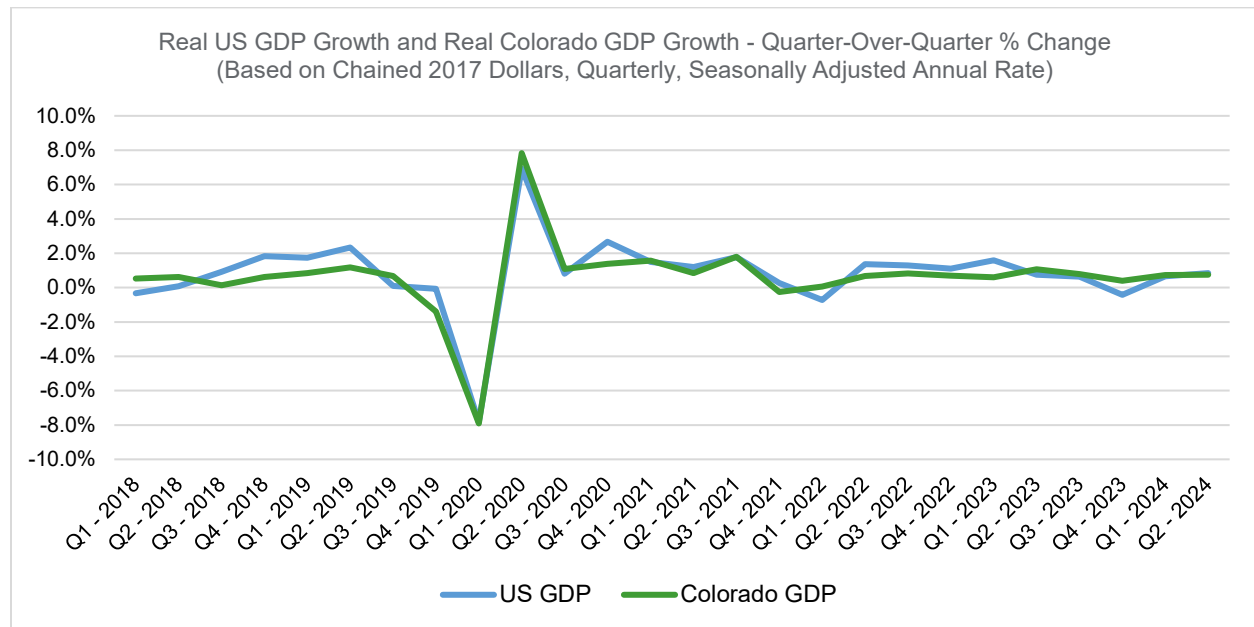
Overall, the general economic conditions improved over the Lookback Period. This favorable environment, despite acute periods of decline, provided tailwinds that helped enable the Company's growth. The source of the following charts was the Federal Reserve Bank of St. Louis.

GDP

Since 2002, real US GDP has experienced a relatively consistent increases quarter-over-quarter, with the notable exceptions being downturn seen during the 2007-2009 recession and the downturn seen in late 2019/early 2020. Over this time period, real US GDP (based on chained 2017 dollars) increased from \$14.5 trillion at the end of Q2 2002 to \$23.5 trillion at the end of Q3 2024. Despite the aforementioned period of decline, real US GDP has shown an ability to recover. The table below shows real US GDP movements from Q2 2002 to Q3 2024.



The table that follows shows real US GDP growth and real Colorado GDP Growth (quarter-over-quarter growth on a percentage basis, based on chained 2017 dollars) from Q1 2018 to Q2 2024. As can be seen, Colorado’s real GDP growth closely mirrors that of the overall US.

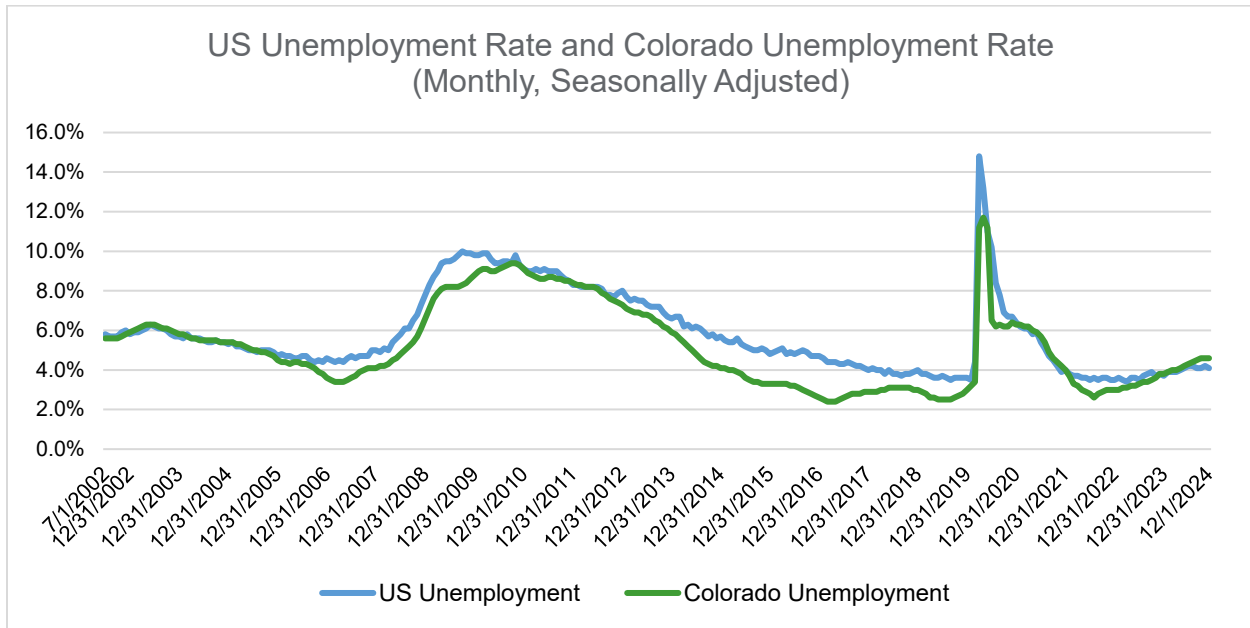


UNEMPLOYMENT

While unemployment rates are a good metric to analyze for overall economic conditions, it is more relevant for a workers’ compensation provider as it directly impacts payroll levels, which then directly impacts the level of premiums written. The national unemployment rate was at 5.8 percent on July 1, 2002, and 4.1 percent on December 1, 2024. Over this time period, the national unemployment rate reached a low of 3.4 percent and a high of 14.8 percent. The 3.4 percent national unemployment rate occurred on April 1, 2023, and the 14.8 percent national unemployment rate occurred on April 1, 2020, during the beginning phases of the COVID-19 pandemic when lockdowns were going into effect.

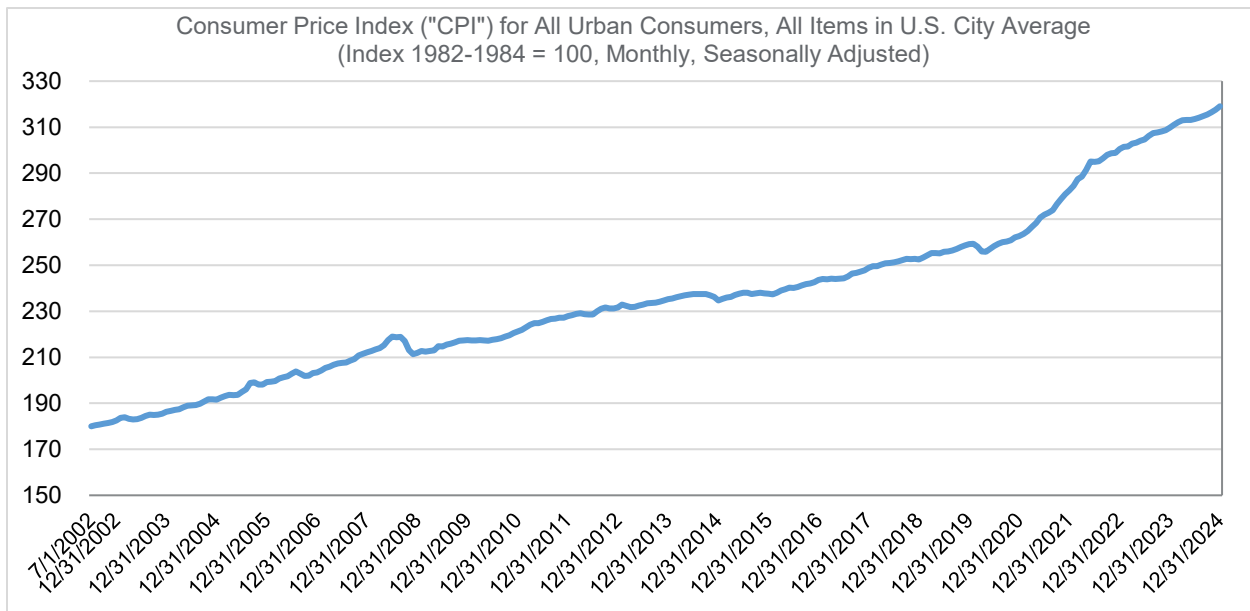
In comparison to national unemployment rates, Colorado’s unemployment rates have generally been slightly below national levels. The Colorado unemployment rate was at 5.6 percent on July 1, 2002, and 4.6 percent on December 1, 2024. Over this time period, the Colorado unemployment rate reach a low of 2.4 percent and a high of 11.7 percent. The 2.4 percent Colorado unemployment rate occurred for three consecutive months from March 1, 2017, to May 1, 2017, and the 11.7 percent Colorado unemployment rate occurred on May 1, 2020, which was also during the beginning phases of the COVID-19 pandemic when lockdowns were going into effect.

The table that follows shows US (national) and Colorado unemployment rates from July 1, 2002, to December 1, 2024, on a monthly basis.



CONSUMER PRICE INDEX

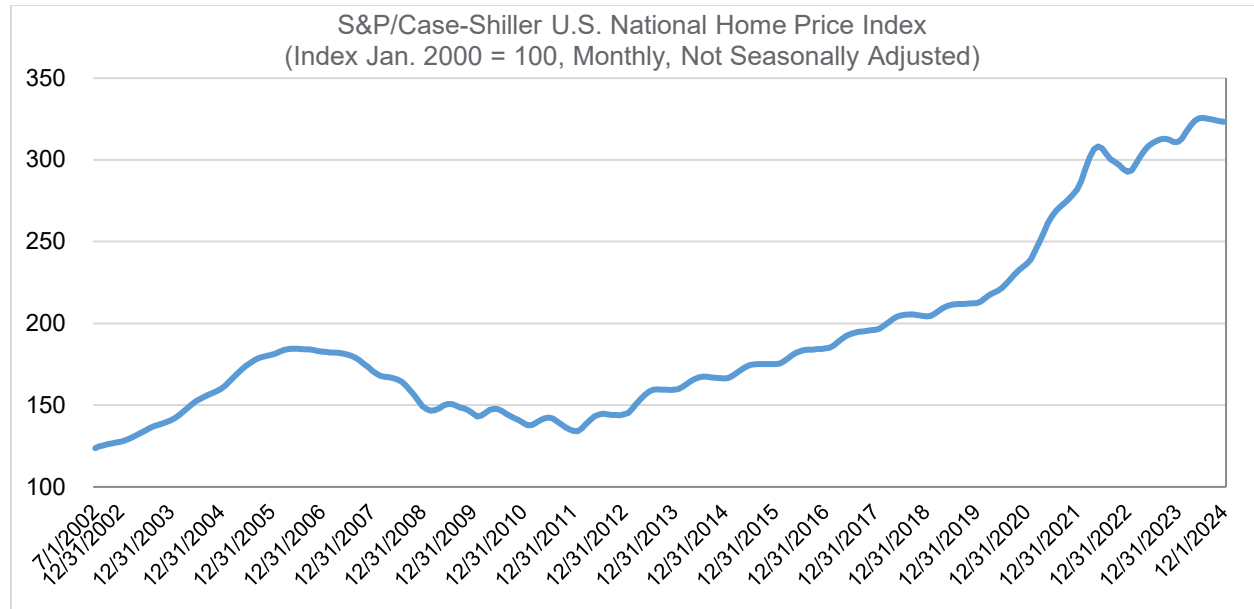
The Consumer Price Index (“CPI”) is a measure of average monthly change in the price for goods and services paid by consumers between two time periods. CPI can also be used to identify periods of inflation and deflation. Short periods of significant CPI increase would imply inflation, while periods of CPI decrease would imply deflation. CPI (as represented by the Consumer Price Index for All Urban Consumers: All Items in U.S. City Average) has ranged from a low of 180.0 as of July 1, 2002, to a high of 319.1 as of December 31, 2024. The table below shows CPI from July 1, 2002, to December 31, 2024 on a monthly basis.



HOME PRICE INDEX

The Home Price Index (“HPI”) measures the price changes of residential housing as a percentage change from a specific start date. The Home Price Index can be viewed as a relevant economic condition metric as

consumers are likely to buy homes during good economic conditions, which would increase the prices of homes sold. While the opposite is likely to occur when economic conditions are weak. S&P/Case-Shiller U.S. National Home Price Index has ranged from a low of 123.7 as of July 1, 2002, to a high of 325.7 as of July 1, 2024. Prior to the housing market crash in 2008, the HPI reached a peak of 184.6 as of July 1, 2006 and declined to 134.0 as of February 1, 2012. The table below shows S&P/Case-Shiller U.S. National Home Price Index from July 1, 2002, to December 1, 2024. As noted earlier, the construction industry accounted for approximately a third of Pinnacol’s premiums in 2001 and 2002 and has continued to be a large portion of premiums, typically in the 30 to 40 percent range. As a result, HPIs and the housing market trends have a large impact on Pinnacol, as noted by their large decline in premiums during the Great Recession.



Section 4. INDUSTRY OVERVIEW

4.1 PROPERTY AND CASUALTY AND WORKERS' COMPENSATION INDUSTRY REVIEW

Workers' compensation as an industry was changing in the decades preceding 2002. During the 1980s, benefits rose at double-digit rates before declining in the 1990s relative to overall wages. Between 1983 and 1992, total benefits grew by 170.0 percent, and medical benefits grew even faster, increasing from 36.0 to 42.0 percent of total benefits. The relationship between wages and risk was changing as the U.S. transitioned to a more service-based economy.

Leading up to the Valuation Date, the workers' compensation market was significantly under reserved. According to *National Underwriter Property & Casualty*, for 2000, the estimate of ultimate loss increased by around 25.0 percent from its first estimate at the end of 2000 to its re-estimated nine years later. The 1997-2002 soft market was underpriced, just as medical cost inflation escalated erratically relative to previously assumed assumptions.

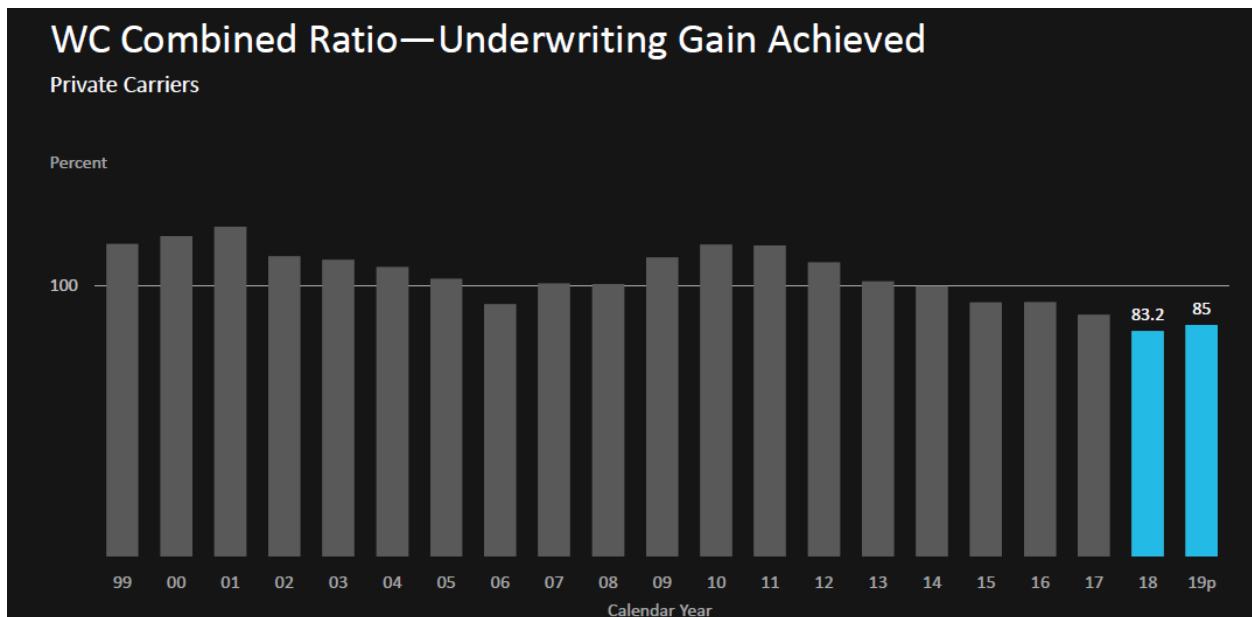
These conditions were amplified by the September 11 attacks as most providers were not prepared, although contractually obligated, to cover a situation of that type—an unnatural disaster affecting mostly white-collar workers. In total, the property and casualty insurance sector suffered an estimated \$44 billion in insurance losses as a result of the attacks,³ which served as a wake-up call for many insurers and the industry-accelerated changes to underwriting practices.

In response, the US Congress passed the Terrorism Risk Insurance Act in 2002. This created a national reinsurance program for terrorism coverage within specific lines of property and casualty insurance. This fundamental shift in the business of underwriting and carrying property and casualty insurance risk further demarcates the September 11 attacks as a tragic milestone for the industry that makes comparison to business activity prior to and post-September 11 difficult at best.

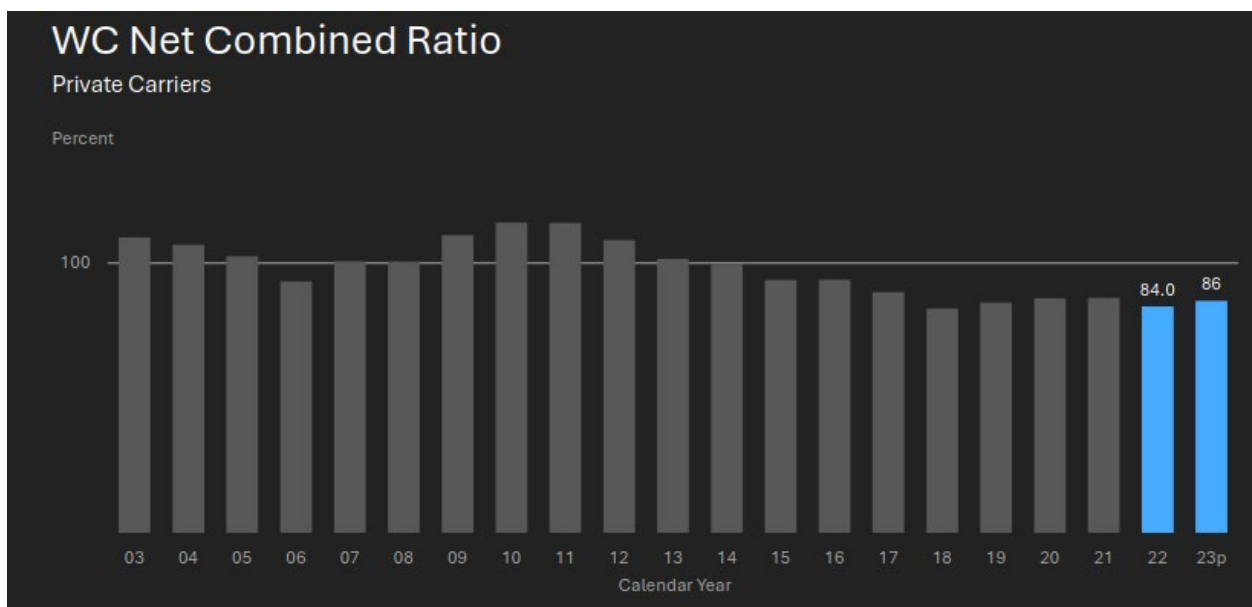
The following charts demonstrate how the private workers' compensation market was in a weak financial condition, which was reflective of the overall workers' compensation market. These charts are from two presentations titled *State of the Line Report*, presented at the National Council on Compensation Insurance's ("NCCI") Annual Issues Symposium in May 2020 and May 2024. The first set of charts present the private carrier combined ratio, which we note that it was below 100.0 percent for years leading up to the Valuation Date. The peak in 2001 was a result of the September 11 attacks, and the decline in 2002 was partially a response of private carriers limiting their underwriting and pushing more business into the residual market.

³ Insured losses shown in 2016 dollars. See Charlene Chia, "Assessing Terrorism Risk 15 Years After 9/11," AIR. Worldwide, September 8, 2016, <http://www.air-worldwide.com/Publications/AIR-Currents/2016/AssessingTerrorism-Risk-15-Years-After-9/11/>.

1999-2019

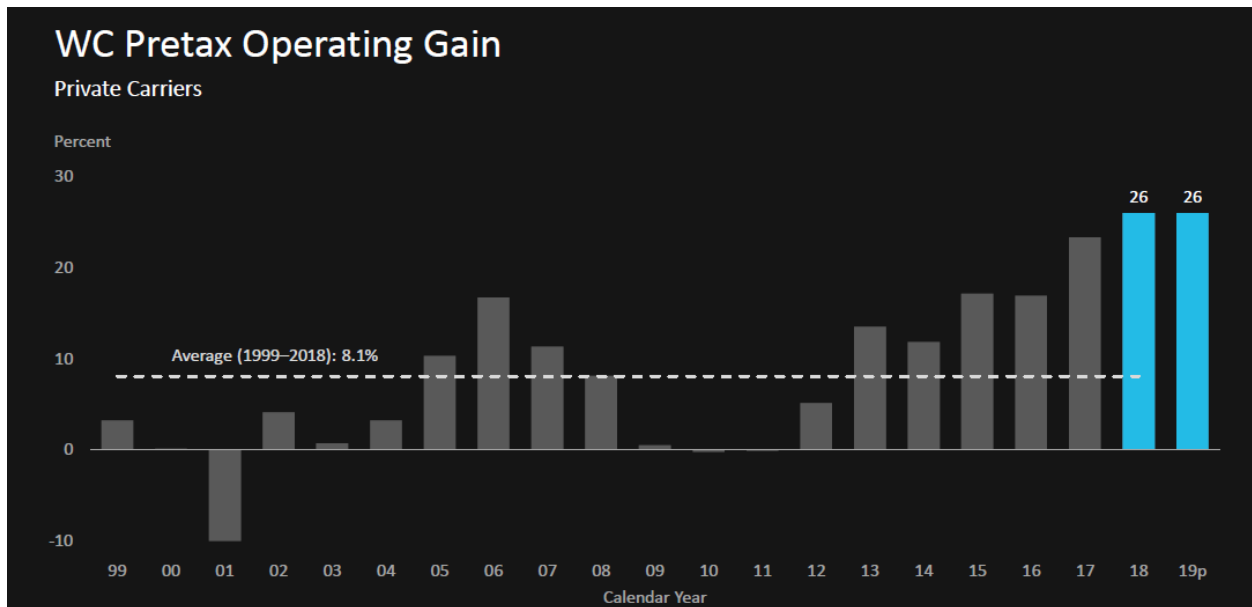


2003-2023

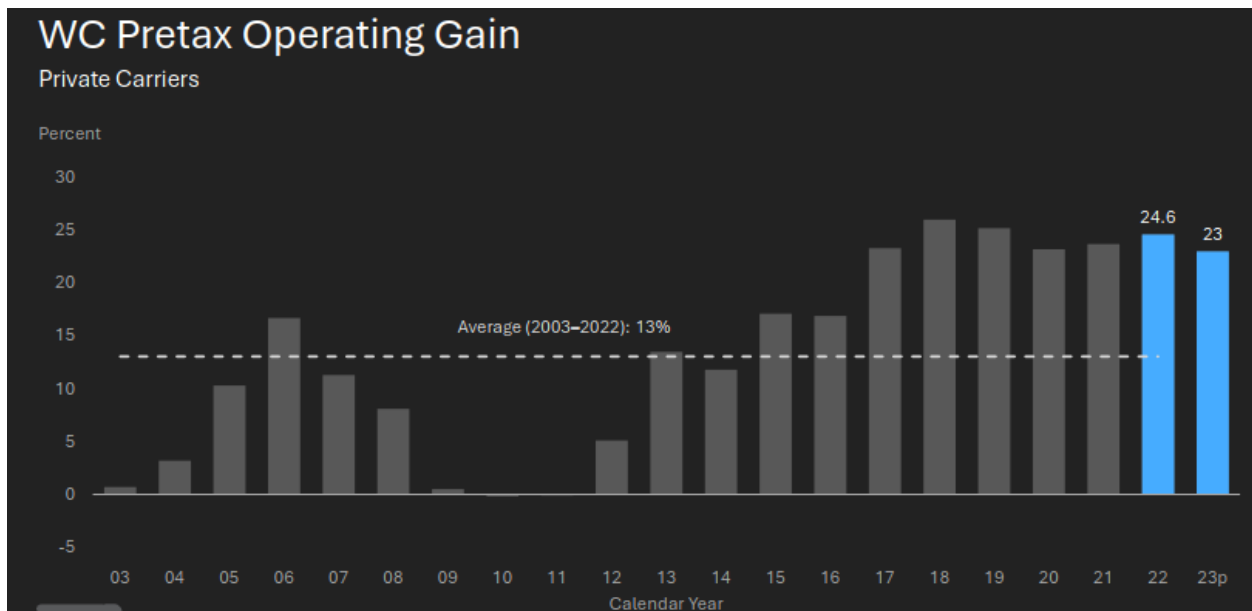


The second set of charts presents the low levels of or lack of profitability of private carriers during the years leading up to the Valuation Date.

1999-2019

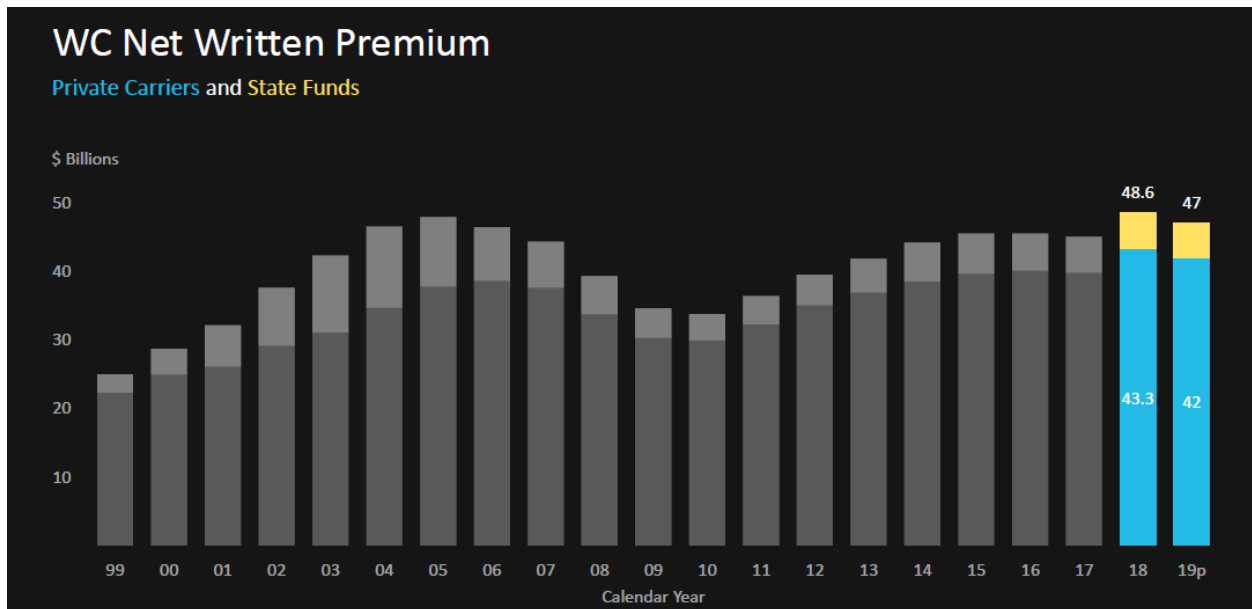


2003-2023

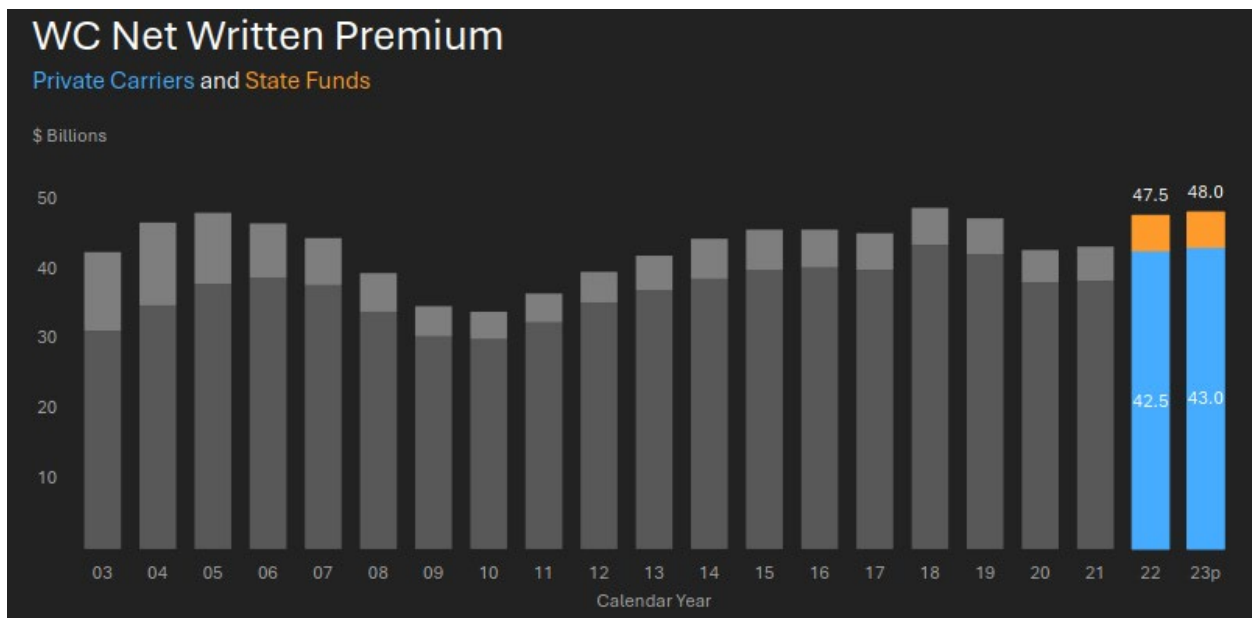


The following two sets of charts present first the workers’ compensation net written premium by private carriers and state funds and then the residual market premiums from NCCI-serviced residual market pools. The larger incline in the residual chart compared to that of all workers’ compensation premium for the years preceding and following the valuation date illustrates that private carriers’ interest in the workers’ compensation market declined given the uncertainty related to newer risks, such as terrorism and catastrophes.

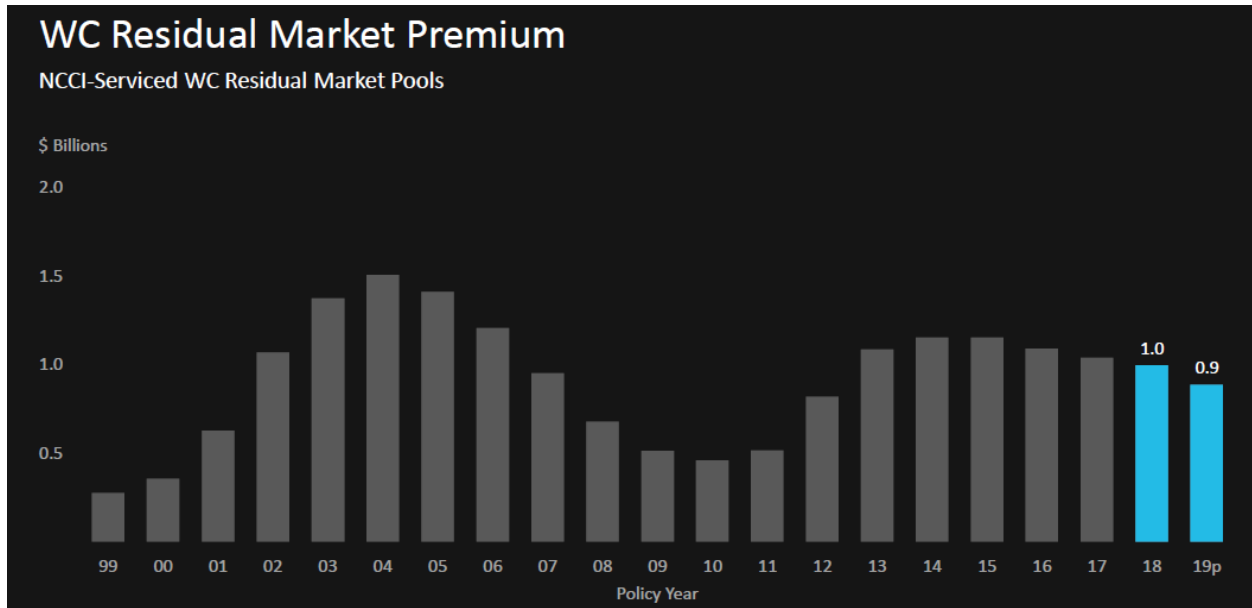
1999-2019



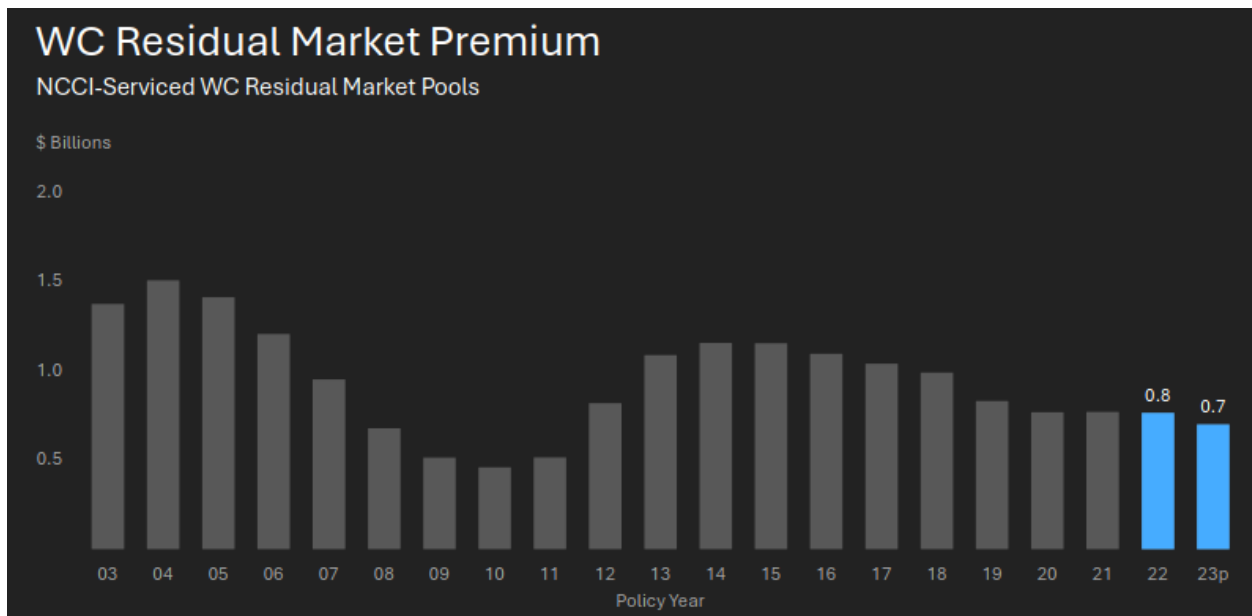
2003-2023



1999-2019



2003-2023



Another data point to consider in reviewing the trends in the workers' compensation industry is the trend in workers and wages covered. As shown in the table below, according to the National Academy of Social Insurance, in 2002, 125.6 million workers were covered by workers' compensation, a decline of 1.1 percent from 2001. Total wages of covered workers were \$4.6 trillion in 2002, an increase of 0.4 percent from 2001. The decline in workers covered and small growth in covered wages was due to the economic recession that began in March 2001 and the decline in employment that continued throughout the year into 2002.⁴

Workers Covered and Total Wages Covered				
Year	Workers Covered		Total Wages Covered	
	(in thousands)	% change	(in billions)	% change
1989	103,900		2,347	
1990	105,500	1.5%	2,442	4.1%
1991	103,700	-1.7%	2,553	4.6%
1992	104,588	0.9%	2,711	6.2%
1993	106,503	1.8%	2,810	3.7%
1994	109,582	2.9%	2,955	5.2%
1995	112,377	2.6%	3,132	6.0%
1996	114,773	2.1%	3,328	6.3%
1997	118,145	2.9%	3,591	7.9%
1998	121,485	2.8%	3,885	8.2%
1999	124,349	2.4%	4,151	6.9%
2000	127,141	2.3%	4,495	8.3%
2001	126,972	-0.1%	4,604	2.4%
2002	125,603	-1.1%	4,615	0.2%
2003	124,685	-0.7%	4,717	2.2%
2004	125,878	1.0%	4,953	5.0%
2005	128,158	1.8%	5,213	5.3%
2006	130,339	1.7%	5,544	6.3%
2007	131,734	1.1%	5,857	5.6%
2008	130,643	-0.8%	5,954	1.7%
2009	124,856	-4.4%	5,675	-4.7%
2010	124,638	-0.2%	5,834	2.8%
2011	125,876	1.0%	6,058	3.8%
2012	127,916	1.6%	6,317	4.3%
2013	130,149	1.7%	6,491	2.8%
2014	132,791	2.0%	6,821	5.1%
2015	139,494	5.0%	7,207	5.7%
2016	138,468	-0.7%	7,432	3.1%
2017	140,424	1.4%	7,787	4.8%
2018	142,635	1.6%	8,178	5.0%
2019	144,415	1.2%	8,560	4.7%
2020	135,572	-6.1%	8,694	1.6%
2021	140,227	3.4%	9,497	9.2%

Source: National Academy of Social Insurance estimates

Overall, the state of the industry as of July 1, 2002, had a negative impact on Pinnacol. The rapid change the industry experienced in the few years preceding July 1, 2002, limited applicable transactions used in the premium on surplus analysis.

⁴ National Academy of Social Insurance, "Workers' Compensation: Benefits, Costs, and Coverage," October 2019 and February 2024

Section 5. FINANCIAL ANALYSIS

The purpose of this financial analysis is to consider the financial strength of Pinnacol and identify trends. The information presented is included solely to assist in the development of the value conclusion presented in this report and should not be used for any other purpose.

5.1 PINNACOL FINANCIAL ANALYSIS

Statutory historical income statements and balance sheets for the years ended December 31, 1986 through December 31, 2024 have been obtained from the annual regulatory statements and management's audited financials through 2024. Information for the Lookback Period and discussion below is included for informational purposes. Given this and the Detailed Report date, we have presented financial information through December 31, 2024. The focus on our analysis is the time period leading up to the Date of Separation.

TOTAL ASSETS

As shown in Exhibit 6, the Company's total assets for the three-year period prior to separation increased from \$807.3 million as of December 31, 1999, to \$1.1 billion in as of December 31, 2001. Pinnacol's total assets have since ranged from a low of \$1.3 billion as of December 31, 2002, to a high of \$3.2 billion as of December 31, 2024.

CAPITAL AND SURPLUS

Capital and surplus for Pinnacol in the three-year period prior to separation increased from \$20.8 million in 1999 to \$143.7 million in 2001. Pinnacol's capital and surplus have since ranged from a low of \$215.5 million as of December 31, 2002, to a high of \$1.4 billion as of December 31, 2024. The increase in capital and surplus is primarily driven by increasing unassigned policyholders' surplus over time.

ROAE

As shown in Exhibit 8, return on average equity (ROAE) measures a company's performance based on its average equity (represented by policyholders' surplus). For the years leading up to and including the year of separation, Pinnacol's ROAE was not a meaningful number given it was undercapitalized. Pinnacol's ROAE has since ranged from a low of negative 18.9 percent as of December 31, 2010, to a high of 32.4 percent as of December 31, 2003. ROAE as of December 31, 2024, was 7.1 percent.

GROSS UNDERWRITING MARGIN / COMBINED RATIO

Gross underwriting margin is a common financial metric used by companies operating in the insurance industry and is shown in Exhibit 9 as the net underwriting gain/loss line item. It is calculated by underwriting profit, which is earned premium remaining after losses have been paid and expenses have been removed, as a percent of revenue. Net underwriting margin for the three-year period prior to separation increased from negative 5.2 percent for 1999 to 2.3 percent for 2001. Gross underwriting margin decreased to 2.1 percent for 2002. Pinnacol's gross underwriting margin has since ranged from a low of negative 55.2 percent for 2010 to a high of 16.0 percent for 2018. Gross underwriting margin for December 31, 2024, was negative 0.6 percent.

A similar ratio is the combined ratio, which is losses and underwriting expenses incurred over premiums earned, and given an insurance carrier also has investments, a carrier can operate over 100 percent. We noted that Pinnacol's combined ratio was typically above 100 percent through 2000, was typically below 100 percent from 2001 – 2008, was above 100 percent from 2009 – 2013, then was typically below 100 percent from 2014 – 2023, and was 100.6 percent as of December 31, 2024.

NET INCOME

For the three-years prior to further separation from the State, net income saw a steady increase from \$28.0 million in 1999 to \$76.0 million in 2001; net income further increased to \$83.0 million as of December 31, 2002. Pinnacol's net income has since ranged from a low of a negative \$127.7 million as of December 31, 2010, to a high of \$191.8 million as of December 31, 2014. We would note that in 2014, the net income was comparatively large due to a large, unusual net realized capital gain as a result of a change in investment strategy and a rebalancing in the investment portfolio. Management indicated the investment portfolio was rebalanced in 2020 and 2021, which—in addition to significant gains in the overall stock markets--also led to large net realized capital gains. Exhibit 8 presents capital gains by year. Pinnacol's net income for December 31, 2024, was \$94.7 million which included a net realized capital loss of \$3.1 million.

5.2 SUMMARY

Since July 1, 2002, we noted that the Company has experienced strong growth in terms of total assets and capital, as well as having achieved profitability and improved return on equity, considering the impact of the Great Recession period and the surplus deficit that existed prior to 2003. (The surplus deficit resulted in return on equity percentages that were not meaningful.)

Section 6. VALUATION OF STATE'S INTEREST IN PINNACOL

In determining the Investment Value of the Remaining Interest of the State of Colorado in the Company, we considered methods under the three valuation approaches – asset, income and market (Remaining Interest as best measured by using market as a proxy). We have calculated the Investment Value of the Remaining Interest of the State of Colorado in the Company based on the Date of Separation, and consideration of that value as of the Valuation Date. This value is comprised of the following components:

- **Surplus** - The surplus as of the Date of Separation, reduced by a reserve discount adjustment and increased for non-admitted assets.
- **Premium on Surplus** - A premium on the surplus that represents the intangible value, if any, of Pinnacol as of the Date of Separation.

SURPLUS

Rationale:

- Pinnacol had an adjusted surplus of approximately \$80.8 million upon its establishment and effectiveness of the statute on the Separation Date.
- Pinnacol's enabling statute conveys no legislative intent to transfer that surplus, effectively provided by the State, to policyholders.

Key Assumptions:

- \$80.8 million adjusted surplus as of July 1, 2002, was based on the June 30, 2002 surplus of \$175.3 million less reserve adjustments as shown in Exhibit 4 as of June 30, 2002. This adjusted surplus was increased for non-admitted assets.
- Present value range of surplus as of July 1, 2002 based on market-based yields; specifically a range of spreads over LIBOR/SOFR as the accretion rates.

PREMIUM ON SURPLUS

Rationale:

- As a proxy for the intangible component of the Remaining Interest, a premium on surplus considers the intangible value of an insurance carrier, as shown on Exhibit 3.

Key Assumptions:

- Notwithstanding that there is no premium on surplus example for any disaffiliated state workers' compensation fund in the United States, as a proxy for valuing this component of the State's Remaining Interest in Pinnacol, guideline transactions and the companies acquired in the transactions were compared to Pinnacol to consider an applicable premium, as shown in Exhibit 5.

Section 7. ADJUSTED NET SURPLUS

7.1 FURTHER SEPARATION FROM THE STATE

As indicated above in Section 1.2, effective July 1, 2002, the Company further separated from the State when the State disclaimed prospective liability for Pinnacol and Pinnacol began operating for practical purposes as a domestic mutual insurer. In accordance with the applicable statutes mandated by the State, the State would retain no liability on the part of Pinnacol, implying that the liabilities and surplus of Pinnacol had been under the control of the State prior to the further separation of the Company from the State on July 1, 2002. We have calculated the value of this adjusted net surplus under the presumption it could have been due to the State of Colorado on the Date of Separation. Our calculations can be found in Exhibits 2 and 4.

BEGINNING SURPLUS AMOUNT AND ADJUSTMENT CALCULATIONS

Based on discussions with management, the initial surplus amount was determined to be \$80.8 million as of July 1, 2002. As shown in Exhibit 4, the initial surplus amount was calculated as the statutory surplus amount as of June 30, 2002, less non-tabular discount on reserves and unallocated loss adjustment expense (“ULAE”) reserves plus difference in booked reserves. This figure also includes the balances of non-admitted assets. The non-admitted asset figure includes net fixed assets, aggregate write-ins for other than invested assets, and an estimated collectible amount of non-admitted premium receivable, given that they are more than 90 days past due. The non-admitted premium receivable was multiplied by a 38.2 percent collectability factor, based on management’s estimated factor for 2018 and 2019. The resulting net adjusted surplus was \$80.8 million, as shown in Exhibit 4.

ACCRETION RATE

The accretion rate or yield used to convert past net cash flows to current value represents the expected rate of return required by the market in order to attract funds to a particular investment. It relates to the principle of substitution in that an investor will not invest in a particular asset if there is a more attractive substitute. In economic terms, the rate is an “opportunity cost,” that is, the expected rate of return (or yield) that an investor would give up by investing in the Subject Interest instead of investing in available alternative investments that are comparable in terms of risk and other investment characteristics.

Since a discount rate is used to calculate the present value of a future stream of cash flow, and given we are accreting prior cash flows to a present or current value, we reference the term accretion rate in this report. We would note that for purposes of this valuation, the concept of an accretion rate is similar to a discount rate or yield.

For the accretion rate to calculate this component of the Remaining Interest, *i.e.*, the value of the Surplus and Premium on Surplus value on the Date of Separation as of December 31, 2025, we considered a range of market-based spreads, applicable to LIBOR or SOFR. We applied the range of spreads to LIBOR through December 31, 2022 and then SOFR for 2023-2025. LIBOR (London Interbank Offered Rate) was the benchmark interest rate at which major global banks lent to one another. SOFR (Secured Overnight Financing Rate) is based on transactions in the U.S. Treasury repurchase market. SOFR began to replace LIBOR as the primary benchmark rate, plus a spread, that lenders charge for floating rate loans to commercial entities. Full transition to SOFR was completed by June 30, 2023.

We calculated an annual average LIBOR or SOFR rate based on the rate for each month in the year. For determining a range of spreads applicable to the Remaining Interest, we considered below-investment grade spreads as of and near June 2002 as determined by Pitchbook’s LCD (Leveraged Commentary & Data). The range of spreads of 4.0 percent to 4.5 percent were selected as a basis for the accretion rate

based the market-based spread and on Pinnacol's financial performance and condition leading up to and as of the Separation Date and consideration of the typical financial ratios of insurance companies within these credit ratings.

PRESENT VALUE CALCULATION

The two spreads over LIBOR/SOFR of 4.0 percent and 4.5 percent were used to calculate the present value of the initial surplus amount. We calculated the present value of the net adjusted surplus over the Lookback Period to range from \$319.6 million to \$356.9 million. See Exhibit 2 for details on how the surplus value was calculated.

Section 8. PREMIUM ON SURPLUS

Despite operating as a political subdivision of the State of Colorado, the Company did not receive any type of direct financial support from the State since inception. The Company had \$80.8 million net adjusted surplus on July 1, 2002. The surplus amount does not capture the intangible value component of the State's Remaining Interest as of July 1, 2002. Such intangible component includes items such as workforce, customer relationships, business processes and general goodwill. We captured such intangible value by applying a premium to the surplus using market-based information. We estimated the present value of the premium of the adjusted surplus using the following assumptions, which are described below. Our calculation can be found in Exhibit 3.

8.1 GUIDELINE TRANSACTION METHOD

We utilized the guideline transaction method to determine whether the Company had a Remaining Interest value over its surplus amount as of July 1, 2002. While we are not aware of a disaffiliation of a state fund that has considered premium on surplus, the guideline transactions are being used as a proxy for valuing the Remaining Interest of the State.

Our search for guideline transactions was based on the following criteria: transactions occurring between 2000 and July 1, 2002, target companies that operate in the property and casualty insurance industry, target companies located in the United States, and total assets less than \$2.5 billion. We chose to remove transactions with companies larger than \$2.5 billion as those companies would be much larger than Pinnacol's total assets of \$1.1 billion as of December 31, 2001. We selected the period of 2000 through July 1, 2002, as it is typical to consider transactions for a limited number of years prior to the relevant date, as the further away from the relevant date typically the less meaningful the implied pricing is from transactions. One needs to consider the change in economic and industry conditions during the period used, which in this case considered the unusually high pricing observed in insurance carrier transactions pre-2000 that did not exist in 2002. Our search resulted in nine guideline transactions. The following paragraphs describe the results.

We did consider guideline public companies and their market prices as of July 1, 2002 to use for determining the premium, but we were not able to identify an adequate number as of that date that were considered adequately comparable.

TOTAL ASSETS

Total assets from the transactions ranged from a 25th percentile of \$153.9 million to a 75th percentile of \$1.2 billion, with median total assets of \$374.0 million. Pinnacol's total assets of \$1.1 billion as of December 31, 2001 approximated the 75th percentile of the observed transactions.

TANGIBLE EQUITY

Tangible equity is calculated by removing preferred equity and intangible assets from a company's total shareholders' equity. The tangible equity of the transactions ranged from a 25th percentile of \$108.8 million to a 75th percentile of \$263.4 million, with a median of \$144.5 million. Pinnacol's \$143.7 million of tangible equity (approximated by unassigned policyholders' surplus) as of December 31, 2001 approximated the median of the transactions.

TANGIBLE EQUITY RATIO

The tangible equity ratio is a measure of capital adequacy for a financial services company. The tangible equity ratio is calculated by tangible equity divided by tangible assets. The tangible equity ratio for the

guideline transactions ranged from a 25th percentile of 17.8 percent to a 75th percentile of 35.3 percent, with a median of 19.6 percent. Pinnacol's tangible equity ratio of 13.3 percent fell below the 25th percentile of the transactions.

MULTIPLE SELECTION

Based on various factors considered, including the discussion of the Company, and industry and economic conditions as of July 1, 2002, we selected a 1.0x and a 1.15x multiple, which represent the low end and 25th percentile of the range of multiples paid in the guideline transactions. A multiple of 1.0x results in no value to the surplus premium. Exhibit 3 presents the application of the 1.15x multiple to the adjusted surplus. Factors considered that Pinnacol compared favorably in terms of total assets and tangible equity, but unfavorably in terms of tangible equity ratio to the acquired companies in the guideline transactions. Being unfavorable in terms of tangible equity ratio is representative of Pinnacol's inadequate surplus. In addition, we considered that Pinnacol was a mono-line and mono-state insurance carrier, which resulted in a less diversified company than those acquired in the guideline transactions. While Pinnacol was experiencing growth and increasing market share, we would note that the valuation date is 10 months after the attacks on September 11, 2001, which as previously discussed had a negative impact on the economy and specifically the insurance industry. Of the nine transactions that met our criteria during the 30-month period, there was only one in the last ten months of the period that represents the issues in the insurance industry post-September 11. There were two additional transactions post-September 11 that did not meet our criteria and sold for less than 1.0x equity. Thus, as of the Valuation Date there was minimal transaction activity, resulting in lower liquidity. Based on consideration of all these factors, we determined the low end of the range to be applicable to Pinnacol as of the Date of Separation.

While we are not aware of a disaffiliation of a state fund that has considered premium on surplus, the guideline transactions are being used as a proxy for valuing the intangible component of the Remaining Interest to the State. We would note that no single transaction or statistic captured Pinnacol's exact fact pattern, specifically related to the State of Colorado disclaiming prospective liability for Pinnacol and Pinnacol, while still a political subdivision, commencing operations as a domestic mutual insurer as of the Date of Separation, thus further supporting the selection of the low end of the range of multiples. Present value Calculation

After applying the 1.15x multiple to the net adjusted surplus of \$80.8 million and then removing the initial adjusted surplus from the indicated value, provided an indicated intangible value or Premium on Surplus of \$12.1 million as of Date of Separation.

The same previously discussed accretion rates were used to calculate the value of the Premium on Surplus value based on the 1.15x multiple as of the Date of Valuation. As shown on Exhibit 3, the resulting values are \$47.9 million and \$53.5 million.

Section 9. CONCLUSION

In order to estimate the Investment Value of the Remaining Interest of the State of Colorado in Pinnacol Assurance as of December 31, 2025, our appraisal considered:

- **Two components of value** –adjusted net surplus and premium over surplus
- **Two accretion rates** – Spread of 4.0% and 4.5% over LIBOR/SOFR
- **Two valuation multiples** – 1.00x and 1.15x Premium of Adjusted Surplus.

As shown on Exhibit 1, the range of values is \$319.6 million to \$410.5 million. See Exhibit 1 for more detail.

The investment valuation analysis is based on the legislative event that created Pinnacol Assurance as of July 1, 2002. The values as of that date were brought forward to the anticipated date of disaffiliation as of December 31, 2025, using rates as described herein.

Other time periods are displayed as alternatives, as discussed herein. Our analysis does not represent a fairness opinion, solvency opinion nor does it demonstrate the Company's ability to pay.

Section 10. ASSUMPTIONS AND LIMITING CONDITIONS

The Detailed Report has been made with the following general assumptions and limiting conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances. Title to all property is assumed good and marketable unless otherwise stated. All property is further assumed free and clear of any or all liens, easements or encumbrances unless otherwise stated.
2. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable; however, no warranty is given as to the accuracy of such information.
3. Pinnacol and its designated representatives have warranted to us that the information supplied to us was complete and correct in all material respects to the best of their knowledge. It has been assumed that all facts and circumstances that would materially affect the calculation results have been disclosed to us. Any significant errors in, or omissions from, the information supplied to us will have a corresponding effect on our analyses and results.
4. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions that occur subsequent to the date hereof.
5. Full material compliance with all applicable federal, state, and local zoning, use, environmental and similar laws, and regulations is assumed. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
6. This engagement is limited to the appraisal of the Investment Value of the Remaining Interest of the State of Colorado in Pinnacol Assurance as of December 31, 2025 (the anticipated date of disaffiliation), with purpose of the Board of Directors of the Company evaluating a potential transaction in which Pinnacol would purchase, from the State, the State's Remaining Interest in the Company, which would terminate the Company's status as a political subdivision of the State; and the Company becoming a for-profit, taxable, private mutual insurance carrier, allowing the Company opportunities to expand its services to other states and lines of business. Neither this report nor any portion thereof (including without limitation any calculations as to value, the identity of RSM US LLP ("RSM"), or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties by any means without the prior written consent and approval of RSM, with the exception of the Company's management.
7. Nothing in the appraisal constitutes a recommendation regarding the purchase or sale of any securities or assets or the issuance of any financing. RSM expresses no opinion, guarantees, or form of assurance of any kind, express or implied, on the potential investment performance of any security or assets. Readers of the appraisal should undertake a full due diligence review of the Company and make their own independent determinations of its future prospects, financial or otherwise, and the financial prudence, tax, legal, and all other ramifications of any contemplated transaction and should retain independent and qualified advisors.
8. Neither RSM nor any individuals signing or associated with this report shall be required, because of this report, to give testimony or appear in court or other legal proceedings, unless specific arrangements have been made.
9. Regarding the projections of earnings or cash flows used in the analyses herein, they have been based upon the identified assumptions. Some assumptions inevitably will not materialize, and unanticipated events may occur; therefore, the actual results achieved during the projection period will vary from the projection, and the variations may be substantial.
10. We have compiled summary financial data and ratios that are contained in the report and various appendices. The data in these appendices represent financial data extracted from the Company's historical financial statements as well as other sources. The financial information does not constitute a complete presentation of the Company's financial statements in accordance with generally accepted accounting principles. The information is included solely to assist in the development of the value conclusion presented in this report and should not be used for any other purpose.

Section 11. APPRAISER'S CERTIFICATION

I certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the entity that was the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of the assignment.
5. I have no bias with respect to the property that was the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon delivering or reporting predetermined results.
7. My compensation for completing this assignment was not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the Business Valuation Standards of the American Society of Appraisers, and in accordance with the Statement on Standards for Valuation Services of the American Institute of Certified Public Accountants.
9. With the exception of Matt Wolf, Joe Tibbs, Kurt Ramnauth, and Chloe Cronin, no one provided significant professional assistance to the person signing this report.
10. The American Society of Appraisers and the American Institute of the Certified Public Accountants have mandatory recertification programs for all of their Senior Members. Suzanne Marra is a Senior Member and is in compliance with the programs.

RSM US LLP

DocuSigned by:

Suzanne Marra

March 20, 2025

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Suzanne Marra

Partner

Section 12. PROFESSIONAL QUALIFICATIONS

Suzanne Marra

Partner, Financial Consulting
RSM US LLP
Chicago, Illinois
suzanne.marra@rsmus.com
+1 312 634 4965



Summary of experience

Suzanne has over 30 years of financial advisory service experience, focusing on valuations. She leads RSM's financial service valuation group.

Suzanne brings the following experience to serving our clients:

- Valuation of entities in the financial services for financial reporting, tax and management planning purposes.
- Valuation of financial institutions' loan portfolios, intangible assets, deposits and borrowings, and trust preferred securities
- Valuation of intangible assets, including core deposit intangibles, customer relationships/lists and contracts, trademarks/trade names, covenants not-to-compete, patents, completed technology, and software, for financial reporting and tax purposes
- Serves as valuation specialist on audit teams for fair value matters, including ASC 805 (business combinations), ASC 820 (fair value) and ASC 350 (intangibles – goodwill and other)
- Valuation of closely held business entities for income tax planning and compliance, estate and gift tax planning and compliance, mergers and acquisitions, business planning and corporate restructuring

Professional affiliations and credentials

- Certified public accountant
- American Society of Appraisers, accredited senior appraiser

Education

- Master of Business Administration, economics, DePaul University
- Bachelor of Arts, accounting and finance, *magna cum laude*, Augustana College

Matt Wolf

Director, Financial Consulting
Senior Health Care Analyst
RSM US LLP
Nashville, TN
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+1 615 762 9189



Summary of experience

Matt is a director and senior health care analyst with RSM's national health care practice. He has 15 years of business valuation experience and leads the national health care business valuation consulting team, as well as focusing on the insurance industry. His senior analyst responsibilities include advising the firm's health care clients and client servers as they work to navigate the rapidly changing industry environment. Matt regularly writes, presents and advises on regulatory changes, digital transformation, consumerism and other issues transforming health care.

With respect to business valuation, Matt and his team have provided valuation advisory services for a variety of purposes, including buy and sell-side management planning, demutualization, financial reporting, such as *FASB Accounting Standards Codification* Topics 350, 360, 718, 805, 820 and 958-805, and physician compensation. More specifically, his experience and responsibilities include the following:

- Financial reporting valuations related to business combinations, goodwill impairment and stock compensation for health care providers and payors, including large health systems
- Buy- and sell-side valuation of physician practices for purposes of complying with Stark and anti-kickback laws under both of the following:
 - Full employment
 - Professional service agreement arrangements
- Joint venture consulting

Matt also has experience preparing expert reports for litigation related purposes. He has been involved with cases including matters related to lost wages and practice management disputes.

Professional affiliations and credentials

- Healthcare Financial Management Association
- American Society of Appraisers

Education

- Executive Certificate in Strategy and Innovation, MIT Sloan School of Management
- Master of Business Administration, University of Minnesota's Carlson School of Management
- Bachelor of Science, finance and operations management, University of Minnesota's Carlson School of Management

Section 13. SUMMARY OF INFORMATION USED

PROVIDED BY MANAGEMENT

- Audited financial statements for the years ended December 31, 1998 through December 31, 2024⁵.
- Regulatory financial statements for the years ended December 31, 1987 through December 31, 1997.
- Statement of Actuarial Opinion for the years ended December 31, 2008 through December 31, 2019.
- Finance board packet dated October 23, 2020.
- 2025 Business Plan Dated October 3, 2024.
- Milliman Report – Comparison of the Residual Market Burden and the Federal Tax Advantage dated August 19, 2009.
- Management interviews with Pinnacol management team.

COLORADO ECONOMIC BACKGROUND, NATIONAL ECONOMIC OVERVIEW, AND INDUSTRY OVERVIEW

- Federal Reserve Board H.15 Release.
- S&P Capital IQ Pro.
- Pitchbook's LCD
- Bloomberg LP.
- Colorado State Publications Library, cde.state.co.us/stateinfo.
- "Federal Reserve Economic Database." Federal Reserve Bank of St. Louis, www.research.stlouisfed.org.
- National Academy of Social Insurance.
- Note also insurance industry resources referenced throughout report.

GENERAL APPRAISAL RESOURCES

- American Society of Appraisers, ASA Business Valuation Standards, Definitions.
- Business Appraisal Standards of the Institute of Business Appraisers, Inc.
- Business Valuation Standards, American Society of Appraisers.
- Business Valuation Standards, American Institute of Certified Public Accountants.
- International Glossary of Business Valuation Terms as adopted by the American Institute of Certified Public Accountants American Society of Appraisers, National Association of Certified Valuation Analysts, The Canadian Institute of Chartered Business Valuators, and The Institute of Business Appraisers.
- The Appraisal Foundation. Uniform Standards of Professional Appraisal Practice, 2024 Edition.

⁵ Audited financial statements for the fiscal year ended December 31, 2000 were not available.

- Cost of Capital Navigator. *Kroll, LLC*, 2024.
- “Capital IQ.” *Standard & Poor’s*, <www.capitaliq.com>.
- “EDGAR SEC Filings and Forms,” *Securities and Exchange Commission*, <www.sec.gov>.

Section 14. VALUATION EXHIBITS

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Index of Exhibits

Index

Exhibits	Exhibit #
Summary of the State of Colorado's Interest in Pinnacol Assurance	Exhibit 1
Beginning Surplus Balance as of July 1, 2002 (Date of Separation)	Exhibit 2
Premium Over Surplus as of July 1, 2002 (1.15x multiple)	Exhibit 3
Initial Surplus as of July 1, 2002 (Date of Separation)	Exhibit 4
Guideline Transaction Multiples - Prior to Date of Separation	Exhibit 5

Supporting Exhibits	
Historical Balance Sheets	Exhibit 6
Historical Balance Sheet - Common Size Analysis	Exhibit 7
Historical Income Statements	Exhibit 8
Historical Income Statements - Common Size Analysis	Exhibit 9

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Summary of the State of Colorado's Interest in Pinnacol Assurance
USD (In thousands, unless otherwise noted)

Exhibit 1

		As of December 31, 2025 - Anticipated Date of Disaffiliation			
Accretion rate based on:		4.0% Spread over LIBOR/SOFR		4.5% Spread over LIBOR/SOFR	
		Low	High	Low	High
Exhibit		1.00x Premium	1.15x Premium	1.00x Premium	1.15x Premium
(1) Surplus as of July 1, 2002	Exhibit 2	319,558.1	319,558.1	356,947.8	356,947.8
(2) Premium Over Surplus	Exhibit 3	-	47,933.7	-	53,542.2
Total		\$ 319,558.1	\$ 367,491.9	\$ 356,947.8	\$ 410,490.0

Notes:

- (1) Exhibit 2 - Beginning Surplus Balance as of July 1, 2002 (Date of Separation).
(2) Exhibit 3 - Premium Over Surplus as of July 1, 2002 (1.15x multiple).

Pinnacol Assurance

Exhibit 2

**State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Beginning Surplus Balance as of July 1, 2002 (Date of Separation)
USD (In thousands, unless otherwise noted)**

	For the year ended December 31,										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
4.0% Spread over LIBOR/SOFR											
Present Value Calculation											
(1) Second Lien Spread	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
(2) Base Rate	1.78%	1.22%	1.68%	3.64%	5.22%	5.26%	2.79%	0.65%	0.34%	0.35%	0.42%
All in Yield	5.78%	5.22%	5.68%	7.64%	9.22%	9.26%	6.79%	4.65%	4.34%	4.35%	4.42%
Beginning Surplus Balance	80,832.5	83,169.8	87,507.3	92,475.4	99,542.5	108,724.0	118,787.3	126,854.3	132,754.1	138,522.0	144,545.9
Return on Surplus	2,337.3	4,337.5	4,968.2	7,067.1	9,181.6	10,063.3	8,067.0	5,899.8	5,767.9	6,024.0	6,388.5
Ending Surplus Balance	83,169.8	87,507.3	92,475.4	99,542.5	108,724.0	118,787.3	126,854.3	132,754.1	138,522.0	144,545.9	150,934.4
Present Value of Surplus	\$ 319,558.1										

	For the year ended December 31,										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
4.5% Spread over LIBOR/SOFR											
Present Value Calculation											
(1) Second Lien Spread	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
(2) Base Rate	1.78%	1.22%	1.68%	3.64%	5.22%	5.26%	2.79%	0.65%	0.34%	0.35%	0.42%
All in Yield	6.28%	5.72%	6.18%	8.14%	9.72%	9.76%	7.29%	5.15%	4.84%	4.85%	4.92%
Beginning Surplus Balance	80,832.5	83,371.9	88,136.7	93,581.3	101,200.8	111,041.3	121,874.3	130,760.3	137,495.5	144,156.9	151,146.7
Return on Surplus	2,539.4	4,764.9	5,444.6	7,619.5	9,840.5	10,832.9	8,886.0	6,735.2	6,661.4	6,989.8	7,436.0
Ending Surplus Balance	83,371.9	88,136.7	93,581.3	101,200.8	111,041.3	121,874.3	130,760.3	137,495.5	144,156.9	151,146.7	158,582.7
Present Value of Surplus	\$ 356,947.8										

Notes:

- (1) The selected range of spreads is based on the June 2002 below-investment grade spread sourced from LCD Pitchbook.
- (2) Source: Bloomberg LLP - base rate is the 3-month LIBOR (monthly average) rates through 2022 and monthly average SOFR rates for 2023 - March 2025.

Pinnacol Assurance

Exhibit 2

**State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Beginning Surplus Balance as of July 1, 2002 (Date of Separation)
USD (In thousands, unless otherwise noted)**

	For the year ended December 31,												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
4.0% Spread over LIBOR/SOFR													
Present Value Calculation													
(1) Second Lien Spread	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
(2) Base Rate	0.27%	0.23%	0.33%	0.76%	1.29%	2.36%	2.30%	0.61%	0.16%	2.55%	5.06%	5.14%	4.36%
All in Yield	4.27%	4.23%	4.33%	4.76%	5.29%	6.36%	6.30%	4.61%	4.16%	6.55%	9.06%	9.14%	8.36%
Beginning Surplus Balance	150,934.4	157,373.1	164,037.0	171,139.4	179,285.5	188,765.9	200,767.8	213,408.6	223,238.1	232,524.9	247,765.8	270,209.2	294,895.1
Return on Surplus	6,438.6	6,663.9	7,102.4	8,146.1	9,480.4	12,001.8	12,640.8	9,829.6	9,286.7	15,240.9	22,443.4	24,685.9	24,663.1
Ending Surplus Balance	157,373.1	164,037.0	171,139.4	179,285.5	188,765.9	200,767.8	213,408.6	223,238.1	232,524.9	247,765.8	270,209.2	294,895.1	319,558.1
Present Value of Surplus													

	For the year ended December 31,												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
4.5% Spread over LIBOR/SOFR													
Present Value Calculation													
(1) Second Lien Spread	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
(2) Base Rate	0.27%	0.23%	0.33%	0.76%	1.29%	2.36%	2.30%	0.61%	0.16%	2.55%	5.06%	5.14%	4.36%
All in Yield	4.77%	4.73%	4.83%	5.26%	5.79%	6.86%	6.80%	5.11%	4.66%	7.05%	9.56%	9.64%	8.86%
Beginning Surplus Balance	158,582.7	166,140.5	174,006.3	182,410.4	192,005.1	203,118.1	217,048.1	231,799.2	243,634.8	254,988.2	272,976.4	299,068.4	327,886.2
Return on Surplus	7,557.8	7,865.8	8,404.1	9,594.7	11,113.1	13,929.9	14,751.1	11,835.6	11,353.4	17,988.2	26,092.0	28,817.7	29,061.6
Ending Surplus Balance	166,140.5	174,006.3	182,410.4	192,005.1	203,118.1	217,048.1	231,799.2	243,634.8	254,988.2	272,976.4	299,068.4	327,886.2	356,947.8
Present Value of Surplus													

Notes:

- (1) The selected range of spreads is based on the June 2002 below-investment grade spread sourced from LCD Pitchbook.
- (2) Source: Bloomberg LLP - base rate is the 3-month LIBOR (monthly average) rates through 2022 and monthly average SOFR rates for 2023 - March 2025.



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Premium Over Surplus as of July 1, 2002 (1.15x multiple)
USD (In thousands, unless otherwise noted)

Exhibit 3

	Median	(A)	(B)	C = (A * B)		For the year ended December 31,												
Adjusted Surplus July 1, 2002	80,832.5					2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
(1) 1.15x Premium of Adjusted Surplus Indicated Value	92,957.3					4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Indicated Value net of Adjusted Surplus	12,124.9					1.78%	1.22%	1.68%	3.64%	5.22%	5.26%	2.79%	0.65%	0.34%	0.35%	0.42%	0.27%	
						5.78%	5.22%	5.68%	7.64%	9.22%	9.26%	6.79%	4.65%	4.34%	4.35%	4.42%	4.27%	
						12,124.9	12,475.5	13,126.1	13,871.3	14,931.4	16,308.6	17,818.1	19,028.1	19,913.1	20,778.3	21,681.9	22,640.2	
						350.6	650.6	745.2	1,060.1	1,377.2	1,509.5	1,210.1	885.0	865.2	903.6	958.3	965.8	
						12,475.5	13,126.1	13,871.3	14,931.4	16,308.6	17,818.1	19,028.1	19,913.1	20,778.3	21,681.9	22,640.2	23,606.0	
						For the year ended December 31,												
						2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Spread	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	
Base Rate	0.23%	0.33%	0.76%	1.29%	2.36%	2.30%	0.61%	0.16%	2.55%	5.06%	5.14%	4.36%						
All in Yield	4.23%	4.33%	4.76%	5.29%	6.36%	6.30%	4.61%	4.16%	6.55%	9.06%	9.14%	8.36%						
Beginning Balance Based on Median Multiple (1.15x)	23,606.0	24,605.5	25,670.9	26,892.8	28,314.9	30,115.2	32,011.3	33,485.7	34,878.7	37,164.9	40,531.4	44,234.3						
Return on Premium	999.6	1,065.4	1,221.9	1,422.1	1,800.3	1,896.1	1,474.4	1,393.0	2,286.1	3,366.5	3,702.9	3,699.5						
Ending Balance	24,605.5	25,670.9	26,892.8	28,314.9	30,115.2	32,011.3	33,485.7	34,878.7	37,164.9	40,531.4	44,234.3	47,933.7						
Present Value of Premium over Surplus Based on Multiple (1.15x)																		\$ 47,933.7

		For the year ended December 31,											
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
4.5% Spread over LIBOR/SOFR		4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Present Value Calculation		1.78%	1.22%	1.68%	3.64%	5.22%	5.26%	2.79%	0.65%	0.34%	0.35%	0.42%	0.27%
Spread		6.28%	5.72%	6.18%	8.14%	9.72%	9.76%	7.29%	5.15%	4.84%	4.85%	4.92%	4.77%
Base Rate		12,124.9	12,505.8	13,220.5	14,037.2	15,180.1	16,656.2	18,281.1	19,614.0	20,624.3	21,623.5	22,672.0	23,787.4
All in Yield		380.9	714.7	816.7	1,142.9	1,476.1	1,624.9	1,332.9	1,010.3	999.2	1,048.5	1,115.4	1,133.7
Beginning Balance Based on Median Multiple (1.15x)		12,505.8	13,220.5	14,037.2	15,180.1	16,656.2	18,281.1	19,614.0	20,624.3	21,623.5	22,672.0	23,787.4	24,921.1
Return on Premium		24,921.1	26,101.0	27,361.6	28,800.8	30,467.7	32,557.2	34,769.9	36,545.2	38,248.2	40,946.5	44,860.3	49,182.9
Ending Balance		1,179.9	1,260.6	1,439.2	1,667.0	2,089.5	2,212.7	1,775.3	1,703.0	2,698.2	3,913.8	4,322.7	4,359.2
Present Value of Premium over Surplus Based on Multiple (1.15x)		26,101.0	27,361.6	28,800.8	30,467.7	32,557.2	34,769.9	36,545.2	38,248.2	40,946.5	44,860.3	49,182.9	53,542.2
													\$ 53,542.2

Notes:
(1) See Exhibit 5 - Guideline Transaction Multiples for more detail.
(2) Source: Bloomberg LLP - base rate is the 3-month LIBOR (monthly average) rates through 2022 and monthly average SOFR rates for 2023 - March 2025.



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Initial Surplus as of July 1, 2002 (Date of Separation)
USD (In thousands, unless otherwise noted)

Exhibit 4

(1) Statutory Surplus on June 30, 2002			\$ 175,327.5
(2) Less: Non-Tabular Discount on Reserves			(104,742.1)
(3) Less: Non-Tabular Discount on ULAE Reserves			(6,504.0)
(4) Plus: Difference in Booked Reserves			10,303.4
Adjusted Surplus			\$ 74,384.8
Plus: Not-Admitted Assets			
(5) Fixed Assets			\$ 2,022.4
Non-admitted premiums and agents' balance in course of collection	\$ 9,061.6		
(6) Estimated collectability		38.2%	
(7) Estimated collectible portion of non-admitted premiums and agents' balance in course of collection			3,463.7
Aggregate Write-Ins for Other than Invested Assets			961.5
Total Non-Admitted Assets			\$ 6,447.6
Net Adjusted Surplus			\$ 80,832.5

- (1) See Exhibit 6 - Historical Balance Sheets.
(2) Amount provided by Management. Based on Milliman report dated June 30, 2002.
(3) Amount provided by Management. Based on Milliman report dated December 31, 2002 (proxy for June 30, 2002).
(4) Amount provided by Management. Based on recommendation per Milliman.
(5) Based on June 30, 2002 quarterly filing provided by Management.
(6) Estimate provided by Management based on historical collectability from 2018 through 2019.
(7) This represents the portion (38.2%) of non-admitted receivables (\$9,061,580) that Management estimates would have been collectible as of June 30, 2002.

Pinnacol Assurance**Exhibit 5****State of Colorado- Remaining Interest****As of December 31, 2025 (Anticipated Date of Disaffiliation)****Guideline Transaction Multiples - Prior to Date of Separation****USD (In thousands, unless otherwise noted)**

Announcement Date	Buyer / Target	Target State	Deal Value	Deal Value / Common Equity	Total Assets	Tangible Equity	Tangible Common Equity / Tangible Assets
12/31/2001	Fairfax Financial Holdings Limited/Old Lyme Insurance Company Ltd et al.	RI	42,800.0	1.00x	N/A	NM	NM
7/20/2001	Alleghany Corporation/Capitol Transamerica Corporation	WI	182,165.0	1.26x	283,089.0	144,507.0	51.05%
5/7/2001	Argonaut Group, Inc./Front Royal, Inc.	NC	167,500.0	1.98x	464,919.0	72,931.0	16.09%
4/18/2001	Vesta Insurance Group, Inc./Florida Select Insurance Holdings, Inc.	FL	64,477.0	2.05x	106,645.0	NM	NM
12/21/2000	Fairfax Financial Holdings Limited/Transnational Insurance Company	NJ	17,400.0	1.16x	15,000.0	NM	NM
10/31/2000	American National Insurance Company/Farm Family Holdings, Inc.	NY	278,865.0	1.35x	1,323,258.0	NM	NM
8/17/2000	American International Group, Inc./HSB Group, Inc.	CT	1,203,766.0	3.15x	1,953,200.0	382,306.0	19.57%
6/22/2000	Medical Assurance, Inc./Professionals Group Inc.	MI	222,077.0	1.01x	1,094,122.0	NM	NM
4/27/2000	Fairfax Financial Holdings Limited/Sen-Tech International Holdings, Inc.	NY	65,314.0	1.15x	169,600.0	NM	NM
		Maximum	1,203,766.0	3.15x	1,953,200.0	382,306.0	51.05%
		75th Percentile	222,077.0	1.98x	1,151,406.0	263,406.5	35.31%
		Median	167,500.0	1.26x	374,004.0	144,507.0	19.57%
		25th Percentile	64,477.0	1.15x	153,861.3	108,719.0	17.83%
		Minimum	17,400.0	1.00x	15,000.0	72,931.0	16.09%

Notes

Source: S&P Capital IQ Pro

Transaction Search Criteria - Transactions between 2000 - July 1, 2002; target is a P&C insurer located in the U.S, total assets less than \$2.5 billion and excluded negative ROE for last 12 months (LTM), if available.

Note - Given our review of Pinnacol to the acquired companies and timing of transactions, a range was selected of 1.00x to 1.15x. In selecting this range, the following was considered:

Pinnacol was a mono-line/mono-state carrier, thus in general less diversified than the acquired companies, and it had inadequate surplus as of the date of separation.

Pinnacol was increasing revenue and market share up to date of separation.

The date of separation was post 9/11/01, which negatively impacted not only the economy overall but also specifically the insurance industry.

There was only one transaction included above that occurred between 9/11/01 and the valuation date, thus indicating minimal transaction activity and lower liquidity.

There were an additional two transactions identified post 9/11/01 that were excluded from above that sold for multiples below 1.00x common equity.



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Balance Sheets
USD (In thousands, unless otherwise noted)

Exhibit 6

	As of	As of December 31,														
	June 30,	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
	2002															
Assets																
Cash and invested assets																
Bonds at adj carrying value	\$ 1,019,520	\$ 276,314	\$ 367,301	\$ 338,558	\$ 460,556	\$ 497,677	\$ 530,416	\$ 603,204	\$ 666,311	\$ 723,460	\$ 774,181	\$ 778,598	\$ 744,401	\$ 663,967	\$ 627,069	
Preferred stock at adj carrying value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Common stock at fair value	31,127	-	-	-	-	-	-	-	-	-	-	-	-	-	4,441	
Mortgage loans	17,398	25,173	22,417	20,192	18,079	15,914	13,820	-	-	-	-	-	-	-	-	
Real estate at cost - net acc dep	28,721	2,529	2,473	2,417	2,361	2,309	1,056	994	500	-	-	-	-	-	-	
Cash, cash equivalents and short-term investments	8,972	34,322	27,414	33,952	12,554	13,082	21,754	9,493	16,331	35,534	39,039	18,527	12,279	18,608	10,462	
Short term investments	-	124,092	70,175	111,392	9,500	200	-	-	-	-	-	-	-	-	-	
Other invested assets	-	-	-	-	5,000	-	-	-	-	-	-	-	-	-	-	
Receivables for securities sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Securities lending reinvested collateral assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total cash and invested assets	1,105,738	462,430	489,781	506,511	508,050	529,183	567,047	613,691	683,142	758,994	813,220	797,125	756,680	682,575	641,972	
Uncollected premiums	54,089	39,353	42,758	34,139	39,562	37,114	24,087	55,410	121,972	63,991	53,488	40,904	25,043	26,867	40,746	
Earned but unbilled premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Funds held by or deposited with reinsurers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Electric data processing equipment	1,643	-	358	1,221	892	830	1,706	653	723	1,164	2,438	3,231	1,600	2,264	1,329	
Interest, dividends & real estate income accrued	-	6,989	7,595	7,467	7,765	6,808	6,788	8,684	9,589	11,680	11,877	11,403	11,425	-	-	
Receivables from subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Aggregate write in for other than invested assets	-	117	395	24	34	95	3,986	62,797	3,739	-	-	-	-	-	-	
Accrued investment income	13,433	-	-	-	-	-	-	-	-	-	-	-	-	9,884	9,366	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	113,895	
Total assets	\$ 1,174,903	\$ 508,890	\$ 540,887	\$ 549,362	\$ 556,302	\$ 574,029	\$ 603,614	\$ 741,235	\$ 819,165	\$ 835,829	\$ 881,023	\$ 852,663	\$ 794,748	\$ 708,943	\$ 807,308	
Liabilities																
Reserve for unpaid losses adj expenses																
Reserve for unpaid losses adj. expenses	\$ 847,728	\$ 371,742	\$ 392,155	\$ 416,268	\$ 430,087	\$ 703,928	\$ 684,548	\$ 748,563	\$ 777,930	\$ 786,301	\$ 812,300	\$ 773,400	\$ 720,400	\$ 616,555	\$ 675,375	
Reserve for unpaid loss adj. expense	26,333	12,509	17,845	18,732	20,266	18,873	22,552	25,546	26,281	25,000	27,000	28,264	28,264	23,608	23,608	
Total reserve for unpaid losses and loss adj. expense	874,061	384,251	410,000	435,000	450,353	722,801	707,100	774,109	804,211	811,301	839,300	801,664	748,664	640,163	698,983	
Unearned premiums	81,809	19,378	19,978	17,822	14,028	19,591	10,465	46,405	69,532	64,615	57,278	49,580	43,906	44,680	49,532	
Advance premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends payable to policyholders	-	562	554	-	-	-	-	-	-	-	-	-	-	2,050	1,594	
Accounts withheld	-	7,303	8,940	-	216	272	420	483	-	-	-	-	-	-	-	
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxes and licensing fees	9,512	2,786	665	3,495	3,885	4,871	5,665	6,314	8,915	11,101	7,398	6,233	6,090	-	-	
Commissions payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Structures settlement liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payable to subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payable for securities lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Credit balances due policyholders	-	-	-	-	-	-	-	-	-	-	-	-	-	3,289	4,863	
Payable for securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Aggregate write-in for liabilities	8,980	37,544	41,233	38,000	28,047	23,626	22,751	31,523	19,172	26,173	20,986	16,827	4,459	-	-	
Surplus note interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowed money and accrued interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	25,213	690	1,268	2,009	1,424	2,855	10,966	13,658	14,393	19,985	24,582	25,858	22,710	25,801	31,499	
Total liabilities	999,575	452,515	482,638	496,326	497,953	774,016	757,367	872,492	916,223	933,174	949,544	900,162	825,829	715,983	786,471	
Surplus notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special surplus fund for pension benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unassigned policyholders' surplus	175,328	56,375	58,249	53,036	58,349	(199,987)	(153,753)	(131,257)	(97,058)	(97,345)	(68,521)	(47,499)	(31,081)	(7,040)	20,837	
Total liabilities and policyholders' surplus	\$ 1,174,903	\$ 508,890	\$ 540,887	\$ 549,362	\$ 556,302	\$ 574,029	\$ 603,614	\$ 741,235	\$ 819,165	\$ 835,829	\$ 881,023	\$ 852,663	\$ 794,748	\$ 708,943	\$ 807,308	

The Report must be read and interpreted as a whole, and not on a piecemeal basis, taking into consideration all relevant supporting information and documentation contained therein.



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Balance Sheets
USD (In thousands, unless otherwise noted)

Exhibit 6

	As of December 31,														
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assets															
Cash and invested assets															
Bonds at adj carrying value	\$ 811,537	\$ 931,009	\$ 1,053,293	\$ 1,202,178	\$ 1,292,728	\$ 1,536,708	\$ 1,631,197	\$ 1,678,243	\$ 1,692,948	\$ 1,615,972	\$ 1,563,183	\$ 1,476,227	\$ 1,397,763	\$ 1,454,706	\$ 1,716,470
Preferred stock at adj carrying value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	898
Common stock at fair value	8,978	18,927	59,854	104,498	140,699	159,751	223,949	262,068	189,062	268,236	295,352	278,835	309,691	428,430	451,419
Mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real estate at cost - net acc dep	770	6,323	25,204	24,488	23,702	22,885	22,306	21,607	22,343	21,589	21,116	20,061	19,209	18,138	17,098
Cash, cash equivalents and short-term investments	15,256	45,519	51,167	98,091	142,925	20,954	44,163	96,699	111,674	63,556	52,809	80,053	129,571	86,416	39,378
Short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other invested assets	-	7,409	10,046	-	13,560	13,560	-	-	-	-	-	-	-	-	9,093
Receivables for securities sold	-	-	-	-	-	-	-	-	-	-	532	-	-	699	4,390
Securities lending reinvested collateral assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash and invested assets	836,541	1,009,187	1,199,564	1,429,255	1,613,614	1,753,858	1,921,615	2,058,617	2,016,027	1,969,353	1,932,992	1,855,176	1,856,243	1,988,389	2,238,746
Uncollected premiums	39,541	54,345	53,926	48,662	45,578	57,985	70,652	64,074	54,694	27,088	26,618	20,909	30,480	40,527	58,574
Earned but unbilled premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funds held by or deposited with reinsurers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,976
Electric data processing equipment	508	455	2,468	1,548	946	992	1,672	1,112	820	1,898	1,196	1,236	864	514	1,525
Interest, dividends & real estate income accrued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aggregate write in for other than invested assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued investment income	12,534	12,621	13,210	12,746	13,079	15,514	17,066	17,324	18,560	18,328	17,958	16,320	14,901	14,123	14,554
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 889,124	\$ 1,076,608	\$ 1,269,168	\$ 1,492,211	\$ 1,673,217	\$ 1,828,349	\$ 2,011,005	\$ 2,141,127	\$ 2,090,101	\$ 2,016,667	\$ 1,978,764	\$ 1,893,641	\$ 1,902,488	\$ 2,043,553	\$ 2,315,375
Liabilities															
Reserve for unpaid losses adj expenses															
Reserve for unpaid losses adj. expenses	\$ 708,104	\$ 795,981	\$ 897,414	\$ 997,505	\$ 1,121,874	\$ 1,167,693	\$ 1,040,222	\$ 1,042,466	\$ 1,006,494	\$ 954,394	\$ 1,029,128	\$ 1,024,637	\$ 1,016,988	\$ 1,124,100	\$ 822,994
Reserve for unpaid loss adj. expense	26,619	26,333	26,899	26,924	37,000	38,000	197,199	211,398	216,666	194,744	152,727	146,170	122,431	118,938	106,618
Total reserve for unpaid losses and loss adj. expense	734,723	822,314	924,313	1,024,429	1,158,874	1,205,693	1,237,421	1,253,864	1,223,160	1,149,138	1,181,855	1,170,807	1,139,419	1,243,038	929,612
Unearned premiums	61,163	75,003	84,777	93,203	95,765	95,107	99,864	95,549	70,711	57,596	59,746	56,583	62,150	70,861	79,439
Advance premiums	-	-	-	-	-	-	-	-	15,357	14,242	8,821	8,894	8,931	10,433	9,276
Dividends payable to policyholders	-	-	-	-	7,840	10,046	13,983	13,343	29,957	20,276	14,572	11,697	12,748	13,265	15,736
Accounts withheld	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	35,344	27,095	20,207	7,600	-
Taxes and licensing fees	6,270	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commissions payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,763
Structures settlement liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	365,772
Payable to subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payable for securities lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit balances due policyholders	-	5,820	8,225	9,050	10,846	9,861	8,518	8,160	9,016	8,225	17,612	5,995	4,781	6,686	8,077
Payable for securities	-	-	-	-	-	-	-	-	-	-	-	-	-	26,529	8,161
Aggregate write-in for liabilities	5,172	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus note interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowed money and accrued interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	17,229	29,755	36,343	38,231	34,098	35,793	43,746	48,139	43,899	34,663	42,688	30,744	38,150	39,581	25,552
Total liabilities	824,557	932,892	1,053,658	1,164,913	1,307,423	1,356,500	1,403,532	1,419,055	1,392,100	1,284,140	1,360,638	1,311,815	1,286,386	1,417,993	1,467,388
Surplus notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000
Special surplus fund for pension benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned policyholders' surplus	64,568	143,716	215,510	327,298	365,794	471,849	607,473	722,072	698,001	732,527	618,126	581,826	616,102	625,560	747,987
Total liabilities and policyholders' surplus	\$ 889,124	\$ 1,076,608	\$ 1,269,168	\$ 1,492,211	\$ 1,673,217	\$ 1,828,349	\$ 2,011,005	\$ 2,141,127	\$ 2,090,101	\$ 2,016,667	\$ 1,978,764	\$ 1,893,641	\$ 1,902,488	\$ 2,043,553	\$ 2,315,375

The Report must be read and interpreted as a whole, and not on a piecemeal basis, taking into consideration all relevant supporting information and documentation contained therein.



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Balance Sheets
USD (In thousands, unless otherwise noted)

Exhibit 6

	As of December 31,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assets										
Cash and invested assets										
Bonds at adj carrying value	\$ 1,833,786	\$ 1,902,064	\$ 2,017,524	\$ 2,129,597	\$ 2,116,729	\$ 2,251,470	\$ 2,322,842	\$ 2,266,895	\$ 2,169,441	\$ 2,223,127
Preferred stock at adj carrying value	553	1,094	8,158	7,924	609	860	752	1,973	2,009	7,617
Common stock at fair value	447,763	498,600	544,752	447,357	440,042	473,148	456,309	381,883	381,410	382,087
Mortgage loans	-	-	-	15,024	23,814	45,068	68,554	71,283	73,857	64,740
Real estate at cost - net acc dep	16,226	17,162	16,854	15,984	15,057	14,025	12,847	11,615	10,481	11,499
Cash, cash equivalents and short-term investments	42,819	64,798	76,899	73,492	215,630	70,331	53,272	77,540	193,356	219,890
Short term investments	-	-	-	-	-	-	-	-	-	-
Other invested assets	24,417	45,155	70,490	92,944	105,232	128,262	156,972	152,246	153,530	157,897
Receivables for securities sold	71	770	842	1,317	12,271	69	26	2,595	4	84
Securities lending reinvested collateral assets	-	-	-	-	92,085	-	-	-	-	-
Total cash and invested assets	2,365,635	2,529,643	2,735,519	2,783,639	3,021,469	2,983,030	3,071,574	2,966,030	2,983,888	3,066,941
Uncollected premiums	79,879	84,308	35,161	35,689	33,049	28,821	28,559	30,789	31,205	31,243
Earned but unbilled premiums	-	-	43,610	32,485	27,590	-	15,575	22,250	28,035	27,145
Funds held by or deposited with reinsurers	1,895	1,792	1,792	2,182	4,583	4,582	4,491	4,491	4,491	7,391
Electric data processing equipment	1,762	1,600	985	495	1,139	790	570	442	1,232	812
Interest, dividends & real estate income accrued	-	-	751	-	-	-	-	-	-	-
Receivables from subsidiaries and affiliates	-	-	751	172	283	168	74	81	452	1,231
Aggregate write in for other than invested assets	-	-	-	-	-	-	-	-	-	-
Accrued investment income	14,212	15,516	15,893	17,940	18,134	18,466	18,595	20,836	21,289	23,172
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 2,463,383	\$ 2,632,859	\$ 2,833,711	\$ 2,872,602	\$ 3,106,247	\$ 3,035,858	\$ 3,139,438	\$ 3,044,919	\$ 3,070,592	\$ 3,157,934
Liabilities										
Reserve for unpaid losses adj expenses										
Reserve for unpaid losses adj. expenses	\$ 834,214	\$ 829,731	\$ 815,521	\$ 813,072	\$ 795,911	\$ 805,576	\$ 802,573	\$ 810,187	\$ 763,487	\$ 741,705
Reserve for unpaid loss adj. expense	105,910	105,981	107,574	107,496	106,211	104,373	105,898	112,660	110,334	111,742
Total reserve for unpaid losses and loss adj. expense	940,124	935,712	923,095	920,568	902,122	909,949	908,471	922,847	873,821	853,447
Unearned premiums	83,514	81,067	83,431	83,113	78,384	70,501	69,787	64,333	67,147	69,108
Advance premiums	9,771	10,882	10,786	11,029	11,056	10,501	9,628	1,408	9,245	3,674
Dividends payable to policyholders	51,365	74,644	78,600	103,478	92,830	31,660	70,878	29,584	43,262	40,928
Accounts withheld	-	-	-	-	-	-	-	-	-	-
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-
Taxes and licensing fees	-	-	-	-	-	-	-	-	-	3,846
Commissions payable	33,035	32,834	39,307	39,617	33,955	29,258	30,396	32,135	30,640	35,846
Structures settlement liability	373,371	378,736	384,790	386,352	387,750	383,881	381,815	381,982	401,000	422,198
Payable to subsidiaries and affiliates	-	-	24	58	92	75	64	52	52	57
Payable for securities lending	-	-	-	-	92,085	-	-	-	-	-
Credit balances due policyholders	8,406	9,416	8,566	8,953	8,718	8,699	9,111	7,073	8,343	-
Payable for securities	4,751	4,340	5,183	4,430	6,912	4,548	341	7,862	-	-
Aggregate write-in for liabilities	-	-	-	-	-	-	-	-	-	-
Surplus note interest payable	-	-	-	-	-	-	-	-	-	-
Borrowed money and accrued interest	-	-	-	-	-	-	-	53,197	53,252	53,215
Other liabilities	23,748	18,879	23,621	24,006	30,748	28,975	30,887	35,495	34,842	30,084
Total liabilities	1,528,085	1,546,510	1,567,403	1,581,604	1,644,652	1,478,048	1,511,378	1,535,968	1,521,604	1,512,401
Surplus notes	100,000	100,000	100,000	100,000	100,000	100,000	92,000	45,000	45,000	45,000
Special surplus fund for pension benefits	156,767	180,271	350,883	407,510	217,289	181,930	192,211	135,098	179,112	207,348
Unassigned policyholders' surplus	678,531	806,078	825,425	783,488	1,144,306	1,275,880	1,343,849	1,328,853	1,324,876	1,393,186
Total liabilities and policyholders' surplus	\$ 2,463,383	\$ 2,632,859	\$ 2,833,711	\$ 2,872,602	\$ 3,106,247	\$ 3,035,858	\$ 3,139,438	\$ 3,044,919	\$ 3,070,592	\$ 3,157,934

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Balance Sheet - Common Size Analysis

Exhibit 7

	As of	As of December 31,													
	June 30,	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	2002														
Assets															
Cash and invested assets															
Bonds at adj carrying value	86.8%	54.3%	67.9%	61.6%	82.8%	86.7%	87.9%	81.4%	81.3%	86.6%	87.9%	91.3%	93.7%	93.7%	77.7%
Preferred stock at adj carrying value	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common stock at fair value	2.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Mortgage loans	0.0%	4.9%	4.1%	3.7%	3.2%	2.8%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real estate at cost - net acc dep	1.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash, cash equivalents and short-term investments	2.4%	6.7%	5.1%	6.2%	2.3%	2.3%	3.6%	1.3%	2.0%	4.3%	4.4%	2.2%	1.5%	2.6%	1.3%
Short term investments	0.8%	24.4%	13.0%	20.3%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other invested assets	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables for securities sold	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Securities lending reinvested collateral assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total cash and invested assets	94.1%	90.9%	90.6%	92.2%	91.3%	92.2%	93.9%	82.8%	83.4%	90.8%	92.3%	93.5%	95.2%	96.3%	79.5%
Uncollected premiums	4.6%	7.7%	7.9%	6.2%	7.1%	6.5%	4.0%	7.5%	14.9%	7.7%	6.1%	4.8%	3.2%	3.8%	5.0%
Earned but unbilled premiums	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Funds held by or deposited with reinsurers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.8%	0.0%
Electric data processing equipment	0.1%	0.0%	0.1%	0.2%	0.2%	0.1%	0.3%	0.1%	0.1%	0.1%	0.3%	0.4%	0.2%	0.3%	0.2%
Interest, dividends & real estate income accrued	0.0%	1.4%	1.4%	1.4%	1.4%	1.2%	1.1%	1.2%	1.2%	1.4%	1.3%	1.3%	1.4%	0.0%	0.0%
Receivables from subsidiaries and affiliates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aggregate write in for other than invested assets	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.7%	8.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued investment income	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	1.2%
Accumulated depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.1%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities															
Reserve for unpaid losses adj expenses															
Reserve for unpaid losses adj. expenses	72.2%	73.0%	72.5%	75.8%	77.3%	122.6%	113.4%	101.0%	95.0%	94.1%	92.2%	90.7%	90.6%	87.0%	83.7%
Reserve for unpaid loss adj. expense	2.2%	2.5%	3.3%	3.4%	3.6%	3.3%	3.7%	3.4%	3.2%	3.0%	3.1%	3.3%	3.6%	3.3%	2.9%
Total reserve for unpaid losses and loss adj. expense	74.4%	75.5%	75.8%	79.2%	81.0%	125.9%	117.1%	104.4%	98.2%	97.1%	95.3%	94.0%	94.2%	90.3%	86.6%
Unearned premiums	7.0%	3.8%	3.7%	3.2%	2.5%	3.4%	1.7%	6.3%	8.5%	7.7%	6.5%	5.8%	5.5%	6.3%	6.1%
Advance premiums	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividends payable to policyholders	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.2%
Accounts withheld	0.0%	1.4%	1.7%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Premium deficiency reserve	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes and licensing fees	0.8%	0.5%	0.1%	0.6%	0.7%	0.8%	0.9%	0.9%	1.1%	1.3%	0.8%	0.7%	0.8%	0.0%	0.0%
Commissions payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Structures settlement liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payable to subsidiaries and affiliates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payable for securities lending	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit balances due policyholders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.6%
Payable for securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aggregate write-in for liabilities	0.8%	7.4%	7.6%	6.9%	5.0%	4.1%	3.8%	4.3%	2.3%	3.1%	2.4%	2.0%	0.6%	0.0%	0.0%
Surplus note interest payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed money and accrued interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities	2.1%	0.1%	0.2%	0.4%	0.3%	0.5%	1.8%	1.8%	1.8%	2.4%	2.8%	3.0%	2.9%	3.6%	3.9%
Total liabilities	85.1%	88.9%	89.2%	90.3%	89.5%	134.8%	125.5%	117.7%	111.8%	111.6%	107.8%	105.6%	103.9%	101.0%	97.4%
Surplus notes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special surplus fund for pension benefits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unassigned policyholders' surplus	14.9%	11.1%	10.8%	9.7%	10.5%	-34.8%	-25.5%	-17.7%	-11.8%	-11.6%	-7.8%	-5.6%	-3.9%	-1.0%	2.6%
Total liabilities and policyholders' surplus	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Balance Sheet - Common Size Analysis

Exhibit 7

	As of December 31,														
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assets															
Cash and invested assets															
Bonds at adj carrying value	91.3%	86.5%	83.0%	80.6%	77.3%	84.0%	81.1%	78.4%	81.0%	80.1%	79.0%	78.0%	73.5%	71.2%	74.1%
Preferred stock at adj carrying value	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common stock at fair value	1.0%	1.8%	4.7%	7.0%	8.4%	8.7%	11.1%	12.2%	9.0%	13.3%	14.9%	14.7%	16.3%	21.0%	19.5%
Mortgage loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real estate at cost - net acc dep	0.1%	0.6%	2.0%	1.6%	1.4%	1.3%	1.1%	1.0%	1.1%	1.1%	1.1%	1.1%	1.0%	0.9%	0.7%
Cash, cash equivalents and short-term investments	1.7%	4.2%	4.0%	6.6%	8.5%	1.1%	2.2%	4.5%	5.3%	3.2%	2.7%	4.2%	6.8%	4.2%	1.7%
Short term investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other invested assets	0.0%	0.7%	0.8%	0.0%	0.8%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Receivables for securities sold	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Securities lending reinvested collateral assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total cash and invested assets	94.1%	93.7%	94.5%	95.8%	96.4%	95.9%	95.6%	96.1%	96.5%	97.7%	97.7%	98.0%	97.6%	97.3%	96.7%
Uncollected premiums	4.4%	5.0%	4.2%	3.3%	2.7%	3.2%	3.5%	3.0%	2.6%	1.3%	1.3%	1.1%	1.6%	2.0%	2.5%
Earned but unbilled premiums	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Funds held by or deposited with reinsurers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Electric data processing equipment	0.1%	0.0%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%
Interest, dividends & real estate income accrued	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables from subsidiaries and affiliates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aggregate write in for other than invested assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued investment income	1.4%	1.2%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.8%	0.7%	0.6%
Accumulated depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities															
Reserve for unpaid losses adj expenses															
Reserve for unpaid losses adj. expenses	79.6%	73.9%	70.7%	66.8%	67.0%	63.9%	51.7%	48.7%	48.2%	47.3%	52.0%	54.1%	53.5%	55.0%	35.5%
Reserve for unpaid loss adj. expense	3.0%	2.4%	2.1%	1.8%	2.2%	2.1%	9.8%	9.9%	10.4%	9.7%	7.7%	7.7%	6.4%	5.8%	4.6%
Total reserve for unpaid losses and loss adj. expense	82.6%	76.4%	72.8%	68.7%	69.3%	65.9%	61.5%	58.6%	58.5%	57.0%	59.7%	61.8%	59.9%	60.8%	40.1%
Unearned premiums	6.9%	7.0%	6.7%	6.2%	5.7%	5.2%	5.0%	4.5%	3.4%	2.9%	3.0%	3.0%	3.3%	3.5%	3.4%
Advance premiums	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%	0.4%	0.5%	0.5%	0.5%	0.4%
Dividends payable to policyholders	0.0%	0.0%	0.0%	0.0%	0.5%	0.5%	0.7%	0.6%	1.4%	1.0%	0.7%	0.6%	0.7%	0.6%	0.7%
Accounts withheld	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Premium deficiency reserve	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	1.4%	1.1%	0.4%	0.0%
Taxes and licensing fees	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commissions payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%
Structures settlement liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.8%
Payable to subsidiaries and affiliates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payable for securities lending	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit balances due policyholders	0.0%	0.5%	0.6%	0.6%	0.6%	0.5%	0.4%	0.4%	0.4%	0.4%	0.9%	0.3%	0.3%	0.3%	0.3%
Payable for securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	0.4%
Aggregate write-in for liabilities	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Surplus note interest payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed money and accrued interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities	1.9%	2.8%	2.9%	2.6%	2.0%	2.0%	2.2%	2.2%	2.1%	1.7%	2.2%	1.6%	2.0%	1.9%	1.1%
Total liabilities	92.7%	86.7%	83.0%	78.1%	78.1%	74.2%	69.8%	66.3%	66.6%	63.7%	68.8%	69.3%	67.6%	69.4%	63.4%
Surplus notes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%
Special surplus fund for pension benefits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unassigned policyholders' surplus	7.3%	13.3%	17.0%	21.9%	21.9%	25.8%	30.2%	33.7%	33.4%	36.3%	31.2%	30.7%	32.4%	30.6%	32.3%
Total liabilities and policyholders' surplus	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Balance Sheet - Common Size Analysis

Exhibit 7

	As of December 31,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assets										
Cash and invested assets										
Bonds at adj carrying value	74.4%	72.2%	71.2%	74.1%	68.1%	74.2%	74.0%	74.4%	70.7%	70.4%
Preferred stock at adj carrying value	0.0%	0.0%	0.3%	0.3%	0.0%	0.3%	0.0%	0.1%	0.1%	0.2%
Common stock at fair value	18.2%	18.9%	19.2%	15.6%	14.2%	15.6%	14.5%	12.5%	12.4%	12.1%
Mortgage loans	0.0%	0.0%	0.0%	0.5%	0.8%	1.5%	2.2%	2.3%	2.4%	2.1%
Real estate at cost - net acc dep	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.3%	0.4%
Cash, cash equivalents and short-term investments	1.7%	2.5%	2.7%	2.6%	6.9%	2.3%	1.7%	2.5%	6.3%	7.0%
Short term investments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other invested assets	1.0%	1.7%	2.5%	3.2%	3.4%	4.2%	5.0%	5.0%	5.0%	5.0%
Receivables for securities sold	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%	0.1%	0.0%	0.0%
Securities lending reinvested collateral assets	0.0%	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total cash and invested assets	96.0%	96.1%	96.5%	96.9%	97.3%	98.3%	97.8%	97.4%	97.2%	97.1%
Uncollected premiums	3.2%	3.2%	1.2%	1.2%	1.1%	0.9%	0.9%	1.0%	1.0%	1.0%
Earned but unbilled premiums	0.0%	0.0%	1.5%	1.1%	0.9%	0.0%	0.5%	0.7%	0.9%	0.9%
Funds held by or deposited with reinsurers	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.2%
Electric data processing equipment	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest, dividends & real estate income accrued	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables from subsidiaries and affiliates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Aggregate write in for other than invested assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued investment income	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%
Accumulated depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities										
Reserve for unpaid losses adj expenses										
Reserve for unpaid losses adj. expenses	33.9%	31.5%	28.8%	28.3%	25.6%	26.5%	25.6%	26.6%	24.9%	23.5%
Reserve for unpaid loss adj. expense	4.3%	4.0%	3.8%	3.7%	3.4%	3.4%	3.4%	3.7%	3.6%	3.5%
Total reserve for unpaid losses and loss adj. expense	38.2%	35.5%	32.6%	32.0%	29.0%	30.0%	28.9%	30.3%	28.5%	27.0%
Unearned premiums	3.4%	3.1%	2.9%	2.9%	2.5%	2.3%	2.2%	2.1%	2.2%	2.2%
Advance premiums	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.0%	0.3%	0.1%
Dividends payable to policyholders	2.1%	2.8%	2.8%	3.6%	3.0%	1.0%	2.3%	1.0%	1.4%	1.3%
Accounts withheld	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Premium deficiency reserve	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes and licensing fees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Commissions payable	1.3%	1.2%	1.4%	1.4%	1.1%	1.0%	1.0%	1.1%	1.0%	1.1%
Structures settlement liability	15.2%	14.4%	13.6%	13.4%	12.5%	12.6%	12.2%	12.5%	13.1%	13.4%
Payable to subsidiaries and affiliates	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payable for securities lending	0.0%	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit balances due policyholders	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.0%
Payable for securities	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.0%	0.3%	0.0%	0.0%
Aggregate write-in for liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Surplus note interest payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed money and accrued interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	1.7%	1.7%
Other liabilities	1.0%	0.7%	0.8%	0.8%	1.0%	1.0%	1.0%	1.2%	1.1%	1.0%
Total liabilities	62.0%	58.7%	55.0%	55.1%	52.9%	48.7%	48.1%	50.4%	49.6%	47.9%
Surplus notes	4.1%	3.8%	3.5%	3.5%	3.2%	3.3%	2.9%	1.5%	1.5%	1.4%
Special surplus fund for pension benefits	6.4%	6.8%	12.4%	14.2%	7.0%	6.0%	6.1%	4.4%	5.8%	6.6%
Unassigned policyholders' surplus	27.5%	30.6%	29.1%	27.3%	36.8%	42.0%	42.8%	43.6%	43.1%	44.1%
Total liabilities and policyholders' surplus	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Income Statements
USD (In thousands, unless otherwise noted)

Exhibit 8

	6 Months YTD		For the year ended December 31.												
	2001	2002	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Premiums earned	\$ 175,942	\$ 224,687	\$ 174,568	\$ 191,640	\$ 220,671	\$ 233,924	\$ 266,371	\$ 281,980	\$ 310,816	\$ 373,234	\$ 351,875	\$ 328,396	\$ 274,136	\$ 243,170	\$ 176,435
Deductions															
Losses incurred	137,100	172,332	198,992	198,329	229,982	249,309	518,685	243,098	288,151	309,674	298,926	279,731	226,842	210,720	157,500
Loss adjustment expenses incurred	10,793	13,199	10,659	12,683	10,809	10,793	10,736	16,820	12,459	12,217	13,696	18,499	20,387	22,388	22,017
Other underwriting expenses incurred	29,569	35,687	11,145	8,005	15,561	17,266	20,827	25,772	30,464	41,947	52,512	55,775	58,561	45,099	25,405
Total underwriting deductions	177,462	221,219	220,796	219,017	256,352	277,367	550,248	285,690	331,074	363,838	365,134	354,006	305,790	278,207	204,922
Net underwriting gain/loss	(1,520)	3,468	(46,227)	(27,376)	(35,680)	(43,443)	(283,877)	(3,710)	(20,258)	9,396	(13,259)	(25,609)	(31,654)	(35,037)	(28,487)
Investment income															
Net investment income	31,120	31,343	36,833	35,262	38,521	43,352	44,515	50,027	52,710	50,027	52,899	57,658	58,515	56,266	52,046
Surplus note interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net realized capital gain	351	3,545	196	128	(194)	(189)	57	764	115	290	(1,445)	379	950	2,187	6,674
Total investment income	31,471	34,888	37,029	35,391	38,327	43,163	44,573	50,792	52,825	50,316	51,454	58,037	59,465	58,453	58,720
Other income (loss)															
Provision for uncollectible premiums	(1,595)	(1,548)	(1,600)	(2,613)	(5,459)	(1,217)	(6,375)	(28,265)	(9,338)	(20,959)	(7,293)	(8,100)	(9,080)	(7,934)	(6,577)
Structured settlement expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	721	(584)	191	270	452	400	174	-	-	-	146	597	1,588	606	598
Dividends to policyholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and service charges not in premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other income	(874)	(2,132)	(1,408)	(2,343)	(5,007)	(817)	(6,201)	(28,265)	(9,338)	(20,959)	(7,146)	(7,503)	(7,492)	(7,328)	(5,979)
Net income	\$ 29,077	\$ 36,224	\$ (10,607)	\$ 5,671	\$ (2,361)	\$ (1,097)	\$ (245,505)	\$ 18,817	\$ 23,228	\$ 38,753	\$ 31,049	\$ 24,925	\$ 20,319	\$ 16,088	\$ 24,254
Net Income / Premiums earned	16.5%	16.1%	-6.1%	3.0%	-1.1%	-0.5%	-92.2%	6.7%	7.5%	10.4%	8.8%	7.6%	7.4%	6.6%	13.7%
Combined ratio	100.9%	98.5%	126.5%	114.3%	116.2%	118.6%	206.6%	101.3%	106.5%	97.5%	103.8%	107.8%	111.5%	114.4%	116.1%
Dividend to policyholders ratio/Net Premiums earned	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Combined ratios including dividends	100.9%	98.5%	126.5%	114.3%	116.2%	118.6%	206.6%	101.3%	106.5%	97.5%	103.8%	107.8%	111.5%	114.4%	116.1%
Return on average equity (unassigned surplus)	n/a	n/a	n/a	9.9%	-4.2%	-2.0%	346.7%	-10.6%	-16.3%	-33.9%	-31.9%	-30.1%	-35.0%	-40.9%	-127.2%
Return (net inv. Inc.) on avg. cash and invested assets	n/a	n/a	n/a	7.4%	7.7%	8.5%	8.6%	9.3%	8.9%	7.8%	7.1%	7.4%	7.4%	7.5%	8.2%



Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Income Statements
USD (In thousands, unless otherwise noted)

Exhibit 8

	For the year ended December 31,														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Premiums earned	\$ 266,576	\$ 306,277	\$ 391,500	\$ 470,119	\$ 490,108	\$ 515,471	\$ 566,470	\$ 588,376	\$ 567,284	\$ 521,082	\$ 398,502	\$ 344,612	\$ 385,795	\$ 425,882	\$ 479,719
Deductions															
Losses incurred	215,224	245,024	283,842	351,502	373,447	442,213	364,274	359,713	323,743	274,076	255,523	373,201	309,780	326,674	371,257
Loss adjustment expenses incurred	14,712	15,004	22,405	16,021	18,291	29,151	24,021	24,733	62,647	66,841	34,543	16,136	58,929	43,592	62,695
Other underwriting expenses incurred	50,456	57,335	76,159	92,797	94,917	100,738	101,818	115,656	117,107	124,041	113,957	145,518	99,247	116,312	110,022
Total underwriting deductions	280,392	317,364	382,406	460,320	486,655	572,102	490,113	500,102	503,497	464,958	404,023	534,855	467,956	486,578	543,974
Net underwriting gain/loss	(13,816)	(11,087)	9,094	9,799	3,453	(56,631)	76,357	88,274	63,787	56,124	(5,521)	(190,243)	(82,161)	(60,696)	(64,255)
Investment income															
Net investment income	45,777	54,860	61,604	74,360	77,027	80,472	85,600	92,776	101,036	98,433	94,402	89,496	89,110	79,841	71,848
Surplus note interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net realized capital gain	613	861	5,892	2,764	12,320	23,331	3,508	4,688	9,396	(56,527)	4,773	21,187	28,226	47,006	22,356
Total investment income	46,390	55,721	67,496	77,124	89,347	103,803	89,108	97,464	110,432	41,906	99,175	110,683	117,336	126,847	94,204
Other income (loss)															
Provision for uncollectible premiums	(5,546)	(1,698)	(2,610)	(3,628)	(2,556)	(2,245)	(2,362)	(5,145)	2,524	(2,122)	(1,252)	(2,330)	(1,770)	(385)	(2,480)
Structured settlement expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	941	1,847	1,971	(333)	2,615	2,656	2,683	2,423	990	396	1,480	1,134	692	407	346
Dividends to policyholders	-	-	-	-	(5,049)	(8,573)	(62,290)	(65,694)	(68,503)	(78,557)	(116,841)	(46,956)	(40,751)	(38,922)	(1,720)
Finance and service charges not in premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other income	(4,605)	148	(639)	(3,961)	(4,990)	(8,162)	(61,969)	(68,416)	(64,989)	(80,283)	(116,613)	(48,152)	(41,829)	(38,900)	(3,854)
Net income	\$ 27,969	\$ 44,783	\$ 75,951	\$ 82,962	\$ 87,810	\$ 39,010	\$ 103,496	\$ 117,322	\$ 109,230	\$ 17,747	\$ (22,959)	\$ (127,712)	\$ (6,654)	\$ 27,251	\$ 26,095
Net Income / Premiums earned	10.5%	14.6%	19.4%	17.6%	17.9%	7.6%	18.3%	19.9%	19.3%	3.4%	-5.8%	-37.1%	-1.7%	6.4%	5.4%
Combined ratio	105.2%	103.6%	97.7%	97.9%	99.3%	111.0%	86.5%	85.0%	88.8%	89.2%	101.4%	155.2%	121.3%	114.3%	113.4%
Dividend to policyholders ratio/Net Premiums earned	0.0%	0.0%	0.0%	0.0%	1.0%	1.7%	11.0%	11.2%	12.1%	15.1%	29.3%	13.6%	10.6%	9.1%	0.4%
Combined ratios including dividends	105.2%	103.6%	97.7%	97.9%	100.3%	112.6%	97.5%	96.2%	100.8%	104.3%	130.7%	168.8%	131.9%	123.4%	113.8%
Return on average equity (unassigned surplus)	405.4%	104.9%	72.9%	46.2%	32.4%	11.3%	24.7%	21.7%	16.4%	2.5%	-3.2%	-18.9%	-1.1%	4.5%	4.2%
Return (net inv. Inc.) on avg. cash and invested assets	7.0%	7.5%	7.3%	7.0%	6.8%	6.8%	5.3%	5.3%	5.5%	2.1%	5.0%	5.7%	6.2%	6.8%	4.9%

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Income Statements
USD (In thousands, unless otherwise noted)

Exhibit 8

	For the year ended December 31,										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Premiums earned	\$ 569,319	\$ 635,876	\$ 634,640	\$ 625,619	\$ 631,755	\$ 601,779	\$528,291	\$ 548,807	\$ 530,224	\$ 532,171	\$ 554,927
Deductions											
Losses incurred	379,091	341,874	319,696	303,662	303,206	301,192	309,363	306,711	314,737	273,922	299,419
Loss adjustment expenses incurred	61,555	66,322	74,618	79,047	74,775	77,956	77,513	80,358	91,175	84,213	88,372
Other underwriting expenses incurred	122,462	140,906	139,968	152,004	152,720	154,033	150,180	155,531	160,863	161,405	170,449
Total underwriting deductions	563,108	549,102	534,282	534,713	530,701	533,181	537,056	542,601	566,775	519,540	558,239
Net underwriting gain/loss	6,211	86,774	100,358	90,906	101,054	68,598	(8,766)	6,206	(36,551)	12,632	(3,312)
Investment income											
Net investment income	70,737	63,959	67,189	77,446	83,380	85,349	82,512	91,173	94,262	114,551	138,044
Surplus note interest expense	-	-	-	-	-	-	-	-	-	-	-
Net realized capital gain	122,644	(9,368)	15,263	17,890	9,825	21,069	58,218	49,417	25,093	(4,377)	(3,100)
Total investment income	193,381	54,591	82,452	95,336	93,205	106,418	140,730	140,590	119,355	110,174	134,944
Other income (loss)											
Provision for uncollectible premiums	(3,196)	(4,829)	(2,092)	(2,595)	(3,442)	(3,376)	(3,639)	(2,397)	(1,505)	(1,927)	(5,523)
Structured settlement expense	(3,962)	(6,180)	(7,720)	(7,908)	(10,828)	(8,135)	(3,041)	(2,286)	(9,264)	(18,691)	(14,334)
Other income	991	625	541	856	921	1,013	652	(5,543)	1,438	1,310	(1,764)
Dividends to policyholders	(1,590)	(32,410)	(54,094)	(52,430)	(72,355)	(61,484)	(12,188)	(90,919)	(10,614)	(30,892)	(15,450)
Finance and service charges not in premiums	-	-	-	-	-	-	-	-	-	-	-
Federal income tax	-	-	-	-	-	-	-	(564)	(160)	(127)	89
Total other income	(7,757)	(42,794)	(63,365)	(62,077)	(85,704)	(71,982)	(18,216)	(101,708)	(20,104)	(50,327)	(36,982)
Net income	\$ 191,835	\$ 98,571	\$ 119,445	\$ 124,165	\$ 108,555	\$ 103,034	\$ 113,748	\$ 45,088	\$ 62,700	\$ 72,479	\$ 94,650
Net Income / Premiums earned	33.7%	15.5%	18.8%	19.8%	17.2%	17.1%	21.5%	8.2%	11.8%	13.6%	17.1%
Combined ratio	98.9%	86.4%	84.2%	85.5%	84.0%	88.6%	101.7%	98.9%	106.9%	97.6%	100.6%
Dividend to policyholders ratio/Net Premiums earned	0.3%	5.1%	8.5%	8.4%	11.5%	10.2%	2.3%	16.6%	2.0%	5.8%	2.8%
Combined ratios including dividends	99.2%	91.5%	92.7%	93.8%	95.5%	98.8%	104.0%	115.4%	108.9%	103.4%	103.4%
Return on average equity (unassigned surplus)	27.9%	13.8%	16.1%	15.2%	13.5%	10.7%	9.4%	3.4%	4.7%	5.5%	7.1%
Return (net inv. Inc.) on avg. cash and invested assets	9.1%	2.4%	3.4%	3.6%	3.4%	3.7%	4.7%	4.6%	4.0%	3.7%	4.5%

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Income Statements - Common Size Analysis

Exhibit 9

	6 Months YTD		For the year ended December 31,												
	2001	2002	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deductions															
Losses incurred	77.9%	76.7%	114.0%	103.5%	104.2%	106.6%	194.7%	86.2%	92.7%	83.0%	85.0%	85.2%	82.7%	86.7%	89.3%
Loss adjustment expenses incurred	6.1%	5.9%	6.1%	6.6%	4.9%	4.6%	4.0%	6.0%	4.0%	3.3%	3.9%	5.6%	7.4%	9.2%	12.5%
Other underwriting expenses incurred	16.8%	15.9%	6.4%	4.2%	7.1%	7.4%	7.8%	9.1%	9.8%	11.2%	14.9%	17.0%	21.4%	18.5%	14.4%
Total underwriting deductions	100.9%	98.5%	126.5%	114.3%	116.2%	118.6%	206.6%	101.3%	106.5%	97.5%	103.8%	107.8%	111.5%	114.4%	116.1%
Net underwriting gain/loss	-0.9%	1.5%	-26.5%	-14.3%	-16.2%	-18.6%	-106.6%	-1.3%	-6.5%	2.5%	-3.8%	-7.8%	-11.5%	-14.4%	-16.1%
Investment income															
Net investment income	17.7%	13.9%	21.1%	18.4%	17.5%	18.5%	16.7%	17.7%	17.0%	13.4%	15.0%	17.6%	21.3%	23.1%	29.5%
Surplus note interest expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net realized capital gain	0.2%	1.6%	0.1%	0.1%	-0.1%	-0.1%	0.0%	0.3%	0.0%	0.1%	-0.4%	0.1%	0.3%	0.9%	3.8%
Total investment income	17.9%	15.5%	21.2%	18.5%	17.4%	18.5%	16.7%	18.0%	17.0%	13.5%	14.6%	17.7%	21.7%	24.0%	33.3%
Other income (loss)															
Provision for uncollectible premiums	-0.9%	-0.7%	-0.9%	-1.4%	-2.5%	-0.5%	-2.4%	-10.0%	-3.0%	-5.6%	-2.1%	-2.5%	-3.3%	-3.3%	-3.7%
Structured settlement expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other income	0.4%	-0.3%	0.1%	0.1%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%	0.2%	0.2%	0.6%	0.2%	0.3%
Dividends to policyholders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance and service charges not in premiums	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Federal income tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total other income	-0.5%	-0.9%	-0.8%	-1.2%	-2.3%	-0.3%	-2.3%	-10.0%	-3.0%	-5.6%	-2.0%	-2.3%	-2.7%	-3.0%	-3.4%
Net income	16.5%	16.1%	-6.1%	3.0%	-1.1%	-0.5%	-92.2%	6.7%	7.5%	10.4%	8.8%	7.6%	7.4%	6.6%	13.7%

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Income Statements - Common Size Analysis

Exhibit 9

	For the year ended December 31,														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deductions															
Losses incurred	80.7%	80.0%	72.5%	74.8%	76.2%	85.8%	64.3%	61.1%	57.1%	52.6%	64.1%	108.3%	80.3%	76.7%	77.4%
Loss adjustment expenses incurred	5.5%	4.9%	5.7%	3.4%	3.7%	5.7%	4.2%	4.2%	11.0%	12.8%	8.7%	4.7%	15.3%	10.2%	13.1%
Other underwriting expenses incurred	18.9%	18.7%	19.5%	19.7%	19.4%	19.5%	18.0%	19.7%	20.6%	23.8%	28.6%	42.2%	25.7%	27.3%	22.9%
Total underwriting deductions	105.2%	103.6%	97.7%	97.9%	99.3%	111.0%	86.5%	85.0%	88.8%	89.2%	101.4%	155.2%	121.3%	114.3%	113.4%
Net underwriting gain/loss	-5.2%	-3.6%	2.3%	2.1%	0.7%	-11.0%	13.5%	15.0%	11.2%	10.8%	-1.4%	-55.2%	-21.3%	-14.3%	-13.4%
Investment income															
Net investment income	17.2%	17.9%	15.7%	15.8%	15.7%	15.6%	15.1%	15.8%	17.8%	18.9%	23.7%	26.0%	23.1%	18.7%	15.0%
Surplus note interest expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net realized capital gain	0.2%	0.3%	1.5%	0.6%	2.5%	4.5%	0.6%	0.8%	1.7%	-10.8%	1.2%	6.1%	7.3%	11.0%	4.7%
Total investment income	17.4%	18.2%	17.2%	16.4%	18.2%	20.1%	15.7%	16.6%	19.5%	8.0%	24.9%	32.1%	30.4%	29.8%	19.6%
Other income (loss)															
Provision for uncollectible premiums	-2.1%	-0.6%	-0.7%	-0.8%	-0.5%	-0.4%	-0.4%	-0.9%	0.4%	-0.4%	-0.3%	-0.7%	-0.5%	-0.1%	-0.5%
Structured settlement expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other income	0.4%	0.6%	0.5%	-0.1%	0.5%	0.5%	0.5%	0.4%	0.2%	0.1%	0.4%	0.3%	0.2%	0.1%	0.1%
Dividends to policyholders	0.0%	0.0%	0.0%	0.0%	-1.0%	-1.7%	-11.0%	-11.2%	-12.1%	-15.1%	-29.3%	-13.6%	-10.6%	-9.1%	-0.4%
Finance and service charges not in premiums	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Federal income tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total other income	-1.7%	0.0%	-0.2%	-0.8%	-1.0%	-1.6%	-10.9%	-11.6%	-11.5%	-15.4%	-29.3%	-14.0%	-10.8%	-9.1%	-0.8%
Net income	10.5%	14.6%	19.4%	17.6%	17.9%	7.6%	18.3%	19.9%	19.3%	3.4%	-5.8%	-37.1%	-1.7%	6.4%	5.4%

Pinnacol Assurance
State of Colorado- Remaining Interest
As of December 31, 2025 (Anticipated Date of Disaffiliation)
Historical Income Statements - Common Size Analysis

Exhibit 9

	For the year ended December 31,										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deductions											
Losses incurred	66.6%	53.8%	50.4%	48.5%	48.0%	50.1%	58.6%	55.9%	59.4%	51.5%	54.0%
Loss adjustment expenses incurred	10.8%	10.4%	11.8%	12.6%	11.8%	13.0%	14.7%	14.6%	17.2%	15.8%	15.9%
Other underwriting expenses incurred	21.5%	22.2%	22.1%	24.3%	24.2%	25.6%	28.4%	28.3%	30.3%	30.3%	30.7%
Total underwriting deductions	98.9%	86.4%	84.2%	85.5%	84.0%	88.6%	101.7%	98.9%	106.9%	97.6%	100.6%
Net underwriting gain/loss	1.1%	13.6%	15.8%	14.5%	16.0%	11.4%	-1.7%	1.1%	-6.9%	2.4%	-0.6%
Investment income											
Net investment income	12.4%	10.1%	10.6%	12.4%	13.2%	14.2%	15.6%	16.6%	17.8%	21.5%	24.9%
Surplus note interest expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net realized capital gain	21.5%	-1.5%	2.4%	2.9%	1.6%	3.5%	11.0%	9.0%	4.7%	-0.8%	-0.6%
Total investment income	34.0%	8.6%	13.0%	15.2%	14.8%	17.7%	26.6%	25.6%	22.5%	20.7%	24.3%
Other income (loss)											
Provision for uncollectible premiums	-0.6%	-0.8%	-0.3%	-0.4%	-0.5%	-0.6%	-0.7%	-0.4%	-0.3%	-0.4%	-1.0%
Structured settlement expense	-0.7%	-1.0%	-1.2%	-1.3%	-1.7%	-1.4%	-0.6%	-0.4%	-1.7%	-3.5%	-2.6%
Other income	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	-1.0%	0.3%	0.2%	-0.3%
Dividends to policyholders	-0.3%	-5.1%	-8.5%	-8.4%	-11.5%	-10.2%	-2.3%	-16.6%	-2.0%	-5.8%	-2.8%
Finance and service charges not in premiums	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Federal income tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
Total other income	-1.4%	-6.7%	-10.0%	-9.9%	-13.6%	-12.0%	-3.4%	-18.5%	-3.8%	-9.5%	-6.7%
Net income	33.7%	15.5%	18.8%	19.8%	17.2%	17.1%	21.5%	8.2%	11.8%	13.6%	17.1%

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Appendix D: Actuarial Analysis of Pinnacol Assurance Disaffiliation (from PERA)

Appendix D includes an explanation of a full actuarial analysis of the cost for Pinnacol to disaffiliate from the Public Employees' Retirement Association of Colorado (PERA). The report is based on information gathered on December 31, 2023 and was produced by Segal at the request of PERA.

November 21, 2024

Koren L. Holden, FCA, EA, MAAA
Senior Actuary
Public Employees' Retirement Association of Colorado
1301 Pennsylvania Street
Denver, CO 80203-2386

Re: Actuarial Analysis of Pinnacol Assurance Disaffiliation

Dear Koren:

As requested, we have estimated the impact of the disaffiliation of Pinnacol Assurance (Pinnacol) from the State Division of PERA. The letter includes the results of our analysis, which is based on the valuation results and trust fund amounts as of December 31, 2023. The method used to calculate the full disaffiliation cost is described below. Please note the calculations and exhibits contained herein are only complete in their entirety. These measurements may not be appropriate for purposes other than those described in this letter.

Background

The purpose of this document is to describe the methodology used and to determine the disaffiliation cost upon Pinnacol disaffiliation from the State Division of PERA effective December 31, 2023. It addresses the determination of whether there are sufficient assets to cover the benefit payments for members that remain in PERA, both as it pertains to the State Division Trust Fund, regarding pension benefits, and the Health Care Trust Fund (HCTF), regarding other post-employment benefits (OPEB).

The data provided for the regular December 31, 2023, actuarial valuation of PERA was utilized in making the calculations presented in this report. The following table provides some basic information regarding that data.

State Division Member Demographics as of December 31, 2023

Item	Pinnacol Members	Total State Division Members
Actives		
Number	663	53,687
Average Age	44.3	44.8
Average Service	10.1	8.8
Average Annual Salary	\$115,676	\$66,612
Retirees		
Number	409	44,415
Average Annual Benefit	\$50,852	\$41,152
Terminated Vested		
Number	152	9,887
Deferred Survivor		
Number	0	102
Terminated Non-Vested		
Number	323	94,780

Health Care Trust Fund Demographics as of December 31, 2023

Item	Pinnacol Members	Total HCTF Members
Actives		
Number	663	197,922
Average Age	44.3	44.6
Average Service	10.1	8.8
Retirees		
Number	187	56,252
Terminated Vested		
Number	152	37,651

Parameters and Assumptions

The calculations were performed using the December 31, 2023, valuation results. In the analysis that follows, it is assumed that all member accounts as of the disaffiliation effective date will remain and the member will either draw benefits when eligible or refund the account with the statutory match.

The final asset sufficiency calculations can only be done as of the disaffiliation effective date when all existing member account balances, market value of assets, and net present value of liabilities can be determined. All numbers provided prior to that time are merely estimates of the

financial impact of the disaffiliation. If the disaffiliation effective date is other than calendar year-end, liabilities will have to be rolled forward from the prior actuarial valuation and the market value of PERA assets will have to be determined as of the disaffiliation date.

Based on C.R.S. § 24-51-315(5), legislation applicable to the Local Government Division, the discount rate to be used for disaffiliation purposes is PERA's current investment return assumption minus 200 basis points, resulting in a 5.25% disaffiliation discount rate. Pursuant to Pinnacol's request, Segal has also prepared disaffiliation estimates considering alternative discount rates of 6.25% and 7.25%.

The steps required to determine asset sufficiency and the disaffiliation costs are as follows:

1. The first step will be to determine what assets at market value are held in the State Division Trust Fund to cover employer-financed accrued liabilities. The market value of assets less the Annual Increase Reserve, to the extent sufficient, will be allocated to categories in the following order:
 - (a) Inactive member contribution account balances
 - (b) Active member contribution account balances
 - (c) Retiree and survivor liabilities
 - (d) Employer-financed inactive member liabilities
 - (e) Employer-financed active member liabilities
2. The market value of assets to be allocated to the disaffiliating agency will be determined as follows:
 - a. If the assets are first depleted in category 1(a), the assets to be credited to the disaffiliating agency are equal to the market value of the assets times the ratio of the agency's inactive member account balances to the entire State Division inactive member account balances.
 - b. If the assets are first depleted in category 1(b), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the remaining market value of the assets times the ratio of the agency's active member account balances to the entire State Division active member account balances.
 - c. If the assets are first depleted in category 1(c), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the member account balances of the active members of the agency plus the remaining market value of assets times the ratio of the agency's retiree and survivor accrued liability to the entire State Division retiree and survivor accrued liability. In each case, the accrued liability will be equal to the retiree and survivor accrued liability determined using current actuarial valuation assumptions and methods.
 - d. If the assets are first depleted in category 1(d), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the member account balances of the active members of the agency plus the agency's retiree and survivor accrued liability plus the remaining market value of assets times the ratio of the agency's employer-financed inactive

- accrued liability to the entire State Division employer-financed inactive accrued liability. In each case, the employer-financed accrued liability will be equal to the inactive accrued liability determined using current actuarial valuation assumptions and methods less the inactive member contribution account balances.
- e. If the assets are not depleted in category 1(d), the assets to be credited to the disaffiliating agency are equal to the member account balances of the inactive members of the agency plus the member account balances of the active members of the agency plus the agency's retiree and survivor accrued liability plus the agency's employer-financed inactive accrued liability plus the remaining market value of assets times the ratio of the agency's employer-financed active accrued liability to the entire State Division employer-financed active accrued liability. Again, in each case, the employer-financed accrued liability will be equal to the active accrued liability determined using current actuarial valuation assumptions and methods less the active member contribution account balances.
3. The next step will be to determine the assets needed to fund the liabilities for those members of the disaffiliating agency that remain with PERA. The approach is similar to that performed in the previous paragraph. The total liability for the accrued benefits of the disaffiliating agency will be equal to the sum of the agency's liabilities for items 1(a) through 1(e), determined using current actuarial valuation assumptions and methods, and prepared under three discount rates of 5.25%, pursuant to C.R.S. Section 24-51-315(5), and the additionally requested discount rates of 6.25% and 7.25%. To the extent the agency's share of the market value of assets is not sufficient to cover the total liability, the net will be paid to PERA. To the extent the agency's share of the market value of assets is greater than the total liability, the net will be paid to the agency.
 4. This step is designed to ensure that the actuarially determined contribution (ADC) rate pertaining to pension liabilities for the remaining agencies in the State Division does not increase as a result of the disaffiliation. An actuarial determination is made to see if an additional required amount from the disaffiliating agency is necessary to maintain the ADC at the same rate, with or without disaffiliation. The change in the pension ADC is calculated on a percentage of payroll basis and, if the resulting amount is an increase, it is amortized by using the current actuarial valuation assumptions and methods. Given the Automatic Adjustment Provisions (AAP) adopted under SB 200, this step is necessary to ensure any disaffiliation does not adversely impact the outcome of future AAP assessments resulting in unexpected or otherwise accelerated adjustments to contributions and annual increases for all members of PERA.
 5. The impact of a disaffiliating agency on the Health Care Trust Fund must also be determined. To determine the assets available to fund the liabilities for the members remaining in PERA, the market value of assets will be allocated first to retirees, then to inactives, and finally to actives as is done for the pension assets. The disaffiliating agency's "share" of the assets will be determined by the ratio of the agency's liability to the total liability of the first group that is not fully funded. The liability used to calculate the asset share for the disaffiliating agency is determined using current actuarial valuation assumptions and methods. For example, if the market value of assets represents 50% of the retiree liability, then the share allocated to the disaffiliating agency will be 50% of the agency's retiree liability. Since the market value of assets covers only about 67% the total retiree liability, then Pinnacol's share of the unfunded liability is approximately 33% of their valuation liability for retirees. To this result, we add the additional liability for the disaffiliating agency's membership using the applicable disaffiliation discount rate, pursuant to C.R.S. §

24-51-315(5) and the requested alternative discount rates of 6.25% and 7.25%. This includes the additional liability from retirees based on the disaffiliation assumption and the entire disaffiliation liability so determined for inactive members and active members. To the extent the total liabilities exceed the assets, the net will be paid to PERA. To the extent the assets exceed the total liabilities, the net will be paid to the agency.

6. Because the healthcare contributions are taken from the overall statutory contributions made to PERA, an additional determination is made to ensure that the actuarially determined contribution (ADC) to the HCTF for remaining agencies does not increase as a result of the disaffiliation. To the extent that this would be the case, an additional required amount from the agency is calculated so as to keep the ADC at the same rate, with or without the disaffiliation.
7. The amount owed by PERA to the disaffiliating agency, or owed by the agency to PERA, is the net sum of the net pension liability, the additional pension reserves required, the net healthcare liability, and the additional amounts needed to stabilize the ADCs related to the State Division Trust Fund and the HCTF.

Results

The following tables (1.1-1.7) summarize the results of each step used to estimate Pinnacol's Full Disaffiliation Cost using a discount rate of 5.25%.

Table 1.1 – Determination of Point of Asset Depletion

Item	Category	Allocation	Remaining Amount
1. Market Value of Assets for the State Division Trust Fund			\$18,269,648,326
2. Less Annual Increase Reserve		\$311,386,627	17,958,261,699
3. Less Inactive Member Account Balances	(a)	798,103,571	17,160,158,128
4. Less Active Member Account Balances	(b)	3,146,892,084	14,013,266,044
5. Less Retiree and Survivor Accrued Liabilities ¹	(c)	\$18,657,598,227	(\$4,644,332,183)

¹ Determined using a discount rate of 7.25%.

Table 1.2 – Pinnacol Asset Allocation

Item	State Division Total (a)	Pinnacol (b)
1. Market Value of Assets less Annual Increase Reserve	\$17,958,261,699	
2. Inactive Member Account Balances	798,103,571	\$16,697,269
3. Active Member Account Balances	<u>3,146,892,084</u>	69,261,381
4. Remaining Market Value of Assets: (1a) - (2a) - (3a)	14,013,266,044	
5. Retiree and Survivor Accrued Liabilities ²	\$18,657,598,227	\$236,103,743
6. Pinnacol Ratio: (5b) / (5a)		1.2655%
7. Pinnacol Share of Remaining Assets: (4a) x (6b)		\$177,337,882
8. Total Pinnacol Asset Allocation: (2b) + (3b) + (7b)		\$263,296,532

Table 1.3 – Pension Reserves Needed as of December 31, 2023

Item	Category	Intermediate Step	Pinnacol
1. Inactive Member Account Balances	(a)		\$16,697,269
2. Active Member Account Balances	(b)		69,261,381
3. Retiree and Survivor Accrued Liabilities ³	(c)		284,889,652
4. Liabilities for Inactive Members ³		\$29,959,042	
5. Inactive Member Account Balances		<u>16,697,269</u>	
6. Employer-financed Vested Liabilities for Inactives ³ : (4) - (5)	(d)		\$13,261,773
7. Present Value of Accrued Benefits for Active Members ³		\$243,517,902	
8. Active Member Account Balances		<u>69,261,381</u>	
9. Employer-financed Vested Liabilities for Actives ³ : (7) - (8)	(e)		\$174,256,521
10. Total Pinnacol Pension Reserves Required: (1)+(2)+(3)+(6)+(9)			\$558,366,596

² Determined using a discount rate of 7.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits. Pinnacol is assumed to be responsible for paying any excess benefits on a “pay as you go” basis.

³ Determined using a discount rate of 5.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits.

Table 1.4 – Pension – Adjustment to ADC

Item	State Division Total (a)	After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	1.8475%	1.8532%
ii. Unfunded Actuarial Accrued Liability	<u>16.9327%</u>	<u>16.9600%</u>
iii. Total	18.7801%	18.8132%
2. Increase in ADC: (1b) – (1a)		0.0331%
3. Projected Payroll	\$3,753,519,463	\$3,673,118,784
4. Amortization Factor ⁴		13.994245
5. Additional Reserve Required: (2b) x (3b) x (4b)		\$17,014,236

Table 1.5 – Health Care Trust Fund (OPEB) Reserves Required

Item	HCTF Total (a)	HCTF Pinnacol (b)
1. Total Liability for Retirees on Valuation Basis ⁵	\$910,875,758	\$2,668,548
2. Market Value of Assets	<u>611,911,149</u>	
3. Unfunded Retiree Liability: (1a) - (2a)	\$298,964,609	
4. Unfunded Portion: (3a) / (1a)	32.8217%	
5. Pinnacol Unfunded Retiree Liability: (1b) x (4a)		\$875,862
6. Additional Termination Liability for Retirees ⁶		487,280
7. Vested Termination Liability for Terminated Vested ⁶		239,109
8. Vested Termination Liability for Active Members ⁶		<u>1,711,120</u>
9. Total Pinnacol OPEB Reserves Required: (5b) + (6b) + (7b) + (8b)		\$3,313,371

⁴ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

⁵ Determined using a discount rate of 7.25%.

⁶ Determined using a discount rate of 5.25%.

Table 1.6 - OPEB – Adjustment to ADC

Item	HCTF Total (a)	HCTF After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	0.1517%	0.1523%
ii. Unfunded Actuarial Accrued Liability	<u>0.4170%</u>	<u>0.4173%</u>
iii. Total	0.5687%	0.5696%
2. Increase in ADC: (1b) – (1a)		0.0009%
3. Projected Payroll	\$11,210,167,265	\$11,129,766,586
4. Amortization Factor ⁷		13.994245
5. Additional Reserve Required ⁸ : (2b) x (3b) x (4b)		\$1,401,774

Table 1.7 – Summary of Costs at Discount Rate of 5.25%

Item	Pinnacol Required Reserves No Payment Made
1. Step 3 – Pension Reserves Required	\$558,366,596
2. Step 2 – State Division Trust Fund (Pension) Assets Allocated to Pinnacol	(263,296,532)
3. Step 4 – Additional Reserves for ADC Adjustment – Pension	17,014,236
4. Step 5 – Net OPEB Reserves Required	3,313,371
5. Step 6 – Additional Reserves for ADC Adjustment – OPEB	<u>1,401,774</u>
6. Net Pinnacol Assurance Payment Required: (1) + (2) + (3) + (4) + (5)	\$316,799,445

Thus, based on the results using a discount rate of 5.25%, the total potential impact created by the disaffiliation of Pinnacol from PERA is estimated to be \$316,799,445 as of December 31, 2023. This amount includes \$18,416,010 (\$17,014,236 + \$1,401,774) of adverse impact to the ADC calculations for the Pension and OPEB plans, respectively, due to the departing members, if no payment is made. However, a timely estimated payment of \$298,383,435 (\$316,799,445 - \$18,416,010) would avoid an adverse financial impact on the actuarial soundness of the State Division Trust Fund and the Health Care Trust Fund.

⁷ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

⁸ Total in item 5 may not compute as exhibited due to rounding.

The following tables (2.1-2.7) summarize the results of each step used to estimate Pinnacol's Full Disaffiliation Cost using a discount rate of 6.25%.

Table 2.1 – Determination of Point of Asset Depletion

Item	Category	Allocation	Remaining Amount
1. Market Value of Assets for the State Division Trust Fund			\$18,269,648,326
2. Less Annual Increase Reserve		\$311,386,627	17,958,261,699
3. Less Inactive Member Account Balances	(a)	798,103,571	17,160,158,128
4. Less Active Member Account Balances	(b)	3,146,892,084	14,013,266,044
5. Less Retiree and Survivor Accrued Liabilities ⁹	(c)	\$18,657,598,227	(\$4,644,332,183)

Table 2.2 – Pinnacol Asset Allocation

Item	State Division Total (a)	Pinnacol (b)
1. Market Value of Assets less Annual Increase Reserve	\$17,958,261,699	
2. Inactive Member Account Balances	798,103,571	\$16,697,269
3. Active Member Account Balances	<u>3,146,892,084</u>	69,261,381
4. Remaining Market Value of Assets: (1a) - (2a) - (3a)	14,013,266,044	
5. Retiree and Survivor Accrued Liabilities ¹⁰	\$18,657,598,227	\$236,103,743
6. Pinnacol Ratio: (5b) / (5a)		1.2655%
7. Pinnacol Share of Remaining Assets: (4a) x (6b)		\$177,337,882
8. Total Pinnacol Asset Allocation: (2b) + (3b) + (7b)		\$263,296,532

⁹ Determined using a discount rate of 7.25%.

¹⁰ Determined using a discount rate of 7.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits. Pinnacol is assumed to be responsible for paying any excess benefits on a "pay as you go" basis.

Table 2.3 – Pension Reserves Needed as of December 31, 2023

Item	Category	Intermediate Step	Pinnacol
1. Inactive Member Account Balances	(a)		\$16,697,269
2. Active Member Account Balances	(b)		69,261,381
3. Retiree and Survivor Accrued Liabilities ¹¹	(c)		258,423,089
4. Liabilities for Inactive Members ¹¹		\$25,438,911	
5. Inactive Member Account Balances		<u>16,697,269</u>	
6. Employer-financed Vested Liabilities for Inactives ¹¹ : (4) - (5)	(d)		\$8,741,642
7. Present Value of Accrued Benefits for Active Members ¹¹		\$200,845,100	
8. Active Member Account Balances		<u>69,261,381</u>	
9. Employer-financed Vested Liabilities for Actives ¹¹ : (7) - (8)	(e)		\$131,583,719
10. Total Pinnacol Pension Reserves Required: (1)+(2)+(3)+(6)+(9)			\$484,707,100

Table 2.4 – Pension – Adjustment to ADC

Item	State Division Total (a)	After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	1.8475%	1.8532%
ii. Unfunded Actuarial Accrued Liability	<u>16.9327%</u>	<u>16.9600%</u>
iii. Total	18.7801%	18.8132%
2. Increase in ADC: (1b) – (1a)		0.0331%
3. Projected Payroll	\$3,753,519,463	\$3,673,118,784
4. Amortization Factor ¹²		13.994245
5. Additional Reserve Required: (2b) x (3b) x (4b)		\$17,014,236

¹¹ Determined using a discount rate of 6.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits.

¹² 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

Table 2.5 – Health Care Trust Fund (OPEB) Reserves Required

Item	HCTF Total (a)	HCTF Pinnacol (b)
1. Total Liability for Retirees on Valuation Basis ¹³	\$910,875,758	\$2,668,548
2. Market Value of Assets	<u>611,911,149</u>	
3. Unfunded Retiree Liability: (1a) - (2a)	\$298,964,609	
4. Unfunded Portion: (3a) / (1a)	32.8217%	
5. Pinnacol Unfunded Retiree Liability: (1b) x (4a)		\$875,862
6. Additional Termination Liability for Retirees ¹⁴		224,703
7. Vested Termination Liability for Terminated Vesteds ¹⁴		205,621
8. Vested Termination Liability for Active Members ¹⁴		<u>1,465,268</u>
9. Total Pinnacol OPEB Reserves Required: (5b) + (6b) + (7b) + (8b)		\$2,771,454

Table 2.6 - OPEB – Adjustment to ADC

Item	HCTF Total (a)	HCTF After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	0.1517%	0.1523%
ii. Unfunded Actuarial Accrued Liability	<u>0.4170%</u>	<u>0.4173%</u>
iii. Total	0.5687%	0.5696%
2. Increase in ADC: (1b) – (1a)		0.0009%
3. Projected Payroll	\$11,210,167,265	\$11,129,766,586
4. Amortization Factor ¹⁵		13.994245
5. Additional Reserve Required ¹⁶ : (2b) x (3b) x (4b)		\$1,401,774

¹³ Determined using a discount rate of 7.25%.

¹⁴ Determined using a discount rate of 6.25%.

¹⁵ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

¹⁶ Total in item 5 may not compute as exhibited due to rounding.

Table 2.7 – Summary of Costs at Discount Rate of 6.25%

Item	Pinnacol Required Reserves No Payment Made
1. Step 3 – Pension Reserves Required	\$484,707,100
2. Step 2 – State Division Trust Fund (Pension) Assets Allocated to Pinnacol	(263,296,532)
3. Step 4 – Additional Reserves for ADC Adjustment – Pension	17,014,236
4. Step 5 – Net OPEB Reserves Required	2,771,454
5. Step 6 – Additional Reserves for ADC Adjustment – OPEB	<u>1,401,774</u>
6. Net Pinnacol Assurance Payment Required: (1) + (2) + (3) + (4) + (5)	\$242,598,032

Thus, based on the results using a discount rate of 6.25%, the total potential impact created by the disaffiliation of Pinnacol from PERA is estimated to be \$242,598,032 as of December 31, 2023. This amount includes \$18,416,010 (\$17,014,236 + \$1,401,774) of adverse impact to the ADC calculations for the Pension and OPEB plans, respectively, due to the departing members, if no payment is made. However, a timely estimated payment of \$224,182,022 (\$242,598,032 - \$18,416,010) would avoid an adverse financial impact on the actuarial soundness of the State Division Trust Fund and the Health Care Trust Fund.

The following tables (3.1-3.7) summarize the results of each step used to estimate Pinnacol’s Full Disaffiliation Cost using a discount rate of 7.25%.

Table 3.1 – Determination of Point of Asset Depletion

Item	Category	Allocation	Remaining Amount
1. Market Value of Assets for the State Division Trust Fund			\$18,269,648,326
2. Less Annual Increase Reserve		\$311,386,627	17,958,261,699
3. Less Inactive Member Account Balances	(a)	798,103,571	17,160,158,128
4. Less Active Member Account Balances	(b)	3,146,892,084	14,013,266,044
5. Less Retiree and Survivor Accrued Liabilities ¹⁷	(c)	\$18,657,598,227	(\$4,644,332,183)

¹⁷ Determined using a discount rate of 7.25%.

Table 3.2 – Pinnacol Asset Allocation

Item	State Division Total (a)	Pinnacol (b)
1. Market Value of Assets less Annual Increase Reserve	\$17,958,261,699	
2. Inactive Member Account Balances	798,103,571	\$16,697,269
3. Active Member Account Balances	<u>3,146,892,084</u>	69,261,381
4. Remaining Market Value of Assets: (1a) - (2a) - (3a)	14,013,266,044	
5. Retiree and Survivor Accrued Liabilities ¹⁸	\$18,657,598,227	\$236,103,743
6. Pinnacol Ratio: (5b) / (5a)		1.2655%
7. Pinnacol Share of Remaining Assets: (4a) x (6b)		\$177,337,882
8. Total Pinnacol Asset Allocation: (2b) + (3b) + (7b)		\$263,296,532

Table 3.3 – Pension Reserves Needed as of December 31, 2023

Item	Category	Intermediate Step	Pinnacol
1. Inactive Member Account Balances	(a)		\$16,697,269
2. Active Member Account Balances	(b)		69,261,381
3. Retiree and Survivor Accrued Liabilities ¹⁸	(c)		236,103,743
4. Liabilities for Inactive Members ¹⁸		\$21,952,047	
5. Inactive Member Account Balances		<u>16,697,269</u>	
6. Employer-financed Vested Liabilities for Inactives ¹⁸ : (4) - (5)	(d)		\$5,254,778
7. Present Value of Accrued Benefits for Active Members ¹⁸		\$167,972,812	
8. Active Member Account Balances		<u>69,261,381</u>	
9. Employer-financed Vested Liabilities for Actives ¹⁸ : (7) - (8)	(e)		\$98,711,431
10. Total Pinnacol Pension Reserves Required: (1)+(2)+(3)+(6)+(9)			\$426,028,602

¹⁸ Determined using a discount rate of 7.25%; Liabilities for Pinnacol do not include benefits in excess of the projected IRC Section 415 limits. Pinnacol is assumed to be responsible for paying any excess benefits on a “pay as you go” basis.

Table 3.4 – Pension – Adjustment to ADC

Item	State Division Total (a)	After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	1.8475%	1.8532%
ii. Unfunded Actuarial Accrued Liability	<u>16.9327%</u>	<u>16.9600%</u>
iii. Total	18.7801%	18.8132%
2. Increase in ADC: (1b) – (1a)		0.0331%
3. Projected Payroll	\$3,753,519,463	\$3,673,118,784
4. Amortization Factor ¹⁹		13.994245
5. Additional Reserve Required: (2b) x (3b) x (4b)		\$17,014,236

Table 3.5 – Health Care Trust Fund (OPEB) Reserves Required

Item	HCTF Total (a)	HCTF Pinnacol (b)
1. Total Liability for Retirees on Valuation Basis ²⁰	\$910,875,758	\$2,668,548
2. Market Value of Assets	<u>611,911,149</u>	
3. Unfunded Retiree Liability: (1a) - (2a)	\$298,964,609	
4. Unfunded Portion: (3a) / (1a)	32.8217%	
5. Pinnacol Unfunded Retiree Liability: (1b) x (4a)		\$875,862
6. Additional Termination Liability for Retirees ²⁰		0
7. Vested Termination Liability for Terminated Vested ²⁰		178,959
8. Vested Termination Liability for Active Members ²⁰		<u>1,268,740</u>
9. Total Pinnacol OPEB Reserves Required: (5b) + (6b) + (7b) + (8b)		\$2,323,561

¹⁹ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

²⁰ Determined using a discount rate of 7.25%.

Table 3.6 - OPEB – Adjustment to ADC

Item	HCTF Total (a)	HCTF After Pinnacol Disaffiliation Assuming No Payment Made (b)
1. Employer Contribution as % of Payroll:		
i. Normal Cost	0.1517%	0.1523%
ii. Unfunded Actuarial Accrued Liability	<u>0.4170%</u>	<u>0.4173%</u>
iii. Total	0.5687%	0.5696%
2. Increase in ADC: (1b) – (1a)		0.0009%
3. Projected Payroll	\$11,210,167,265	\$11,129,766,586
4. Amortization Factor ²¹		13.994245
5. Additional Reserve Required ²² : (2b) x (3b) x (4b)		\$1,401,774

Table 3.7 – Summary of Costs at Discount Rate of 7.25%

Item	Pinnacol Required Reserves No Payment Made
1. Step 3 – Pension Reserves Required	\$426,028,602
2. Step 2 – State Division Trust Fund (Pension) Assets Allocated to Pinnacol	(263,296,532)
3. Step 4 – Additional Reserves for ADC Adjustment – Pension	17,014,236
4. Step 5 – Net OPEB Reserves Required	2,323,561
5. Step 6 – Additional Reserves for ADC Adjustment – OPEB	<u>1,401,774</u>
6. Net Pinnacol Assurance Payment Required: (1) + (2) + (3) + (4) + (5)	\$183,471,641

Thus, based on the results using a discount rate of 7.25%, the total potential impact created by the disaffiliation of Pinnacol from PERA is estimated to be \$183,471,641 as of December 31, 2023. This amount includes \$18,416,010 (\$17,014,236 + \$1,401,774) of adverse impact to the ADC calculations for the Pension and OPEB plans, respectively, due to the departing members, if no payment is made. However, a timely estimated payment of \$165,055,631 (\$183,471,641 - \$18,416,010) would avoid an adverse financial impact on the actuarial soundness of the State Division Trust Fund and the Health Care Trust Fund.

²¹ 20-year amortization, level % of pay used consistent with pension and OPEB benefit plans.

²² Total in item 5 may not compute as exhibited due to rounding.

Comments

The following comments must be kept in mind when reviewing the results presented in this letter:

- The results are based on data and asset information available as of December 31, 2023. Any actual demographic or financial experience occurring subsequent to December 31, 2023, is not reflected in this analysis. We did not audit the supplied information, but it was reviewed for reasonableness and consistency. A final determination of the reserves required will need to be performed after the effective date of disaffiliation is known based on the data and asset information at that date.
- The results related to pensions are based on the December 31, 2023, actuarial valuation of the State Division Trust Fund. The results related to OPEB are based on the December 31, 2023, actuarial valuation of the Health Care Trust Fund. The next valuation may be available before the disaffiliation is finalized, and, if so, may alter the calculations shown in this letter. Please note the December 31, 2024 valuation report will reflect the updated actuarial assumptions based on the 2024 experience study for the four-year period from January 1, 2020, through December 31, 2023.
- The methodology used to determine Pinnacol's disaffiliation cost is consistent with C.R.S. § 24-51-313-319, and prior disaffiliation calculations. The adjusted interest rate applied in Tables 3, 5, and 7 is as specified in C.R.S. § 24-51-315(5) and also provided considering discount rates of 6.25% and 7.25%, as requested by Pinnacol. Since this section of PERA law does not address employer disaffiliations from the State Division Trust Fund, it is our understanding that legislation would be required prior to the disaffiliation of Pinnacol from PERA.

If you need any further information regarding this analysis, please do not hesitate to contact Segal. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely yours,



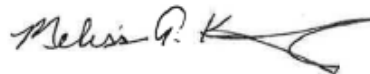
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