Agency Manual

Updated: April 2017

PINNACOL
ASSURANCE

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SECTION 1

Submitting an Application

Agent of Record

Status is granted when the underwriter is able to provide a marketable quote. The first agent to provide sufficient account information for a marketable quote is considered the **agent of record.**

Marketable Quote

To receive a **marketable quote,** a producer must:

- Profile ownership
- Provide payroll
- Provide loss experience
- Profile operations and exposures

Information must be provided in enough detail for the underwriter to confidently classify the account and consider additional credits or debits (a completed Acord application usually provides adequate information). An application that does not provide adequate information to allow the underwriter to properly and accurately classify a business will be considered insufficient for purposes of designating an agent of record.

Guides for Sufficient Applications

Acord applications and Pinnacol Assurance application supplements help ensure an adequate submission. Contact your underwriter for supplement information, or access Pinnacol Assurance Online at www.pinnacol.com. The underwriter may request additional information to clarify workplace and financial exposures.

Background and Outstanding Debt Research

Pinnacol Assurance may research company records to determine if there are any outstanding debts owed to Pinnacol Assurance by the applicant business, its owners, successors or affiliates.

Information Required for Issuing a Quote

Pinnacol Assurance **requires** the following information in order to quote an account:

1. Name of business
2. Physical location and mailing address of business
3. Business telephone number
4. Federal ID number or owner's Social Security Number (SSN)
5. Entity type
6. Type of ownership and names of owners **accounting for 100% ownership**
7. Workers' compensation contact person and mailing address if different
8. Agent number
9. Classifications and payroll amounts

10. Safety Group affiliation (if applicable)
11. Description of business operations
12. Three plus current of prior carrier loss run information. The valuation date on the loss run must be within 90 days of receipt

Premium Quotes

The contracted agent must observe the terms of the agency or Agency Agreement, which defines and limits pricing authority.

Expiration of Quote and Agent of Record Status

Pricing is guaranteed for 30 days after the quote date, unless there are material changes in the account. Agent of Record Status granted by a Pinnacol Assurance quote expires 90 days after the quote date, unless otherwise specified by the underwriter. For specifics on Agent of Record status, refer to the section on "Submitting an Application."

Need for Letter of Record

Once a quote is provided, any producer who submits a later application within the life of the quote (see "Submitting an Application") must obtain an Agent of Record Letter signed by the applicant/insured.

90-Day Application Limit

Applications received more than 90 days prior to the effective date will not be quoted. Information more than 90 days old at inception is not current enough to support an accurate price.

Quoting, Binding and Issuing Coverage Online

Information required to QUOTE

Pinnacol cannot release a quote without complete underwriting information as outlined below:

- All non-Colorado exposure requests must be submitted on a new business Acord application or other Pinnacol accepted workers' compensation application with complete underwriting information by state
- Colorado business must be submitted via a completed Acord workers' compensation application, Pinnacol Online Application, or Pinnacol Direct Application, including, business identification number(s): FEIN(s) or social security number(s)
- Underwriting information required to quote includes, but is not limited to:
- Financial Statements
- Coverage information pertaining to risk's other lines of coverage
- Completed NCCI forms ERM-6 and ERM-14 if appropriate
- Prior Carrier Loss Information

Loss Run Information

- Applicants developing $10,000 or less in estimated manual premium:
- Agents will be required to input prior carrier loss information online when quoting a new

business. They will be required to retain a hardcopy loss run on file at their agency. In this situation, underwriters are not required to request hardcopy loss runs to quote a policy. If an account had prior workers compensation coverage and the prior carrier information was not entered the underwriter must request three years plus current of detailed currently valued gross loss runs prior to quote. The valuation date of the loss run must be within 90 days of receipt.

- Applicants developing $10,000 or less in estimated manual premium *that are not quoted online* will be required to submit three years plus current of detailed currently valued gross loss runs prior to quote. The valuation date of the loss run must be within 90 days of receipt
- Applicants developing $10,000 or greater in estimated manual premium will be required to submit three years plus current of detailed currently valued gross loss runs prior to quote. The valuation date of the loss run must be within 90 days of receipt.
- Failure to provide currently valued loss runs will result in the policy being quoted in our non-standard market segment regardless of experience. This includes a risk with no losses.
- If this is a new entity, the date of incorporation or the date the new venture started will need to be validated.
- If the risk is a new entity or has not had workers' compensation coverage, loss runs are not needed. The underwriter should validate this verbally.

Exceptions

Loss runs will not be required when we have verified and validated the following situations

- New start up business or newly formed business
- Established business that did not have employees and was not required to have workers compensation
- Recently purchased business with a 100% change in ownership and the new owner(s) was not previously involved in the business.

A prior policy search must occur prior to releasing a quote on all applicants.

Outstanding prior policy issues must be resolved prior to releasing a quote.

- Complete business(es) entity ownership information **for applicants developing less than $10,000 in estimated manual premium**:
- Names of all corporate executive officers, members of limited liability companies, or partners, and sole proprietors or owning entity(s)
- FEIN(s) for owning entity(s) and or the last four digits of each owners social security number
- Social security number(s) for sole proprietor if it is a sole proprietorship without employees
- Titles of corporate executive officers, members of limited liability companies, or partners
- Percentage of ownership by owner/entity accounting for 100% ownership of operation(s)

Information required to BIND COVERAGE

- Coverage can only be bound for a date in the future
- Receipt of a written bind request from the agent or applicant
  - Request must be documented in the underwriting file
  - Rare exceptions must be clearly documented and justified

Specific to Colorado

- Pinnacol must have issued a valid quote extended to the applicant by either the authorized agent (if within agent's binding authority) or a Pinnacol underwriter
- Applicants developing $10,000 or greater in estimated manual premium and all direct applicants must be quoted and bound by a Pinnacol underwriter.

Specific to Out of State Coverage

- Pinnacol must have issued a valid quote extended to the applicant by a Pinnacol underwriter.
- All OSC applicants accepted (determined acceptable by the underwriter to be offered coverage) must be quoted and bound by a Pinnacol underwriter.
- Quotes greater than 30 calendar days old from issuance are not valid and must be reissued or have a documented extension authorized by a Pinnacol underwriter.
- Other binding requirements may be specified by the underwriter, as appropriate based on the complexity of the risk.
- The quote is subject to change based on underwriter analysis and review of all information including classification, payroll and verification of prior loss data.
- If an outstanding prior policy issue is found after coverage has been bound, the cancellation process of the new policy bound will begin immediately consistent with Colorado insurance statutes.

Information required to ISSUE A POLICY

- Coverage effective as agreed upon in the binder.
- Completed Acord workers' compensation application or other Pinnacol accepted workers' compensation application
- Application used to quote the risk is acceptable when no material changes have taken place;
- If material changes have occurred, a new, completed Acord workers' compensation application or other Pinnacol accepted workers' compensation application is required
- Completed and signed Pinnacol Agent Supplement Application, Pinnacol Online Application, or Pinnacol Direct Application
- Must be signed by an owner/officer/member of the business
- Electronic and faxed copies of contractual signed forms are acceptable

- Complete business(es) entity ownership information

  Names of all corporate executive officers, members of limited liability companies, or partners, and sole proprietors of owning entity(s)

  FEIN for the business

  FEIN(S) for owning entity(s) and/or the last 4 digits of each owners social security number

  Social security number(s) if it is a sole proprietorship without employees

  Titles of corporate executive officers, members of limited liability companies, or

partners
Percentage of ownership by owner/entity accounting for 100% ownership of operation(s)

Loss Run Information:

- **If loss runs are submitted after issuance**:
  - Prior to effective date of coverage, Pinnacol will accept prior loss information and re-evaluate pricing
  - After the effective date of coverage, Pinnacol will not re-evaluate pricing.
  - Failure to provide currently valued gross loss runs prior to policy issuance will result in the account falling into the non-standard market segment.
- If an account is under $10,000 and is bound online by an agent, but the loss information is not entered:
  - Before the policy effective date, the loss information can be entered and the policy re-evaluated for market segment.
  - After the policy effective date, Pinnacol will not re-evaluate the market segment.
- When complete information and/or signed forms have not been received **by the fifth calendar day after bound coverage effective date** notification of missing information must be sent to the agent or applicant (direct) and documented in the underwriting file;
  - If the fifth calendar day falls on a week-end or holiday notification must occur the following business day
- When complete information and/or signed forms have not been received **by the tenth calendar day after bound coverage effective date** issuance of a policy and notice of coverage cancellation must occur and be documented in the underwriting file;
  - If the tenth calendar day falls on a week-end or holiday policy issuance and notice of coverage cancellation must occur the following business day
- If an outstanding prior policy issue is found after policy issuance, the cancellation process of the new policy will begin immediately consistent with Colorado and each state's insurance statutes

When coverage is bound, the agent is required to email a copy of the completed Acord application or application supplement to the underwriter/new business representative prior to the effective date of coverage.

Special Notes

- If we receive a signed application supplement, we will not require that the agent resubmit a signed Acord application.
- If the agent has already provided an Acord application, we do not require that they resubmit the application unless extensive material changes have been made.
- If the agent binds coverage, the agent can fax or email the forms prior to the effective date of coverage.
- Exceptions are at the discretion of the underwriter.

Individual Liability

As the insurer of last resort, Pinnacol Assurance has to insure many businesses that other carriers might refuse due to the business' poor financial health. The Individual Liability (IL) Agreement guarantees premium payment by a corporate officer or limited liability officer. This information will help you determine the need for individual liability on a given account.

We consider IL signatures only for corporate or LLC entities because they contain a "corporate veil" between creditors and the individuals who own and operate the company. In contrast, sole proprietors and partners are always personally liable for the debts owed by their companies.

With an Individual Liability (IL) Agreement, Pinnacol Assurance can pursue individual signors directly for premium debt without maneuvering around or through the corporate veil. This enhances Pinnacol's ability to collect delinquent premiums, even if a company dissolves or files for bankruptcy.

A signed individual guarantee of payment is required on all new applications for:

- Applicants who previously filed bankruptcy
- Prior policies with non-compliant audits
- Prior policies with write off of premium
- Other valid business reasons not contemplated within these standards requiring a deviation.

A signed individual guarantee will not be required on:

- Governmental or public entities
- Non-profit corporations

Refusal to Sign an Individual Guarantee Payment
In the event the applicant refuses to sign the individual guarantee of payment the underwriter may:

- Bill the full premium in one installment
- Limit the number of installments
- Bill more premium upfront

Existing Business

SECTION 2

Processing Renewals

Pre-renewal is designed to allow the underwriter to update employer and risk information to ensure proper pricing of an account. The agent's assistance in producing a quote for the insured, which represents the most accurate possible premium, is appreciated. Information reviewed in the renewal process includes:

- Payroll and number of employees by class code for the upcoming policy period (audit history serves as an additional tool in determining payroll estimates accuracy).
- Review of the operations, ownership, or entity type to determine if any changes have occurred in the past year.
- Evaluation of the loss and financial exposures posed by the risk.
- Review of premium size to determine if the policy qualifies for inclusion in the Schedule Rating.
- Verification that ***SelectNet*** providers have been chosen by the policyholder. Provider list and selection available through Pinnacol online.

Based upon the above information, the underwriter will:

- Advise the agent, in advance, of any actions that significantly impact premium agreements with the policyholder.
- Implement changes effective at renewal as necessary, after considering and responding to input from the agent and/or policyholder.

Timetable

The policy timetable for renewal issuance is as follows:

- **120 days prior to renewal date** – Pre-renewal forms will be mailed to the policyholder and agent for selected accounts. Completion and prompt return of these forms ensures that updates and changes will be made prior to the renewal bill's processing date. Other accounts will go through an automated renewal process.
- **90 days prior to the renewal date** – Pre-renewal forms should be completed and returned to Pinnacol Assurance, although forms will be accepted up to the invoice date. Information and recommendations from agents should arrive at least 35 days prior to the renewal date, prior to renewal invoicing being issued to allow for final review and processing prior to the invoice issuance date.
- **35 days prior to the renewal date** – Renewal invoice is mailed. The policyholder and agent each receive a copy of the invoice.
- **15 days prior to the renewal date** – Payment for the renewal invoice is due.

- **14 days prior to the renewal date** – If the invoice amount has not been paid, a notice of non-renewal is generated. This certified notice allows 10 days, as specified by insurance regulation, For more on this issue, refer to the information on “Cancellation,” “Reinstatement of Coverage” and “Rewrite of Coverage” in this section.

Agent of Record

Designating the Agent of Record (AOR) or Broker of Record (BOR)

A Pinnacol Assurance direct account may be submitted by an agent at renewal or a policy written by one agent may be submitted by another. The underwriter will review selection and pricing information using the same standards applied to new accounts. The following documentation must be submitted to the Pinnacol account team before the designated agent will receive commission on the policy:

- An application signed and dated by the applicant/insured owner/officer, member/manager, or an assigned representative if the business is a non-profit organization, and including the agent's name, or
- A letter signed by the applicant/insured owner officer, member/manager, or an assigned representative if the business is a non-profit organization, specifying designation of the agent/agency name.
- The Pinnacol Assurance agent questionnaire or application supplement.
- The underwriter may waive or require whatever information is deemed necessary, depending on the risk and circumstances.

Changing the AOR/BOR

- When an AOR/BOR letter is received on an account already represented by another agent, the underwriter must send a ten-day notice to the existing agent. The notice allows the existing agent 10 calendar days to regain AOR/BOR status by submitting written notice signed by the insured (rescind notice). If the existing agent submits a signed rescind notice, the underwriter should communicate with the new agent and inform them that a rescind notice was received and that the AOR/BOR will not be changed. Ideally, this communication should occur the day the rescind notice is received. Please note that the new agent can pursue another AOR/BOR if they wish.

Note: The effective date of an AOR/BOR letter will become the day of receipt for new policies.

Deadlines

The AOR/BOR document must arrive on or before the policy renewal date in order to qualify for commission for the policy period. The underwriter may impose whatever deadlines are appropriate for submission of the other documents as a condition of AOR/BOR status. Updated information is usually required within 30 days after the policy renewal date. Failure to meet any deadline may forfeit AOR/BOR status.

Agents revoking their representation of a policyholder
When an agent wishes to revoke their Agent of Record AOR/BOR and no longer wants to represent the insured, the policy will move to a direct account with Pinnacol Assurance.

The process to remove an agent from the policy and place the account on a direct basis is as follows:

1) The agent must send a letter to the insured explaining they are revoking their BOR on the account. The letter should also advise the policyholder the account will be placed as a “Direct Account” with Pinnacol Assurance.
2) The agent should also copy the current Underwriter on the letter to ensure proper notice is provided to Pinnacol Assurance.
3) Once the underwriter receives a copy of this letter, if the request was received prior to the renewal date of the policy, the underwriter will then remove the agent from the policy and place them on a direct basis.
4) If the insured and the agent are participating in a Pinnacol Safety Group and the agent wants to withdraw from the account mid-term, the account will remain in the Safety Group until their effective renewal date at which time they will cease being a participant unless they are represented by another Pinnacol agent appointed to represent that Safety Group. If you have questions, please contact your Pinnacol Agency Relationship Manager

Cancellation

Pinnacol Assurance or the policyholder may cancel policies for a variety of reasons. Notice on Pinnacol Assurance-initiated cancellations is controlled by state statute. The policyholder may cancel at any time; however, Pinnacol Assurance requests that notice be given as soon as possible after the decision is made to allow the completion of a final audit of the policy for an expeditious closeout of the account.

In Colorado, Pinnacol Assurance must insure any employer with the exception of those who have defrauded Pinnacol Assurance or those who owe delinquent debts to Pinnacol Assurance. As a result, any canceled policy must be either reinstated or rewritten by Pinnacol Assurance upon request, subject to compliance with requirements and tender of payment.

Note: This section does not apply to coverage in other states.

Termination by the Insured

Cancellation Request
A cancellation release signed by a principal in the business is required to protect both Pinnacol Assurance and the agent. Whenever possible, the policyholder should include the date of cancellation and the reason.

Retroactive Cancellation Request
Sale, merger or business-cessation documents may be required at the underwriter’s discretion, and usually only when the effective date precedes the request by 60 days or more.

Other Coverage Cancellation

Documentation of other coverage may be requested when the effective date precedes the request and either premium has been paid for the period, or a claim was reported after the requested cancellation date.

Bankruptcy

Bankruptcy documents are generally required to confirm a petition date and bankruptcy status.

Cancellation by Pinnacol Assurance

Pinnacol Assurance's reasons for cancellation are in accord with statutes governing other insurers. The major exception is that Pinnacol Assurance will not cancel a policy due to loss history or type of business. Common reasons for cancellation and the procedures involved include:

Non-Payment of Premium

When an invoice's due date passes without payment, Pinnacol Assurance mails notice, sent via certified mail, advising that the policy will cancel

Non-Payment of Renewal

Pinnacol Assurance sends certified notice 14 days prior to the policy renewal date when the renewal payment is not received in full.

Failure to Submit Quarterly or Monthly Report

Failure by a policyholder to send quarterly or monthly reports will result in a non-payment cancellation notice. A non-report cancellation will be sent to the insured and the insured via certified mail.

Insufficient Funds Check

On a new policy no coverage is provided for the period of coverage purchased by the initial check if the check is returned for insufficient funds. The underwriter **cannot** accept a replacement check; Pinnacol's finance team is responsible for clearing any penalties or other issues before a new check is accepted for coverage.

Records Refused – Audit

Pinnacol Assurance cancels when a policyholder refuses to comply with a request for auditing records or review. In accordance with insurance regulations, this certified notice is given 30 days in advance.

No Employees

Pinnacol Assurance will not continue coverage if no exposure is indicated or expected. Generally this type of cancellation takes place only at renewal.

Other Insurance

Designated as a "stock carrier" cancellation, the retention of other coverage does not imply that Pinnacol Assurance would not be the primary carrier if both carriers were paid for the coverage period. In such instances, Pinnacol Assurance reserves the option to retain premium for exposure.

Bankruptcy
The underwriter will require copies of court records to verify the status and date of the bankruptcy. Cancellation may take effect the day after the date of an accepted petition.

Sale of Business
If the effective date significantly precedes the request date, the underwriter may request documentation. Please note that in the event of a complete sale, Pinnacol Assurance prefers to cancel the existing policy and issue a new one to avoid disputes over previous liability issues.

Merger or Combination of Businesses
If Pinnacol Assurance is asked to insure the merged or combined business, the underwriter must have documentation of the merger or combination (via ERM-14) before canceling the policy of the absorbed business(es).

Final Audit
Pinnacol Assurance reserves the right to perform a final audit on any canceled policy. Audits are usually scheduled upon cancellation of the policy, and can take up to two months to complete. If you need an audit to be completed sooner, please contact your underwriter or audit representative.

Please note that **mid-term cancellation for stock company is subject to a short-rate penalty** in accordance with insurance regulations.

Reinstatement of Coverage

A policy may be reinstated once during a rolling 12-month time period with a 'no-loss' letter. After a policy has been canceled, it may be considered for reinstatement of coverage ***only within 14days after the cancellation date***... A "no loss letter" is a written, signed document by the insured (officer or owner) to the effect that no work-related losses have been incurred during the period between the cancellation date and receipt of the no-loss letter. Policyholders who do not provide a no-loss letter will not be eligible for reinstatement. The time frame to collect the 'no-loss' letter as well as all outstanding premiums due is 14 days past the cancellation date. Agents who accept a check from a customer must express mail the check to Pinnacol Assurance with a 'no-loss' letter the same day the agent receives the funds. Agents are to bear the cost of the express mail.

If a policy is cancelled and reinstated due to non-payment/no report, the first reinstatement fee will be waived. This reinstatement fee **of $165** will be waived only once during a rolling 24 month period. The fee must be charged for any additional reinstatements.

If a policy cancels more than once within any 12-month interval, it must be rewritten and it **cannot be reinstated**.

Rewrite of Coverage

If reinstatement of the policy is impossible due to elapsed time, cancellation history, or other problems, the underwriter may rewrite the coverage as a new policy
When coverage is rewritten, the underwriting process is the same as that for any new business. Refer to Section 1 “New Business” for more details.

Rewrite Penalty

To be rewritten, the policyholder must allow an audit to be performed and all past due monies from the prior policy must be paid. In addition, the number of installments for the second policy may be reduced in half from the prior policy.

Independent Contractors

Pursuant to C.R.S. §8-40-202(2), a person is an employee **unless** that person meets the following criteria:

- Individual is free from control and direction from the contracting party (unless control is exercised under the requirements of any state or federal statute or regulation); and
- Individual is customarily engaged in an independent trade, occupation, profession, or business related to the service performed.
- Has no workers of their own

C.R.S. §8-40-202(2) creates a presumption of independent contractor status if a written document addressing the nine specific criteria is signed and notarized by both parties. Not all of the nine criteria need to be satisfied in order to create an independent contractor status, and only those criteria that are appropriate to the particular situation need to be answered. Pinnacol’s independent contractor form reflects the language in the statute. The form is not a waiver and should only be completed by individuals who meet the criteria of an independent contractor.

Individuals will be included for coverage when they do not meet the criteria of an independent contractor based on the facts of the working relationship.

Independent Contractors as Employees

Workers of the subcontractor become statutory employees of Pinnacol Assurance’s policyholder, regardless of independent status, if the subcontractor carries no workers’ compensation insurance.

Statutory employees will be included for coverage unless a certificate of workers’ compensation insurance is provided by the subcontractor to the insured for the time the work is performed.

Auditing Issues

Often, audit additional premiums result when:

1. The policyholder represents individuals as independent contractors when they do not meet the criteria of an independent contractor.

2. An individual represented as an independent contractor or a subcontractor has workers on the job and does not carry workers' compensation to cover those workers.

It is important for the agent to understand the difference between an independent contractor and an employee in order to provide guidance to the policyholder so that the workers are covered and accurately estimated on the policy.

When an agent represents a contractor who subcontracts work, Pinnacol expects the agent to work with the policyholder to obtain certificates of workers' compensation insurance for subcontractors with workers and documentation to support independent contractor status.

The underwriter will manage persistent uninsured subcontractor exposures with increased estimated premiums or exclusion of the account from the agent program.

Change of Ownership

Documentation of an ownership change must include an ERM-14 confidential request for ownership change form.

Individual Liability Agreements

Individual Liability Agreements may be required when a policy experiences an **ownership change** as well as when the policy is first issued. Refer to Section 1 for information on "Individual Liability". This section will provide the basic rationale for obtaining a personal guarantee for certain entities' financial obligations to Pinnacol Assurance and the guidelines for "Requiring Individual Liability" and "Waiving Individual Liability".

For businesses which do not meet the criteria for waiving individual liability, the current procedure requires an Individual Liability Agreement be signed as part of the Pinnacol Assurance policy application (Direct) or on the Application Supplement (agent) when a policy is first issued. An Individual Liability Agreement must also be signed and submitted for the following changes in ownership:

- A sole proprietorship or partnership incorporates.
- A sole proprietorship or partnership forms a Limited Liability Company (LLC).
- A sole proprietorship or partnership forms a Limited Liability Partnership (LLP).
- A sole proprietorship or partnership forms a Limited Liability Limited Partnership (LLLP).
- A sole proprietorship or partnership forms a Limited Partnership Association (LPA).
- A corporation, LLC, LLP, LLLP or LPA changes into another entity type other than a sole proprietorship or partnership, e.g., a corporation changes into an LLC.

- When there is a change in the principal owners (principal defined as owning 10 percent or more) of an insured corporation, LLC, LLP or LLLP **and** we do not already have Individual Liability signatures on file for at least half of the remaining principal owners. (**Note:** The LPA entity type is not referenced here, as ownership interest in an LPA may not be freely transferred to another person.)

Pricing

SECTION 3

Overview of Pinnacol’s Pricing Tool

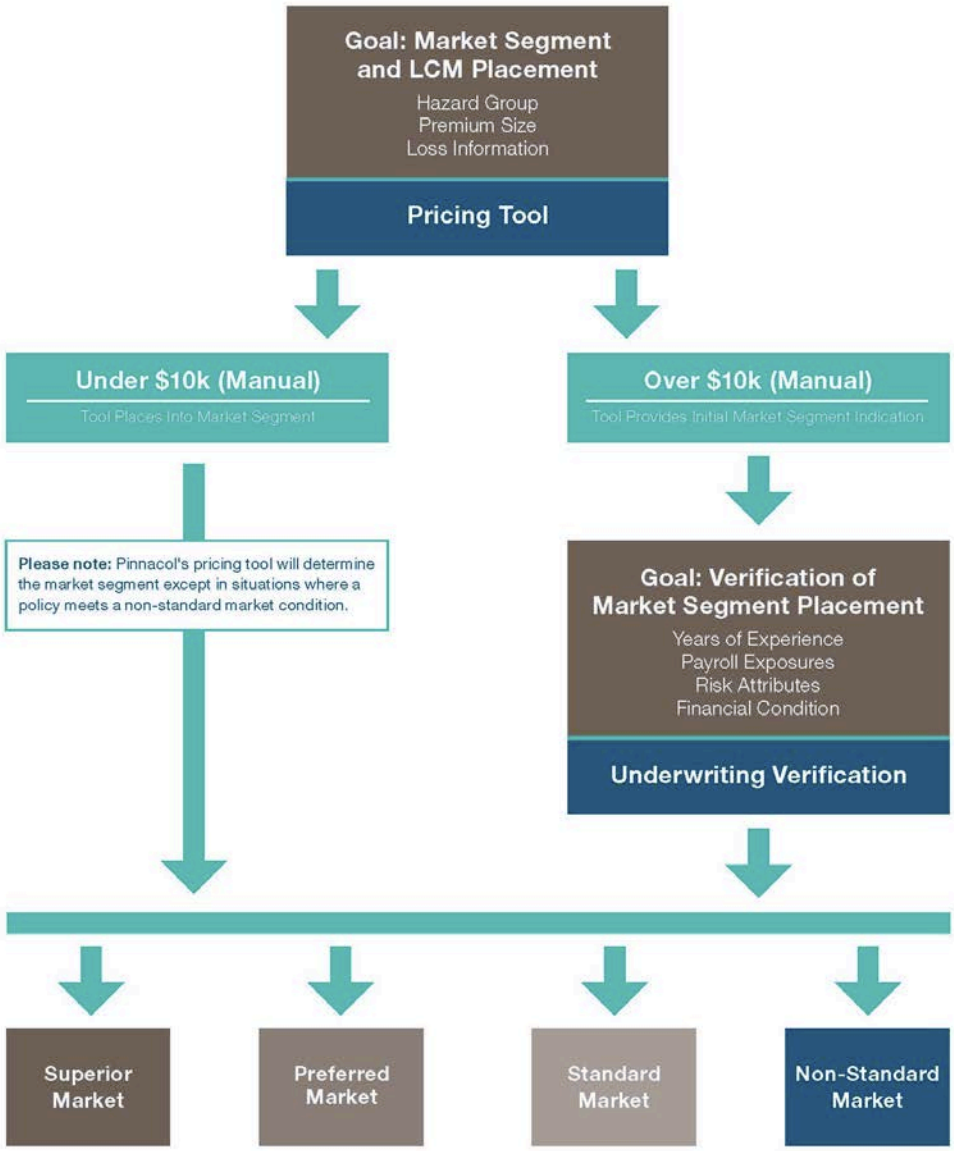
Pinnacol’s pricing tool designed to:

- Increase pricing stability
- More accurately price policies based on the individual risk characteristics of the business
- Base our pricing on the long-term view of the business, rather than on recent claims
- Maintain the competitive advantage of our workers’ compensation expertise in the marketplace

The following illustration provides a high-level overview of Pinnacol’s pricing tool. The illustration shows the specific process for pricing policies under $10K and over $10K in manual premium. For more information about Pinnacol’s pricing tool, please contact your Pinnacol agency relationship manager or underwriter.

PINNACOL ASSURANCE

New and Renewal Business Underwriting Guidelines



LCM = Loss Cost Multiplier

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New and Renewal Business Underwriting Guidelines

PINNACOL ASSURANCE

Superior Market

Accounts meeting ALL of these risk characteristics qualify for Superior Market

Initial Market Segment Indication	• **Must be Superior or Preferred**
Management Experience	• Minimum 5 years experience operating the business (or similar business) with WC coverage
Exposure/Payroll	• Independent Contractors, subcontractors, contract labor and temporary employee exposure must not exceed 10% of total payroll or premium exposure • Basic classification which describes the employers business cannot have "if any" exposures or minimum payroll
Exposure Attributes	• Industries/classes of business with operational hazards that are controllable in nature: they can be eliminated or effectively mitigated by application of risk management controls • Risks with the greatest probability of better than average expected losses for their industry/class of business
Financial Condition	• Excellent financial condition • No bankruptcies, liens or receiverships in past 5 years • Demonstrates excellent financial strength as reported by D&B or current financial statement as provided by agent/insured

→ **Over $10K (Manual Premium)**

Goal: Market Segment and LCM Placement

Hazard Group
Premium Size
Loss Information

Pricing Tool

The pricing tool determines the final LCM

→ Heritage .99

LCM

Preferred Market

Accounts meeting ALL of these risk characteristics qualify for Preferred Market

Initial Market Segment Indication	• **Must be Superior, Preferred or Standard**
Management Experience	• Minimum 2 years experience operating the business (or similar business) with WC coverage
Exposure/Payroll	• Independent Contractors, subcontractors, contract labor and temporary employee exposure must not exceed 25% of total payroll or premium exposure • Basic classification which describes the employers business cannot have "if any" exposures or minimum payroll
Exposure Attributes	• Industries/classes of business with operational hazards that are controllable in nature: they can be eliminated or effectively mitigated by application of risk management controls • Risks with a high probability of better than average expected losses for their industry/class of business
Financial Condition	• Above average financial condition • No bankruptcies, liens or receiverships in past 5 years • Demonstrates above average financial strength as reported by D&B or current financial statement as provided by agent/insured

→ **Over $10K (Manual Premium)**

Goal: Market Segment and LCM Placement

Hazard Group
Premium Size
Loss Information

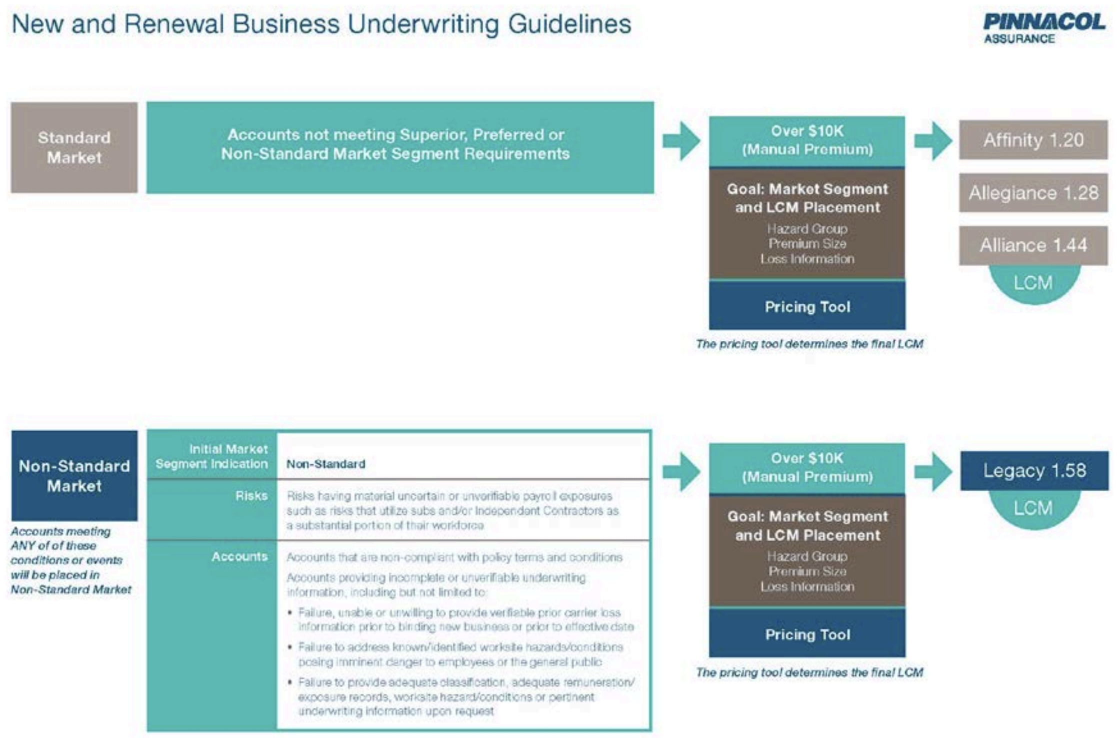
Pricing Tool

The pricing tool determines the final LCM

→ Century 1.07

Classic 1.13

LCM



Cost Containment Certification

Implementing the Cost Containment program provides an excellent foundation for building a solid safety program. Although there is a premium discount associated with this certification, the most valuable benefit comes from preventing workplace injuries and controlling claim costs if an injury does occur. If a business is cost-containment certified, a 5% discount will be applied.

The Cost Containment Certification Board appointed by the Division of Workers' Compensation certifies employers who comply with defined loss control practices. The Board meets monthly to review submissions. Before certification is granted, the requisite loss control programs must be in place and documented **for at least one year**. The Board provides applications and other needed forms. For the six loss control provisions required, refer to the "Additional Services" section for more information about safety services. For more details, please visit the "Safety Services" web-based resources on our website Pinnacol.com.

In order to obtain the discount:

- Provide the underwriter with a copy of the Cost Containment Certification.
- The certificate must be granted by the board and received by Pinnacol Assurance by the renewal of the policy period for the discount to apply to that policy period. .If the certificate is not received within 60 days of the renewal date, the cost containment discount will be applied at the next renewal period

Renewal of the discount
Once a policyholder has received their new certification, they are eligible for a one year certification, followed by a three year certification. The board will review their losses at each of these points and would expect to see declining losses as a result of their safety program.

Deductibles

In a deductible plan, the policyholder pays all loss costs up to the deductible ceiling. Pinnacol Assurance's deductible plan is a **per claim** deductible plan, (i.e. the plan does not cap the number of claims subject to the deductible). Therefore, the policyholder's liability theoretically is **unlimited**.

- Deductibles apply to both lost wages and medical benefits.
- Available deductible amounts are $500, $1,000, $1,500, $2,000, $2,500, $5,000, $10,000, $13,500, $15,500, and $16,000. $16,500.
- Deductible cannot be added mid-term.

Other deductible plan options

Large deductible plan

- Minimum premium of $350,000.
- Requires audited financial review.
- Requires a letter of credit for collateral.
- Per claim deductible.
- The base premium is lower for those policyholders who have demonstrated lower than average claims.
- Aggregate limit option to manage policyholder's risk retention upon review and approval by Pinnacol Assurance.

Procedures

- The underwriter evaluates any loss and financial exposures before approving a deductible plan. He or she may request a financial statement from the policyholder for this purpose, and/or pull a commercial credit report.
- The underwriter places the insured on the deductible plan via an agreement executed prior to inception of the applicable policy term. The request for a deductible may be verbal or in writing.
- A plan may only be canceled upon renewal of the policy. The policyholder may cancel the plan by written notice, but remains liable for the deductible on all claims payouts on claims made prior to cancellation of the plan.
- Deductible payments are charged as a line item on the policyholder's monthly invoice. The detail includes a list of the claims incurred, the cost of medical and lost wages, and the amount owed per claim.
- Per state law, all claims must be reported to Pinnacol Assurance and Pinnacol Assurance must pay all claims from the first dollar before billing back the deductible amount to the insured.
- Non-payment of the deductible may result in non-payment cancellation of the policy.
- Deductible discounts are based on deductible amount and hazard group of the class code generating the most premium, excluding standard exceptions.
- Deductible discount percentages are subject to change based on new rate filings. If the deductible discount percentage changes upon renewal of a policy, an endorsement reflecting the change will be mailed in advance of the renewal date.

For more information, contact your underwriter.

2017 Deductible Plan: Premium Reduction Percentages by Hazard Groups

(Filing Effective: 01/01/2017*)

Hazard Group							
Ded. Amt	**Group A**	**Group B**	**Group C**	**Group D**	**Group E**	**Group F**	**Group G**
$500	4.4%	3.3%	2.9%	2.0%	1.6%	1.2%	1.1%
$1,000	7.2%	5.5%	4.9%	3.5%	2.7%	2.1%	1.9%
$1,500	9.2%	7.2%	6.5%	4.6%	3.6%	2.9%	2.5%
$2,000	10.8%	8.6%	7.7%	5.5%	4.4%	3.5%	3.1%
$2,500	12.1%	9.8%	8.7%	6.3%	5.1%	4.1%	3.6%
$5,000	16.7%	13.8%	12.5%	9.4%	7.7%	6.4%	5.6%
$10,000	22.6%	19.1%	17.5%	13.8%	11.6%	9.8%	8.6%
$13,500	25.7%	22.0%	20.2%	16.3%	13.8%	11.8%	10.3%
$15,500	27.3%	23.4%	21.6%	17.6%	15.0%	12.9%	11.3%
$16,000	27.6%	23.7%	21.9%	17.9%	15.3%	13.1%	11.5%
$16,500	28.0%	24.1%	22.2%	18.3%	15.5%	13.4%	11.7%

***All of the figures included in this table are subject to change upon a new filing**

Note: The final deductible discount is subject to change and is determined at audit based upon the applicable hazard group for the policy.

Experience Modification (E-Mod)

An experience rating uses past premium and loss experience to predict a policyholder's future workers' compensation experience. The experience modification is a part of the National Council on Compensation Insurance (NCCI) workers' compensation pricing system.

Experience rating is mandatory for all insureds that qualify.

The experience period usually consists of the three most recently completed and audited years. This experience period is reviewed and updated each year by dropping the earliest experience period and adding the most recent experience period.

The Experience rating plan provides an incentive for risk management that is absent in manual rating. The plan tailors the cost prediction and final net premium cost to the individual insured more closely than manual rating alone because the plan influences the overall cost of insurance based on the insured's past performance.

Obtaining Mod Worksheets

Pinnacol Assurance prefers that agents obtain e-mod worksheets for quoting purposes whenever possible. NCCI sends each insured a copy of their worksheet, so it should be obtainable from the applicant. If the applicant cannot provide a worksheet, NCCI requires a letter of authority, signed by a representative of the applicant, in which the applicant specifically states that you are authorized to receive a copy of their e-mod worksheet.

Mod Process
Experience rating is actuarially prepared by NCCI according to a fixed formula. The formula compares the loss experience of a group of employers in the same classification(s) as the employer with the specific employer's own losses. The result is a factor, which is applied to the **subject premium** (subject premium is the manual premium after any factors for increased limits of coverage B and deductible discount). An employer with better than average loss costs is rewarded a "credit" modification, which is deducted from the subject premium. Poorer than average loss costs are given a "debit" modification, which is added to the subject premium.

Frequency vs. Severity
Greater weight is given to accident frequency than to accident severity in the experience rating calculation. However, the final measure of loss experience is a blend of the number of occurrences and the individual cost of each injury. Each injury's cost is split between a **primary value** and the balance, known as the **excess value**. The cost of each claim up to $16,500 is included in primary losses. For claims greater than $16,500 only $16,500 is primary and the balance of the claim cost is the excess.

Each claim used in the experience rating is subject to a cap called the **state accident limit**. Claim amounts over this limit are excluded from the formula. Consult NCCI or your underwriter for the current limit.

Intrastate Experience Rating

In Colorado, a risk is eligible for intrastate experience rating when:

- Payroll or other exposures developed in the last year or last two years of the utilized experience periods produced a subject premium of at least $8,000, or
- Policy generates an average three-year annual subject premium of at least $4,000.

Experience Rating and Ownership

NCCI rules primarily deal with two basic ownership events that affect the administration of the experience rating plan:

- Changes in ownership
- Combination of separate entities

Ownership changes
Both **nominal** and **material** types of changes allow all experience to follow the business. To qualify as a material change where experience *does not* follow the business:

- Collective ownership of all those having an interest in the entity both before the change and after the change amounts to either less than one-third ownership before the change, or less than one-half ownership after the change, and
- Operations change enough so that the governing classification changes, and the exposure of the business changes.

- Equipment used and/or the premises must change so that the process and hazard of the basic operations change.

If the business **does not meet** the stated criteria, the experience modification carries over to the newly-owned business with the new owner assuming the modification carried by the previous owner. Ownership is used as a criterion for rating by NCCI because the owner has the ultimate power to materially influence loss exposure.

Material changes where the experience mod does not follow the business are extremely rare under the current rules, effective July 1, 1990 and later. For changes in ownership prior to 1990, contact your underwriter for clarification of NCCI rules.

Combining entities
To combine entities, common majority ownership among the businesses in question is necessary if:

- The same person, group of persons, or entity owns more than 50 percent of each entity to be combined, or
- An entity owns majority interest in an entity, which, in turn, owns a majority interest in another entity.

If two or more entities are combinable for experience rating purposes, they **must** be combined for rating purposes. However, the entities may be written on separate policies.

Additional Required Documentation: ERM-14 and ERM-6

Documentation of an ownership change must include an ERM-14 confidential request for ownership change form. Choose from the following links to get more detailed information about the ERM-14 form and to download a copy of the ERM-14 form.

- NCCI's information about the ERM-14 form
- Download the ERM-14 form

If the risk is insured by a non-affiliate self-insurer or a non-affiliate carrier, an ERM-6 must be filled out and submitted to NCCI to be experience rated. Choose from the following links to get more detailed information from NCCI about the ERM-6 form and to download a copy of the ERM-6 form.

- NCCI's information about the ERM-6 form
- Download the ERM-6 form

Loss Control Dividend Plan

This plan is designed for policyholders committed to effective loss control in their business operations.

- Manual premium at standard market segment (Alliance) must be at least $30,000
- The overall discount on the policy will be reduced by five percent as a “buy in” to the Plan. The “buy in” percentage cannot be waived; however, certain insureds who already qualified under the former plan for a waiver will continue as long as requirements are met.

With satisfactory experience the policyholder may receive a dividend of up to 26.4 percent of his or her premium. The dividend schedule is included in the endorsement and is guaranteed based on the loss ratio. The dividend schedule is shown on the following page. The dividend is calculated nine months after the rating plan ends, if applicable, and is paid all at once.

Loss Control Dividend Schedule

	Premium size								
	Less than $29,999	$30,000-$39,999	$40,000-$49,999	$50,000-$59,999	$60,000-$69,999	$70,000-$79,999	$80,000-$89,999	$90,000-$99,999	$100,000 and up
Loss Ratio									
0.0% - 0.9%	17.7%	18.9%	20.0%	21.1%	22.1%	23.1%	24.2%	25.3%	26.4%
1.0% - 1.9%	17.4%	18.5%	19.5%	20.7%	21.8%	22.7%	23.8%	24.9%	26.0%
2.0% - 2.9%	17.0%	18.1%	19.1%	20.2%	21.3%	22.3%	23.3%	24.6%	25.7%
3.0% - 3.9%	16.6%	17.6%	18.7%	19.8%	21.0%	22.0%	22.9%	24.1%	25.2%
4.0% - 4.9%	16.2%	17.2%	18.4%	19.3%	20.5%	21.6%	22.6%	23.7%	24.8%
5.0% - 5.9%	15.8%	17.0%	18.0%	19.0%	20.1%	21.2%	22.2%	23.2%	24.4%
6.0% - 6.9%	15.4%	16.5%	17.5%	18.6%	19.6%	20.8%	21.8%	22.8%	23.9%
7.0% - 7.9%	15.0%	16.1%	17.1%	18.2%	19.2%	20.3%	21.5%	22.5%	23.4%
8.0% - 8.9%	14.6%	15.6%	16.7%	17.7%	18.9%	20.0%	21.1%	22.1%	23.1%
9.0% - 9.9%	14.3%	15.3%	16.4%	17.4%	18.5%	19.5%	20.7%	21.8%	22.7%
10.0% - 10.9%	13.8%	14.8%	15.8%	16.7%	17.7%	18.7%	19.7%	20.8%	21.8%
11.0% - 11.9%	13.4%	14.4%	15.4%	16.4%	17.4%	18.4%	19.3%	20.3%	21.5%
12.0% - 12.9%	12.9%	14.0%	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	21.1%
13.0% - 13.9%	12.5%	13.6%	14.6%	15.6%	16.6%	17.6%	18.6%	19.6%	20.7%
14.0% - 14.9%	12.2%	13.1%	14.1%	15.1%	16.1%	17.1%	18.1%	19.1%	20.1%
15.0% - 15.9%	11.8%	12.7%	13.8%	14.8%	15.8%	16.7%	17.7%	18.7%	19.7%
16.0% - 16.9%	11.4%	12.3%	13.4%	14.4%	15.4%	16.4%	17.4%	18.4%	19.3%
17.0% - 17.9%	11.0%	12.0%	12.9%	14.0%	15.0%	16.0%	17.0%	18.0%	19.0%
18.0% - 18.9%	10.7%	11.7%	12.5%	13.6%	14.6%	15.6%	16.6%	17.6%	18.6%
19.0% - 19.9%	10.2%	11.2%	12.2%	13.1%	14.1%	15.1%	16.1%	17.1%	18.1%
20.0% - 20.9%	9.8%	10.7%	11.5%	12.3%	13.3%	14.1%	15.0%	15.9%	16.7%
21.0% - 21.9%	9.4%	10.3%	11.2%	12.0%	12.8%	13.8%	14.6%	15.5%	16.4%
22.0% - 22.9%	8.9%	9.9%	10.8%	11.7%	12.4%	13.4%	14.3%	15.1%	16.0%
23.0% - 23.9%	8.6%	9.6%	10.4%	11.3%	12.2%	12.9%	13.9%	14.8%	15.6%
24.0% - 24.9%	8.1%	8.9%	9.9%	10.8%	11.7%	12.4%	13.4%	14.3%	15.1%
25.0% - 25.9%	7.7%	8.6%	9.6%	10.4%	11.3%	12.2%	12.9%	13.9%	14.8%
26.0% - 26.9%	7.3%	8.2%	9.1%	10.0%	10.9%	11.8%	12.5%	13.5%	14.4%
27.0% - 27.9%	7.1%	7.8%	8.7%	9.7%	10.5%	11.4%	12.2%	13.1%	14.0%
28.0% - 28.9%	6.6%	7.3%	8.2%	9.1%	10.0%	10.9%	11.8%	12.5%	13.5%
29.0% - 29.9%	6.2%	7.1%	7.8%	8.7%	9.7%	10.5%	11.4%	12.2%	13.1%
30.0% - 30.9%	5.8%	6.6%	7.3%	7.9%	8.7%	9.6%	10.3%	11.0%	11.8%
31.0% - 31.9%	5.5%	6.3%	7.1%	7.7%	8.4%	9.2%	10.0%	10.8%	11.5%
32.0% - 32.9%	5.2%	6.1%	6.8%	7.4%	8.2%	8.9%	9.8%	10.5%	11.3%
33.0% - 33.9%	5.0%	5.8%	6.6%	7.3%	7.9%	8.7%	9.6%	10.3%	11.0%
34.0% - 34.9%	4.6%	5.3%	6.2%	6.9%	7.6%	8.3%	9.1%	9.9%	10.7%
35.0% - 35.9%	4.3%	5.1%	6.0%	6.7%	7.3%	8.1%	8.8%	9.7%	10.4%
36.0% - 36.9%	4.1%	4.8%	5.7%	6.4%	7.2%	7.8%	8.6%	9.4%	10.2%
37.0% - 37.9%	3.8%	4.6%	5.3%	6.2%	6.9%	7.6%	8.3%	9.1%	9.9%
38.0% - 38.9%	3.6%	4.3%	5.1%	6.0%	6.7%	7.3%	8.1%	8.8%	9.7%
39.0% - 39.9%	3.3%	4.1%	4.8%	5.7%	6.4%	7.2%	7.8%	8.6%	9.4%
40.0% - 40.9%	3.1%	3.7%	4.3%	5.0%	5.7%	6.3%	6.9%	7.4%	8.1%
41.0% - 41.9%	2.7%	3.3%	4.0%	4.6%	5.2%	6.0%	6.6%	7.2%	7.7%
42.0% - 42.9%	2.5%	3.1%	3.7%	4.3%	5.0%	5.7%	6.3%	6.9%	7.4%
43.0% - 43.9%	2.4%	2.9%	3.5%	4.1%	4.7%	5.3%	6.1%	6.7%	7.3%
44.0% - 44.9%	2.1%	2.6%	3.2%	3.8%	4.5%	5.1%	5.8%	6.4%	7.1%
45.0% - 45.9%	1.7%	2.5%	3.0%	3.6%	4.2%	4.8%	5.5%	6.2%	6.8%
46.0% - 46.9%	1.5%	2.2%	2.7%	3.3%	4.0%	4.6%	5.2%	6.0%	6.6%
47.0% - 47.9%	1.2%	2.0%	2.5%	3.1%	3.7%	4.3%	5.0%	5.7%	6.3%
48.0% - 48.9%	0.9%	1.5%	2.2%	2.7%	3.3%	4.0%	4.6%	5.2%	6.0%
49.0% - 49.9%	0.6%	1.2%	2.0%	2.5%	3.1%	3.7%	4.3%	5.0%	5.7%
50.0% and up	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Effective 1/1/2012
PD - 12/2008

Minimum Payrolls

New enterprises or businesses in unstable markets, especially contractors, cannot accurately project payrolls for the coming year. Since both parties must estimate how much exposure may develop, Pinnacol Assurance bases its estimates on extensive past experience with new and with contracting ventures. While minimum payrolls may, in some cases, appear excessive, Pinnacol Assurance finds that minimum payrolls often fall short of actual audited exposure.

Two options exist for choosing payrolls for a new policy or at renewal:

- Payrolls based upon substantial and well-documented actual experience, which requires:
  - Documentation showing actual payrolls over a meaningful period, **and**
  - Explanation of why actual payroll experience is a good indicator of future exposure.
- Payrolls estimated according to Pinnacol Assurance minimums if support for the use of actual payroll is lacking.

Minimum Payrolls Applied by Pinnacol Assurance

For most classifications, when minimum payrolls must be estimated, the underwriter will use:

- Effective January 1, 2016 (new and renewal), the flat payroll used for covered affiliates (Sole Proprietors, Partners, Corporate Officers and LLC members) is $52,300.
- Full time minimum wage for class 5645 and 5474
  - $29,000 per employee
- Part time minimum wage for class 5645 and 5474
  - $14,500 per employee
- Roofing Contractors
  - $29,000 per employee

Minimum Premiums

Minimum premiums at Pinnacol Assurance vary by classification, but will never be higher than $750. No discount or return will reduce premium below the minimum. Refer to the current rates or call your underwriter for more information.

Retrospective Rating Plans

Retrospective ratings ("retros") are adjustments to a policyholder's final premium based on a **single year** of incurred losses in which the policyholder may receive a refund or face an additional premium on the retro year. Before offering a retro, the agent should consider the following:

- Only larger policyholders should be considered for a retro plan as reliable loss statistics depend on a sizable premium.
- Only safety-conscious policyholders should consider a retro plan because the policyholder risks a substantial additional premium.
- Only policyholders in a relatively good financial condition should consider a retro plan since the losses develop and the retro amount is adjusted over a five-year period.

Basic Elements of Retrospective Rating

Each retro contract sets a maximum limit to the final premium, which is expressed as a decimal. The policyholder should carefully evaluate the possible financial impact of paying the maximum premium amount after an adverse loss year.

Both premiums and losses are subjected to multipliers, which reflect such expenses as administration, commission, audits, and claim adjustment.

Pinnacol Assurance's contract reserves the right to adjust the premium, for additional premiums or for returns, up to five times over five years. The first adjustment takes place approximately 18 months after the policy inception date. A policyholder on a retro for several consecutive years might receive several adjustments at once, one for each retro year.

Basic Procedures

When a policyholder accepts a retro plan, two things must be done for **each year** of the retro:

- A letter of agreement to the retro's terms must be signed at the beginning of each policy period, since yearly conditions may differ. The letter is provided by the underwriter with the retro quote.
- The advance, or "regular," premium must be paid on schedule, just as with a non-retro ("guaranteed cost") plan.

More Information

For more information, please contact your underwriter or agency relationship manager.

Schedule Rating

Schedule rating plans rely on underwriting judgment to modify premium by acknowledging variances in risk characteristics and conditions that distinguish the average loss exposure from loss exposures that are better or worse than average. Insurers use underwriting judgment to select the amount of premium credit or debit (schedule rating factor) within a maximum range. Schedule rating credits or debits, when applicable, must be applied uniformly in a non-discriminatory manner, implying only the ability to differentiate among risk characteristics and conditions deviating from average loss exposures not reflected in the rate, experience modification or other pricing factors (e.g. cost containment discount) are to be considered. This means *loss exposures that are roughly similar regarding expected losses and expenses should be charged substantially similar rates.* When risk characteristics and conditions do not deviate from average (or expected) loss exposures, the application of the schedule rating plan results in a zero modification to premium.

Once an insurer has filed a schedule rating plan, its use is mandatory for all eligible classes of risks eligible under a rate modification plan. A debit schedule rating may not exceed +25 percent.

Availability

The plan is applied to all policies whose manual premium equals or exceeds $10,000 on an annual basis.

Factors Reviewed

. The plan takes into account three main factors: loss history/loss control, business exposure, and business management. Each category is eligible for a maximum of ten points, to a policy total not to exceed +/-25 points. The review of each category may include:

- **Premises**: This will range from -10% to +10%.
- **Classification Peculiarities**: This will range from -10% to +10%.
- **Medical Facilities**: This will range from -5% to +5%.
- **Safety Devices**: This will range from -5% to +5%.
- **Employees-Training, Supervision Management**: This will range from -10% to +10%.
- **Management-Cooperation with Insurance Carrier:** This will range from -5% to +5%.
- **Management-Safety Organization:** This will range from -5% to +5%.

Premium Discount

Pinnacol Assurance uses the premium discount in pricing accounts in recognition of the additional credibility in predicting losses on accounts as they grow in premium size. To be eligible for this discount, your premium size must be $10,000 or greater. The premium discount is adjusted throughout the policy term as payroll adjustments are made and shored up at audit. The discount will be applied after all other credits and discounts are applied on the account.

Standard Premium	Discount	Standard Premium	Discount	Standard Premium	Discount
$ 0–10,055	0.0%	$ 19,570– 19,999	4.5%	$ 225,958– 235,999	9.0%
10,056–10,167	0.1	20,000– 20,449	4.6	236,000– 246,976	9.1
10,168–10,282	0.2	20,450– 20,919	4.7	246,977– 259,024	9.2
10,283–10,399	0.3	20,920– 21,411	4.8	259,025– 272,307	9.3
10,400–10,520	0.4	21,412– 21,927	4.9	272,308– 287,027	9.4
10,521–10,643	0.5	21,928– 22,469	5.0	287,028– 303,428	9.5
10,644–10,769	0.6	22,470– 23,037	5.1	303,429– 321,818	9.6
10,770–10,898	0.7	23,038– 23,636	5.2	321,819– 342,580	9.7
10,899–11,030	0.8	23,637– 24,266	5.3	342,581– 366,206	9.8
11,031–11,165	0.9	24,267– 24,931	5.4	366.207– 393,333	9.9
11,166–11,304	1.0	24,932– 25,633	5.5	393,334– 424,799	10.0
11,305–11,446	1.1	25,634– 26,376	5.6	424,800– 461,739	10.1
11,447–11,592	1.2	26,377– 27,164	5.7	461,740– 505,714	10.2
11,593–11,741	1.3	27,165– 27,999	5.8	505,715– 558,947	10.3
11,742–11,895	1.4	28,000– 28,888	5.9	558,948– 624,705	10.4
11,896–12,052	1.5	28,889– 29,836	6.0	624,706– 707,999	10.5
12,053–12,214	1.6	29,837– 30,847	6.1	708,000– 816,923	10.6
12,215–12,380	1.7	30,848– 31,929	6.2	816,924– 965,454	10.7
12,381–12,551	1.8	31,930– 33,090	6.3	965,455– 1,179,999	10.8
12,552–12,727	1.9	33,091– 34,339	6.4	1,180,000– 1,517,142	10.9
12,728–12,907	2.0	34,340– 35,686	6.5	1,517,143– 1,824,799	11.0
12,908–13,093	2.1	35,687– 37,142	6.6	1,824,800– 1,983,478	11.1
13,094–13,284	2.2	37,143– 38,723	6.7	1,983,479– 2,172,380	11.2
13,285–13,481	2.3	38,724– 40,444	6.8	2,172,381– 2,401,052	11.3
13,482–13,684	2.4	40,445– 42,325	6.9	2,401,053– 2,683,529	11.4
13,685–13,893	2.5	42,326– 44,390	7.0	2,683,530– 3,041,333	11.5
13,894–14,108	2.6	44,391– 46,666	7.1	3,041,334– 3,509,230	11.6
14,109–14,330	2.7	46,667– 49,189	7.2	3,509,231– 4,147,272	11.7
14,331–14,559	2.8	49,190– 51,999	7.3	4,147,273– 5,068,888	11.8
14,560–14,796	2.9	52,000– 55,151	7.4	5,068,889– 6,517,142	11.9
14,797–15,041	3.0	55,152– 58,709	7.5	6,517,143– 9,123,999	12.0
15,042–15,294	3.1	58,710– 62,758	7.6	9,124,000–15,206,666	12.1
15,295–15,555	3.2	62,759– 67,407	7.7	15,206,667–45,619,999	12.2
15,556–15,826	3.3	67,408– 72,799	7.8	45,620,000 and over	12.3
15,827–16,106	3.4	72,800– 79,130	7.9		
16,107–16,396	3.5	79,131– 86,666	8.0		
16,397–16,697	3.6	86,667– 95,789	8.1		
16,698–17,009	3.7	95,790–107,058	8.2		
17,010–17,333	3.8	107,059–121,333	8.3		
17,334–17,669	3.9	121,334–139,999	8.4		
17,670–18,019	4.0	140,000–165,454	8.5		
18,020–18,383	4.1	165,455–200,377	8.6		
18,384–18,762	4.2	200,378–208,235	8.7		
18,763–19,157	4.3	208,236–216,734	8.8		
19,158–19,569	4.4	216,735–225,957	8.9		

Above Table Based on the Following Discounts

First $10,000	0.0%
Next $190,000	9.1
Next $1,550,000	11.3
Over $1,750,000	12.3

Premium Size Discount (For PEO Master Policy) Table 9-P

The following table shows the discount schedule for PEO Master/Leasing Company Policies (TABLE 9-P).

Standard	Premium	Discount	Standard Premium	Discount
0	10163	.000	68889 - 88571	.027
10164	10508	.001	88572 - 123999	.028
10509	10877	.002	124000 - 200869	.029
10878	11272	.003	200870 - 219999	.030
11273	11698	.004	220000 - 243157	.031
11699	12156	.005	243158 - 271764	.032
12157	12653	.006	271765 - 307999	.033
12654	13191	.007	308000 - 355384	.034
13192	13777	.008	355385 - 419999	.035
13778	14418	.009	420000 - 513333	.036
14419	15121	.010	513334 - 659999	.037
15122	15897	.011	660000 - 923999	.038
15898	16756	.012	924000 - 1539999	.039
16757	17714	.013	1540000 - 1886666	.040
17715	18787	.014	1886667 - 2085263	.041
18788	19999	.015	2085264 - 2330588	.042
20000	21379	.016	2330589 - 2641333	.043
21380	22962	.017	2641334 - 3047692	.044
22963	24799	.018	3047693 - 3601818	.045
24800	26956	.019	3601819 - 4402222	.046
26957	29523	.020	4402223 - 5659999	.047
29524	32631	.021	5660000 - 7923999	.048
32632	36470	.022	7924000 - 13206666	.049
36471	41333	.023	13206667 - 39619999	.050
41334	47692	.024	39620000 - 99999999	.051
47693	56363	.025		
56364	68888	.026		

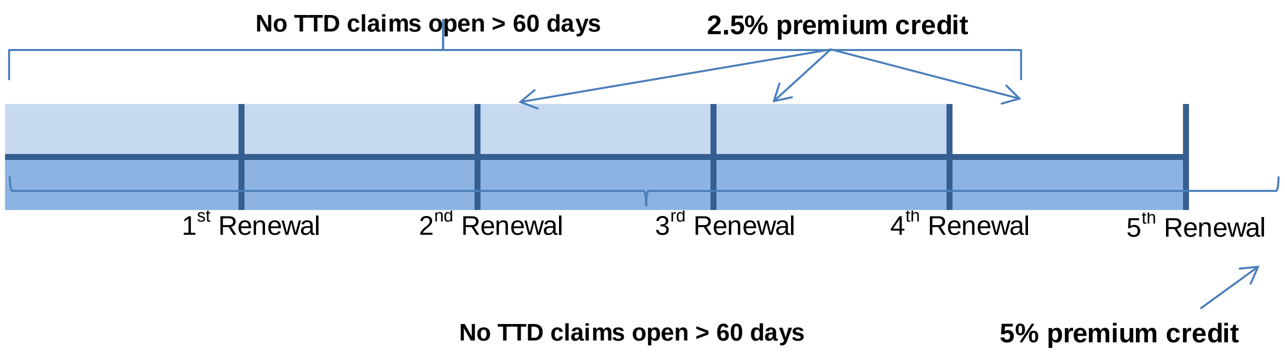
Pinnacol Performance Credit

The Pinnacol Performance Credit is designed to reward qualified policyholders for their loyalty to Pinnacol, and to recognize pro-active risk and claims management performance.

To qualify for the Pinnacol Performance Credit, policyholders must meet the following criteria:

- Annual manual premium between $1,250 and $10,000.
- Minimum experience of one year and nine months of continuous coverage with Pinnacol.
- Sustain no temporary total disability (TTD) claims open longer than 60 days throughout the evaluation period (see below).

The following illustration shows the evaluation period for Pinnacol Performance Credit evaluation period:



- Premium credits are applied each policy renewal for eligible policyholders unless a policyholder no longer meets the eligibility criteria.

Increased Limits

Note that Increased Limits are not an automatic addition to any policies, and must be specially requested.

Table of Charges for Increased Limits (Effective January 2013)

Limits of Liability (000 Omitted)	Percentage	Minimum Premium
$100/100/1,000	0.1%	---------------
$100/100/2,000	0.2%	----------------
$100/100/3,000	0.3%	---------------
$100/100/5,000	0.5%	---------------
$100/100/10,000	1.0%	---------------
$500/500/500	0.8%	$75
$500/500/1,000	0.9%	$75
$500/500/2,000	1.0%	$75
$500/500/3,000	1.1%	$75
$500/500/5,000	1.3%	$75
$500/500/10,000	1.8%	$75
$1,000/1,000/1,000	1.1%	$120
$1,000/,1000/2,000	1.2%	$120
$1,000/1,000/3,000	1.3%	$120
$1,000/1,000/5,000	1.5%	$120
$1,000/1,000/10,000	2.0%	$120
$2,000/2,000/2,000	1.4%	$140
$3,000/3,000/3,000	1.6%	$160
$4,000/4,000/4,000	1.8%	$180
$5,000/5,000/5,000	2.0%	$200
$6,000/6,000/6,000	2.2%	$210
$7,000/7,000/7,000	2.4%	$220
$8,000/8,000/8,000	2.6%	$230

Firefighter Pricing Procedures

2017 FIREFIGHTER CANCER BILL HB 07-1008
PRICING PROCEDURES

Paid Firefighters Class Code 7710

	Renewals	New Business	New Business Self-Insured, Pools or Trusts
Class Code 7710 Per Capita Payroll	Actual Payroll	Actual Payroll	Actual Payroll
Cancer Disease Load Payroll Class Code 1008-10	Actual Payroll	Actual Payroll	Actual Payroll

Volunteer Firefighters Class Code 7711

	Renewals	New Business	New Business Self-Insured, Pools or Trusts
Class Code 7711 Per Capita Payroll	$1,132 Per Firefighter	$1,132 Per Firefighter	$4,000 Per Firefighter
Cancer Disease Load Payroll Class Code 1008-11	$4,000 Per Firefighter	$4,000 Per Firefighter	$4,000 Per Firefighter

Billing and Premium Payment

SECTION 4

Advance Payment Plans

Non-reporting advance payment plans require premium to be paid before coverage is provided for the billing period. Advance payment plans base the premium due on estimated payrolls and premium. Pinnacol Assurance typically offers advance installment plans ranging from one to nine payments. In certain circumstances we may allow 10, 11 or 12 payments. Installments are usually set up in equal amounts and for consecutive months, but special schedules may be arranged at the underwriter's discretion. Advance payment plans do not require a premium deposit.

Advance Payment Plan Schedule

Amount of Premium	Payment Frequency
Less than $600	1
$601 - $1,100	2
$1,101 - $1,600	3
$1,601 - $2,200	4
$2,201 - $2,700	5
$2,701 - $3,300	6
$3,301 - $3,800	7
$3,801 - $4,500	8
$4,501 and above	9
$20,001 and above*	10
$50,001 and above*	11
$100,001 and above*	12

*Payment schedules with a payment frequency of 10 or more are considered only under **exceptional** circumstances. Underwriter review and **pre-approval are required**.

Quarterly / Monthly Reporting

A quarterly or monthly reporting plan requires payment of premium charges after coverage for the billing period is provided. Premium is determined via a worksheet mailed to the policyholder after each scheduled period. The policyholder completes the worksheet and returns it with the calculated payment. As with regular invoices, the completed report and payment are due 20 days after the issue date on the report. The report **is a bill**, so failure to return the report with payment will result in cancellation.

Deposit

Quarterly and monthly reporting plans require a deposit, payable at policy inception and at each policy renewal. The deposit is considered an **applied premium deposit**, i.e. the deposit will be applied to the policy's last reporting period premium at audit and should represent a best approximation of that premium.

The default deposit for quarterly reporting equals 1/3 of the total estimated annual premium. For monthly reporting, the default deposit equals 12 percent of the total estimated annual premium.
Pinnacol Assurance does not accept letters of credit for deposits.

Quarterly Frequency

Due to the applied premium deposit, the policyholder will receive three reports in a calendar year, scheduled at three-month intervals. The fourth report is suppressed with the fourth quarter premium included on the audit. The reporting period is determined based on the inception date of the policy period; therefore, policies incepting on off-calendar months will have their reports scheduled for release on off-calendar quarters. Very short-term policies (less than 90 days) will have their entire premium determined at audit and thus will not require a report.

Quarterly Schedule of Reports	
Frequency	**Days in Period**
0	14 - 119
1	119 - 209
2	209 - 299
3	299 - 382

Monthly Arrears / Reporting Plan

Eligibility

The eligibility for monthly arrears reporting is the same as for quarterly reporting. In general, reporting plans should be considered only for businesses, which experience significant variations in payrolls throughout the year. In considering a reporting plan for a given policyholder, the underwriter will consider:

- Documented record-keeping and reporting ability. Size of account. For many smaller accounts, a properly projected advance premium plan will address audit additionals more effectively than payroll reporting. Due to the expense of administering monthly reporting plans it may only be offered to large policyholders.

- Credibility of payroll and premium history. A new business with little history prevents meaningful payroll projections and thus may need a reporting plan at least temporarily if other factors are appropriate

The monthly arrears/reporting form

The arrears report for a monthly reporting plan is identical to the report for a quarterly reporting plan except for the length of the reporting period shown.

Due date of reports

An arrears payroll report is due as of the date printed on the first page of the invoice, which represents twenty (20) calendar days from the date of issuance. The report is a bill, so failure to return the report with payment will result in cancellation.

Monthly Frequency

Due to the applied premium deposit, the policyholder will receive 11 reports in a calendar year, scheduled at one-month intervals. The report for the 12^{th} month is suppressed with the last month's premium accounted for and billed on the audit. The report will be released *after* the reporting period. The reporting period is based on the inception date of the policy period. Very short-term policies (less than 60 days) will have their entire premium determined at audit and thus will not require a report.

Monthly Schedule of Reports	
Frequency	**Days in Period**
0	14-45
1	46-60
2	61-90
3	91-120
4	121-150
5	151-180
6	181-210
7	211-240
8	241-270
9	271-300
10	301-330
11	311-382

The following class codes are **not eligible** for reporting plans:

- 4361 Photographers
- 8820 Attorneys
- 4511 Analytical Chemists
- 8832 Physicians
- 8720 Inspection risks
- 8901 Cable TV or Phone Offices

Invoicing

In general, Pinnacol Assurance will issue one invoice per month on an active policy. The invoice is generated based upon the assigned **cycle date**. Cycle dates are assigned sequentially at policy inception, but may be changed upon request to suit your policyholder's schedule. Contact your underwriter for information on changing cycle dates.

The invoice will contain line items for all transactions (credits, debits and payments) which took place from the last month's cycle date through the present month's cycle date. The invoice consists of a summary, which lists the starting balance, all transactions, and the ending balance. **Please note the due date on the invoice does NOT apply to any transactions shown in the starting balance.** Please refer to the invoice on which the transaction was originally shown for the due date. Also included on the invoice are detail pages for selected transactions such as audits, current period adjustments and deductible billings. The detail will show the nature of the change, if any, and will include any text that relates specifically to the transaction.

Deadlines

Pinnacol Assurance gives 20 days from the invoice's issuance date for payment of the amount due thereon. All payments should be sent to the bank lockbox address shown on the invoice, and should be accompanied by the tear-off coupon on the bottom of the summary page. Credit of payments sent without the coupon will be delayed due to the extra handling required.

Payment of Premium

Activating a New Policy

The first payment on a policy, which activates coverage, is the **only** payment on an active policy that should be sent to Pinnacol Assurance directly. All subsequent payments should be sent to the bank lockbox address given on the invoice and with the coupon included.

Electronic Funds Transfer (EFT) and E-Invoice

Policyholders can choose to pay their premiums through electronic funds transfer or through an electronic invoice. For more details, contact Pinnacol customer service.

Payment Instructions

These points are extremely important to ensure proper crediting of the account:

- Inclusion of payment coupon. Without the tear-off coupon from the bill, additional processing will delay posting of the payment.
- Mailing to lockbox address. Mailing payment to the street address or one of Pinnacol Assurance’s other post office boxes will delay posting of the payment. All checks received in our offices will be routed into the lockbox collection system.
- Timely arrival at the lockbox. Pinnacol Assurance is not responsible for mailing time. Over 99 percent of checks with tear-off coupons that arrive in Pinnacol Assurance’s lockbox are posted to the account within twenty-four hours of arrival.

Personal Delivery to Pinnacol Assurance

Anyone delivering payment to Pinnacol Assurance offices will be directed to deposit the check or payment in the lockbox collection slot. Payment will then be processed according to normal lockbox procedures. Expect an additional delay of at least twenty-four hours in processing for payments deposited after 10:00 a.m.; payments deposited without the tear off coupon may take even longer to post.

Payment to Agent

Pinnacol Assurance asks the agent to promote direct payment to Pinnacol Assurance’s lockbox and to support payment procedures. The agent is **not** obliged by agency law to accept payment when the policyholder has received clear instructions to pay according to other procedures.

Acceptance of Credit Card Payments

Pinnacol Assurance accepts the following major credit cards; Visa, Master Card, American Express and Discover.

Billing Timeline

1. Bills go out 20 days prior to the bill date.
2. Renewal bills are sent on the 25th of the month approximately 40 days prior to renewal.
3. If payment is not received by the due date, a notice of cancellation is issued and sent via certified mail.
4. Average mail time from the date the policyholder mails the check to its arrival at the bank is four days.
5. Posting times are as follows:
   - Payments received at US Bank prior to 9 a.m. will on average be posted in the evening of the next day (received after 9 a.m. on 9/18 will be on the policy at 6 p.m. the following day 9/19 and the policy posting date will be 9/19).
   - Payments received at US Bank after 9 a.m., but prior to 7 p.m., on Friday evening will be posted to the policy in the evening of the next business day (received after 9 a.m. on 9/22 will on average be posted at 6 p.m. the following business day 9/25 and the policy posting date will be 9/25).

6. We will offer flexibility in billing by changing the cycle date on a policy at the request of the agent or policyholder.
7. Agents who accept payment on pending cancellation for non-pay accounts will be responsible for getting the check to Pinnacol Assurance prior to the cancellation date. Agents will forward a copy of the payment to the underwriter.

Extended Payment Plans

Extended payment plans permit policyholders to pay large unanticipated premiums, which are due in addition to ordinary premium installments. Payment extensions are authorized **only upon direct request to the underwriter**, and only under the conditions outlined below. Approval of any request for an extended payment plan is subject to the approval of the underwriter, based on sound financial and service reasons.
Extension cannot overlap next renewal billing, or extend into the next policy period.

Please note that Pinnacol Assurance also accepts credit card payments or eft on a balance due. Contact your underwriter for details on how to use this service.

Requirements

- Financial information and/or a credit report. Should demonstrate sufficient financial strength to make timely payments.
- Pinnacol Assurance records. Should show a consistent and substantial history of timely payment.
- Previous extended pay plans. In general, only one extended payment plan is allowed during the life of a policy. However, other mitigating factors may override this requirement.

Length and Number of Payments

Two equal payments over sixty days are standard. Very large amounts or special circumstances may allow more payments and/or more time to pay, however, no pay plan may extend due dates beyond the current policy period. Also, extended pay plans are usually not offered for amounts under $1,000, although exceptions can be made under special circumstances. Pinnacol Assurance does not charge interest on amounts placed in an extended pay plan.

The pay plan extends **only to the amount in question**. No other bills or due dates are affected by the extended pay plan. The policyholder must remain current on any other bills that could cause cancellation.

Agent Commission

Please note that commission will be paid to the agent for only the portion of the audit additional which Pinnacol Assurance receives within 90 days from the invoice date. No commission will be paid on subsequent payments that extend beyond the 90 day window. For more information about agent commission, refer to Section 8 of this manual.

Procedures

- As soon as inability to pay is known, the policyholder or the agent should contact the underwriter for approval. Contact before the bill is due is looked upon as a good faith action.
- The underwriter will review the circumstances and make an offer. If an extension is offered, it will not be activated until a firm acceptance is given.
- The underwriter will usually require a promissory note to be signed and returned within ten days of the offer date. Promissory notes must be signed by all officers owning at least ten percent of stock whenever possible. The underwriter may waive some of the owners' signatory requirement under special circumstances.
- A letter stating the due dates and the payment amounts will accompany the promissory note. Also included will be payment coupons for the amounts due. No invoices will be sent for amounts on extended payment plans. The letter and coupons will be the policyholder's only notice of the dates and amounts due for the promissory note.
- When the payments for the agreed upon amounts are received in full, the payment plan will be closed automatically by Pinnacol Assurance's computer system. The plan will also be closed if the policy cancels for any reason other than non-payment, and if a plan is still needed, a new plan will have to be negotiated through Pinnacol Assurance's Canceled Collections representative.

Cancellation for Non-Payment

The policy will cancel for late payment of amounts due on any payment extension plan. Therefore, **early check mailing** is recommended. Pinnacol Assurance suggests mailing the check at least five days before the due date to insure timely posting to the account. As with other payments, Pinnacol Assurance is not responsible for mailing time.

Miscellaneous

SECTION 5

Certificate of Insurance

Agents may issue certificates of insurance on standard ACORD forms, under the following guidelines:

- **Notice of cancellation provision**. Pinnacol Assurance will not provide more than ten days advance notice for non-payment cancellation on a standard basis. Contact your underwriter if you need an exception for a 30-day notice.
- **Policy Status**. The agent accepts responsibility for coverage if the agent issues a certificate after Pinnacol Assurance issuance of a cancellation warning or cancellation notice.
- **Policy terms and coverages**. The agent is responsible for confirming the correct policy term and conditions of coverage represented on an agent-issued certificate.

Exception: Please direct all certificate requests for coverage in states other than Colorado to Pinnacol Assurance.

Certificates Online

Certificates of insurance can also be obtained on Pinnacol Online for agents at Pinnacol.com.

Other States Coverage

What is Pinnacol's Other States Coverage Program?

Other States Coverage (OSC) is workers' compensation coverage for non-Colorado employees. Pinnacol Assurance focuses on underwriting and marketing other states coverage to profitable, Colorado-domiciled businesses with acceptable, incidental non-Colorado workers' compensation exposures. Pinnacol is very much interested in marketing and underwriting to the following targeted underwriting exposures. For risks identified as underwriting exclusions, Pinnacol will not write coverage.

Specific risk characteristics apply in most if not all underwriting decisions, and ultimately, every underwriting decision is made on an individual policy basis.

Targeted Underwriting Exposures:

- Established Colorado businesses with experienced management teams and a track record of profitable underwriting results
- Principal operations are Colorado-based with same Colorado named insured out-of-state operations, and;
- Colorado risk is preferred/standard market business, or;
- Non-Colorado operations are substantially incidental posing minimal underwriting risk to Pinnacol's book of business, and;
- Colorado *and* out-of-state operations are underwritten to profitability fund the expected losses and expenses associated with the risk and OSC program.

- Exposures outside of Colorado are incidental in nature, and are primarily activities that support Colorado operations
    - Out-of-state operations are less than 40% of Colorado annual manual premium and in three (3) states or fewer
        - Appetite is relative to the degree of risk assumed
- Nature of operations performed outside of Colorado are not more hazardous than Colorado exposures
- Exposures to loss are controllable in nature and actively managed
    - Exposures to loss can be effectively controlled through loss prevention programs
    - Potential for large or severe losses is limited to unforeseen hazards
- Hazard groups A – D and light for class hazard group E with demonstrated effective loss prevention and claims management programs
- Controllable, manageable exposures to loss:
    - Employees work in contained, four wall environments
    - Incidental exposure to working above or below ground
    - Minimal exposure to driving
    - No exposure to animals
    - No exposure to uninsured subcontractors, independent contractors or contract labor
    - No volunteer workforce

Underwriting Referrals/Review:
Pinnacol will consider writing coverage for policies that meet the criteria below. For these risks, hazards, coverage(s), and/or business characteristics require specific consideration to determine underwriting acceptability.

Risks with these underwriting exposures require Pinnacol management approval:

- Employers liability coverage limits exceeding $1M/$1M/$1M
- Stop-gap coverage in North Dakota, Ohio, Washington and Wyoming
  - No stop-gap only coverage
- Wrap-up workplace exclusion endorsement
- Exposures in Alaska or Hawaii
- Hazard group F or G exposures (Colorado or out-of-state operations)
- Less than $5,000 annual manual Colorado premium
  - Exception: incidental clerical/administrative (8810) and outside sales (8742)
- Greater than $50,000 annual manual non-Colorado premium
- Non-Colorado operations are greater than 40% of Colorado annual manual premium
  - Appetite is relative to the degree of risk assumed
- Non-Colorado operations in more than three (3) states
  - Appetite is relative to the degree of risk assumed
- Operations performed outside of Colorado are more hazardous than Colorado operations
- Potential uninsured sub-contractors, independent contractors or contract labor exposures
- “If any” coverage
  - No “If any” only coverage; must have a non-Colorado insurable interest
  - Pinnacol must have verifiable payroll exposure in all states specified under item 3A on the policy
- Animal exposures
- Volunteer exposures
- 24-hour operations
- Heavy local to intermediate driving or any driving greater than 250 miles

Underwriting Exclusions:
Pinnacol will not write coverage for policies that meet the criteria below. For these risks, hazards, coverage(s), and/or business characteristics predominantly present unfavorable underwriting conditions.

- Employers liability and stop gap coverage limits exceeding $2M/$2M/$2M
- Migrant and Seasonal Agricultural Protection Act
- Voluntary compensation coverage
- Staffing companies and temporary agencies
- Employee leasing company and PEO master policies
- Roofing operations of all kinds, including incidental outside sales, supervisors and independent contractors
- Construction companies specializing in catastrophic construction operations

- Firefighters and emergency responders
- Nuclear or environmental construction or clean-up operations
- Occupational disease exposures with exception to sudden and/or accidental events in which workers would not normally be exposed
- Black lung or brown lung exposures
- Federal Coal Mine Health and Safety Act
- FELA, USL&H, Outer Continental Shelf Act (off-shore oil drilling), Defense Base Act
- Professional athletic teams
- Detective agencies, penal systems, arms bearing persons, or security training facilities
- Explosive operations inclusive of fireworks manufacturing, selling, storage or transporting
- Ammunition manufacturing, transporting, storage, or remediation of waste ordnance
- Firearms manufacturing, sales, distribution, or repair
- Rifle, pistol, skeet or trap shooting ranges
- All aircraft or aviation exposures including airport operations, servicing, maintenance, aircraft dealers, distributors, storage, and products or parts manufacturing intended for use within an aircraft
- Aircraft flight operations, including flight training schools
- Battery manufacturing
- Blood banks
- Grain milling or elevator operations
- Paint, varnish, shellacs, or lacquers manufacturing
- International, U.S. territory exposures and foreign voluntary compensation coverage

Limited Other States Endorsement

By statute, Pinnacol Assurance is limited to providing workers' compensation benefits to Colorado employees of Colorado employers. We are not a licensed insurer in any other state and we don't provide benefits under any other state's workers' compensation system.

However, for many years Pinnacol Assurance has routinely offered a Limited Other States Endorsement for other states' benefits. The Limited Other States Endorsement provides *reimbursement* (for a difference in benefits) by Pinnacol Assurance to policyholders who become liable because a Colorado employee who is injured in another state files a claim through that state and is entitled (awarded) benefits from that other state. This endorsement generates very few claims each year. Payment on those claims is reported to NCCI on the same basis as Colorado benefits. **This endorsement does not cover policyholders' non-Colorado employees. Additionally, the Limited Other States Endorsement is not intended nor does it provide other states coverage.**

By providing this endorsement, Pinnacol Assurance does not agree to be subject to the jurisdiction of the other state, since we are not licensed in the other state and do not pay benefits there.

Colorado Employees Temporarily Working Out-of-State (Not OSC Coverage)

Occasionally, a Colorado employer may send their Colorado employees out of state for a temporary job (for this purpose, "temporary work out of state" is defined as a time period less than 6 months). When this occurs, the policyholder will contact Pinnacol Assurance to determine if their current workers' compensation insurance policy will extend coverage for temporary work performed out of state.

Procedure

When a policyholder calls about coverage for temporary work conducted out of state, please communicate the following:

- Inform the policyholder that they must check with the workers' compensation insurance agency in the state where temporary work is being performed to see if a separate workers' compensation insurance policy must be obtained. If that state requires the employer to obtain workers' compensation insurance, the employer must obtain required insurance coverage to avoid being uninsured.
- Advise the policyholder that the Pinnacol Assurance policy will not cover claims filed in another state and that the employer cannot dictate to the employee where the claim is to be filed.
- Explain to the policyholder that their Colorado workers' compensation policy will extend coverage for employees who temporary work out of state, provided certain situations are met. If the employer is not required to obtain a separate policy in the state for which temporary work is being performed, the Colorado policy will extend coverage if the following exist:
  - The individual is a Colorado employee and the contract of hire is in Colorado

– A substantial amount of the work is done in Colorado

– Employee is not gone for more than 6 months at a time

– Temporary work being done out of state is consistent with the classifications assigned to the policy

– In the event of an injury, the claim must be filed in Colorado for Pinnacol Assurance to cover the claim, if it is deemed compensable. The employer cannot dictate where the claim can be filed. If the claim is filed in another state, the employer will be subject to any penalties or fines that may be assessed by that state for being uninsured

OSC vs. Limited Other States Endorsement

Key Points for Agents

Here are some important points for explaining how Pinnacol provides coverage for employers working outside of Colorado. Agents and policyholders are often confused on this issue; these points cover some (but not all) questions that may arise. For more information, contact your underwriter.

- Any time a Colorado worker is working out of state, the policyholder or their agent should check the workers' compensation requirements in that state. Good places to start are the U.S. Department of Labor, dol.gov, or workerscompensation.com for links to other states.
- If an employee is injured out of state but files the claim in Colorado, then the claim is covered under the policyholder's basic Pinnacol policy. However, neither Pinnacol nor an employer can dictate where the employee files the claim.
- Pinnacol's Limited Other States Endorsement is just that: limited. It provides reimbursement to the policyholder for medical expenses and other workers' compensation expenses on claims incurred in other states, but not fines, penalties, claims adjusting, or legal expenses for defending a claim in another state.
- In general, if there's a chance that an employee will file a claim in another state, the employer should purchase Other States Coverage for the states(s) where the employee is working.

Recommendations for Policyholders

Here are some **very general** guidelines to help agents assess when to recommend Other States Coverage instead of Limited Other States Endorsement.

Situation: Policyholder only has operations in Colorado and either:

- Colorado employees that temporarily work out of state, or
- Employees that primarily work/reside in other states, are under contract of hire in Colorado, and come to Colorado at least once every six months.

Recommendation: If there's a chance that an employee will file a claim in another state, the employer should purchase Other States Coverage, and not depend on the Limited Other States Endorsement.

Situation: Policyholder only has operations in Colorado; the employee is under contract of hire in Colorado, but has not set foot in Colorado since being hired.

Recommendation: Employers should purchase an Other States Coverage policy for the state(s) where the employee is primarily working.

Situation: Policyholder has operations in other states and employees that work/reside there.

Recommendation: The Pinnacol policy only covers Colorado employees. Employers should purchase Other States Coverage for that state (s).

Limits of Coverage B: Employers Liability

Standard Limits

- $100,000 per accident (by accident)
- $500,000 policy limit (by disease)
- $100,000 per employee (by disease)

Increased Limits

Various increased limits are available from your underwriter at an additional premium charge. Charges are according to the NCCI national filing; a chart is included below. Higher limits are available on request.

Table of Charges for Increased Limits (Effective January 2013)

Limits of Liability (000 Omitted)	Percentage	Minimum Premium
$100/100/1,000	0.1%	---------------
$100/100/2,000	0.2%	----------------
$100/100/3,000	0.3%	---------------
$100/100/5,000	0.5%	---------------
$100/100/10,000	1.0%	---------------
$500/500/500	0.8%	$75
$500/500/1,000	0.9%	$75
$500/500/2,000	1.0%	$75
$500/500/3,000	1.1%	$75
$500/500/5,000	1.3%	$75
$500/500/10,000	1.8%	$75
$1,000/1,000/1,000	1.1%	$120

$1,000/,1000/2,000	1.2%	$120
$1,000/1,000/3,000	1.3%	$120
$1,000/1,000/5,000	1.5%	$120
$1,000/1,000/10,000	2.0%	$120
$2,000/2,000/2,000	1.4%	$140
$3,000/3,000/3,000	1.6%	$160
$4,000/4,000/4,000	1.8%	$180
$5,000/5,000/5,000	2.0%	$200
$6,000/6,000/6,000	2.2%	$210
$7,000/7,000/7,000	2.4%	$220
$8,000/8,000/8,000	2.6%	$230

Waiver of Subrogation

The waiver of subrogation protects a party contracted with the insured from liability for workers' compensation claims paid by Pinnacol Assurance on the insured's behalf. The waiver generally means that Pinnacol Assurance will not pursue the named party to recover claims paid on the policy; however, Pinnacol reserves the right to assert its lien in an event the injured worker pursues a claim against the third party or other litigation is commenced against the third party.

Procedure

- The request for a waiver should be sent to the underwriter, with or without a certificate of insurance request.
- The name and address of the party for whom subrogation is waived must be included with the request.
- When the waiver is requested, and the waiver is issued overnight from the automated system and mailed. Waivers may also be printed and emailed or faxed on the same day upon specific request.

Blanket Waiver of Subrogation

The distinction between an individual waiver of subrogation and a blanket waiver of subrogation endorsement is the blanket waiver eliminates the insurer's rights to recover from *all* parties where the insured has entered into a contract that requires a waiver of subrogation.

General guidelines for issuance of a blanket waiver of subrogation are:

- The insured has entered into multiple contracts with other parties and the contracts specifically require a waiver of subrogation.

- Pinnacol must receive a request to issue the blanket waiver.
- Issuance of the blanket waiver must receive the underwriter's approval. Once approved by the underwriter, Pinnacol will issue the blanket waiver of subrogation endorsement.
- Authority to issue a blanket waiver of subrogation resides with Pinnacol underwriters.

Blanket waivers will be issued when there is a demonstrated need based on the above guidelines as well as the number of past, current and future requests for waivers.

A blanket waiver is not considered a standard endorsement to Pinnacol policies, as the underwriter must review/approve each request for a waiver. Blanket waivers only apply to the policy period it was issued for and must be requested at renewal if the waiver is to be continued.

Terrorism Act (TER)

The NCCI endorsement (WC 00 00 04 22 B) addresses the requirements of the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2016. The endorsement serves as notification of the limitations under the act and disclosure of premium charges for losses that may occur in the event of an act of terrorism. The workers' compensation policy provides coverage for workers' compensation losses caused by acts of terrorism and benefit obligations dictated by state law. Coverage is subject to all terms, definitions, exclusions, and conditions of the workers' compensation policy and any applicable federal and/or states laws, rules or regulations.

Terrorism Defined

Per NCCI, the definitions provided in endorsement WC 00 00 04 22 B are based on and have the same meaning as the definitions in the act. If words or phrases not defined in this endorsement are defined in the act, the definitions in the act will apply.

Act means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments thereto resulting from the Terrorism Risk Insurance Program Reauthorization Act of 2015

Act of Terrorism means any act that is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States as meeting all of the following requirements:

- The act is an act of terrorism.
- The act is violent or dangerous to human life, property or infrastructure.
- The act resulted in damage within the United States, or outside of the United States in the case of the premises of United States missions or certain air carriers or vessels.

- The act has been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Insured Loss means any loss resulting from an act of terrorism (and, except for Pennsylvania, including an act of war, in the case of workers' compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at the premises of United States missions or to certain air carriers or vessels.

"Insurer deductible" means, for the period beginning on January 1, 2015, and ending on December 31, 2020, an amount equal to 20% of direct earned premiums, during the immediately preceding calendar year.

The act limits our liability to you under this policy. If aggregate insured losses exceed $100,000,000,000 in a calendar year and if we have met our insurer deductible, we are not liable for the payment of any portion of the amount of Insured Losses that exceeds $100,000,000,000; and for aggregate Insured Losses up to $100,000,000,000, we will pay only a pro rata share of such Insured Losses as determined by the Secretary of the Treasury.

Rating

- The TER rate is $0.01 per $100 of payroll.
- TER will not be assessed on Per Capita Classifications (0908, 0909, 0912 and 0913)
- TER does not apply to "if any" policies that do not develop payroll for the policy period

Disclosure of Premium

Pinnacol provides notification of TER premium charges and includes a disclosure notice on the applicable new business and renewal documents. The disclosure includes:

1. Insured Losses would be partially reimbursed by the United States Government. If the aggregate industry insured losses exceed $100,000,000 in a Program Year, the United States Government would pay 85% of our Insured Losses that exceed our Insurer Deductible.
    a. $100,000,000 with respect to such Insured Losses occurring in calendar year 2016, the United States Government would pay 85% of our Insured Losses that exceed our Insurer Deductible.
    b. $120,000,000 with respect to such Insured Losses occurring in calendar year 2016, the United States Government would pay 84% of our Insured Losses that exceed our Insurer Deductible.
    c. $140,000,000 with respect to such Insured Losses occurring in calendar year 2017, the United States Government would pay 83% of our Insured Losses that exceed our Insurer Deductible.
    d. $160,000,000 with respect to such Insured Losses occurring in calendar year 2018, the United States Government would pay 82% of our Insured Losses that exceed our Insurer Deductible.

e. $180,000,000 with respect to such Insured Losses occurring in calendar year 2019, the United States Government would pay 81% of our Insured Losses that exceed our Insurer Deductible.
f. $200,000,000 with respect to such Insured Losses occurring in calendar year 2020, the United States Government would pay 80% of our Insured Losses that exceed our Insurer Deductible.

2. Notwithstanding item 1 above, the United States Government will not make any payment under the Act for any portion of Insured Losses that exceed $100,000,000,000.
3. The premium charge for the coverage the policy provides for Insured Losses.

Catastrophe (CAT)

Catastrophe provides workers' compensation coverage for losses other than Certified Acts of Terrorism. The CAT endorsement provides notification that the insurance carrier is charging premium to cover workers' compensation losses caused by catastrophic losses other than Certified Acts of Terrorism. The catastrophe premium charge does not include terrorism under the Terrorist Risk Insurance Program Reauthorization Act.

Catastrophe Defined

Catastrophe is any single event resulting from an earthquake, Noncertified Act of Terrorism, or Catastrophic Industrial Accident, resulting in aggregate workers' compensation losses in excess of $50 million.

Earthquake as defined for the purposes of CAT as the shaking and vibration at the surface of the earth resulting from underground movement along a fault plane or from volcanic activity.

Noncertified Act of Terrorism is defined as an event that is not certified as an Act of Terrorism by the Secretary of Treasury pursuant to the Terrorism Risk Insurance Act of 2002 (as amended) but that meets all of the following criteria:

a. It is an act that is violent or dangerous to human life, property, or infrastructure;
b. The act results in damage within the United States, or outside of the United States in the case of the premises of United States missions or air carriers or vessels as those terms are defined in the Terrorism Risk Insurance Act of 2002 (as amended); and
c. It is an act that has been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
d. Catastrophic Industrial Accident is defined as a chemical release, large explosion, or small blast that is localized in nature and affects workers in a small perimeter the size of a building.

Rating

- The CAT rate is $.01 per $100.00 of payroll
- CAT will not be assessed on Per-Capita Classifications (0908, 0909, 0912 and 0913)
- CAT does not apply to "if any" policies that do not develop payroll for the policy period

Safety Group Business Standards

SECTION 6

Purpose

Pinnacol created our safety group program as a way to manage the distinctive group underwriting programs of highly-committed preferred risk businesses with common loss exposures to establish industry-leading risk and claims management practices and consistently achieve elite underwriting results.

Overview

Safety groups consist of individual businesses ("members") formalized as an organization working together to further a mutual goal. Members desire participation in a safety group program to collaborate with and leverage the expertise of their peers, insurance carrier and agent to improve safety, and reduce the workers' compensation costs. Pinnacol Assurance and each safety group, with the assistance of our agents, provide appropriate resources to members and assist with developing effective safety and claims management programs specific to each group. By combining all safety group members' premium, Pinnacol is able to leverage its services efficiently and effectively across a broader base of policyholders thereby reducing its operating costs and ultimately, creating safer workplaces.

Safety groups must be comprised of formalized business/industry organizations and members that work collectively to address safety issues. Pinnacol Assurance may establish individual safety groups with a single or multiple business/industry organizations. Every member must be insured for workers' compensation by Pinnacol Assurance, an active member of their business/industry organization, meet safety group program eligibility requirements, and consent to the safety group program agreement established by Pinnacol Assurance and the business/industry organization. Safety group program members meeting all eligibility requirements receive a 4% premium discount and participate in the safety group dividend plan, or, if eligible, choose to participate in Pinnacol's separately filed individual loss control dividend (ILCD) plan.

Pinnacol's safety group program recognizes two distinct types of business/industry organizations with unique underwriting characteristics: industry safety groups and general safety groups. Industry safety groups typically have common hazards and expected loss drivers/characteristics. An example of this type of safety group is a trade association. General safety groups typically have uncommon hazards and a broad spectrum of loss drivers/characteristics. An example of this type of safety group is a Better Business Bureau.

Principles

In order to safeguard the benefits safety groups enjoy, we must:

- Honor fundamental insurance principles (the law of large numbers and spread of risk) to develop predicable, sustainable long-term results
- Exercise underwriting discipline, consistently identifying and selecting preferred, above-average risks to build a quality book of program business
- Manage common exposures to loss in every safety group to realize a meaningful return on our investment of group risk and claims management services
- Create a “high bar” culture of accountability for performance and outcomes to develop elite, scarce, distinctive programs
- Leverage our groups to become growing, thriving, proactive programs to compete in the marketplace for business, while minimizing internal and agency competition
- Comply with all statutory and regulatory requirements and company filings

Pinnacol is committed to ensuring that all underwriting decisions are consistent and appropriately substantiated to ensure program goals are achieved in a fair and non-discriminatory manner.

Benefits

The intent of the safety group program is to provide value to the participating stakeholders. Specific benefits of the safety group program include:

- 4% premium discount (SGD) *for qualifying policyholders*
- Eligibility for a safety group program dividend
- Improved risk management and loss control
- Safety group program training and materials
- Risk management training – available online and in locations across the state
- Individualized service from a Pinnacol customer-focused service team

Industry Safety Groups and General Safety Groups

An **industry safety group**, also known as an **industry trade group**, **business association** or **sector association**, is a legally organized group founded and funded by businesses that operate in a specific industry to represent their specific interests. An industry trade association participates in public relations activities such as advertising, education, political donations, lobbying and publishing, but its main focus is collaboration between companies, or standardization. Associations may offer other services, such as producing conferences, networking or charitable events or offering classes or educational materials. Trade associations generally take two legal forms: unincorporated nonprofit associations or non-profit corporations governed by bylaws and directed by officers who are also members.

General safety groups are legally organized entities that serve their business community members at-large. They typically take three forms: Chambers of Commerce, Better Business Bureaus, and general business organizations or associations or safety groups. Many of these entities are associations, but are not chartered by member companies to advocate on behalf of their specific industry.

Program Requirements

The goal of the safety group program is to manage distinctive group underwriting programs of highly committed, preferred risk businesses with common loss exposures to establish industry leading risk and claims management practices and consistently achieve elite underwriting results. To assist in accomplishing this goal, eligibility requirements exist at the overall safety group and individual policyholder levels. These requirements establish thresholds of eligibility and areas of accountability to ensure all parties (associations, policyholders and Pinnacol Assurance underwriters) are in alignment concerning the goal.

Business Standards

Broker of Record/Agent of Record:

Agent of record or broker of record status must be established prior to the policy renewal billing date (which is typically 35 days prior to renewal) to be eligible for a safety group program, assuming all safety group eligibility criteria are met by the individual policyholder. Thus, unless the 10-day wait period is waived by the current agent or broker of record, a valid agent or broker of record letter must be received by the underwriter no later than 45 days prior to the policy renewal effective date.

When an agent of record or broker of record has not been established prior to the policy renewal billing date, the policyholder is not eligible to be considered for a safety group program until their next policy renewal.

Safety Group Enrollment Forms must be submitted with a valid agent of record or broker of record letter.

Agent of record or broker of record letters received from an agent or broker not appointed to represent the safety group will result in the removal of the individual member from the safety group program. The individual member may elect to leave the group immediately or at renewal. If the individual member elects to remain in the safety group until renewal, the agent of record or broker of record letter must be rescinded or amended to take effect at the next policy renewal.

Designating and Utilizing Pinnacol *SelectNet* Network Providers

Fundamental to demonstrating effective claims management is the business' utilization of designated medical providers. For any accounts that are entering a safety group (new business, AOR/BOR), a best practice would be to collect the business' copy of their choice of provider letter, preferably on company letterhead. The letter will demonstrate an awareness of which providers the business has designated as well as the fact that the business has a letter to provide an injured worker at the time of the injury report.

Evaluation of Policies with Specialty Pricing Experiences: Mid-size Deductibles, GLD's, LRAPs, Master PEO policies

Safety group members must be written on a guaranteed cost basis to participate in a safety group program. Consequently, specialty pricing program options are not available to members in a safety group program. If appropriate, Specialty Pricing Program options may be explored outside of the safety group program.

Policies that are currently in an alternative pricing program (mid or large-size deductibles, GLDs, LRAPs, policies in a master PEO) must be evaluated separately. The loss ratios on those accounts were calculated in a manner that is not in alignment with the logic used by safety groups. A separate, ground up loss ratio analysis must be done on each account to determine eligibility.

Governing Hazard Group

On a policy level, governing policyholder hazard group is determined based on the hazard group of the one class code that developed the most premium. On an industry safety group level, governing hazard group is determined based on the sum of the policies by hazard group. The hazard group that generated the most premium is the governing hazard group. On a general safety group level, hazard group is determined based on the individual policies governing hazard group.

Loss Ratio Eligibility

As a reminder, the current period and the most recent expired period are excluded when determining account loss ratio eligibility. The periods which are considered for loss ratio eligibility are the four most recent, full term policy periods prior to the current and most recent expired periods. Below are scenarios to determine loss ratio eligibility. Please note: the loss ratios are locked down 90 days prior to the policy renewal date.

Scenario One: Three or more periods of eligibility

If the cumulative net uncapped loss ratio is less than 55%

- **then** the account is eligible for the group.

If the cumulative net uncapped loss ratio is over 55%

    - **then** the system checks if there is only one period in the evaluated periods that is over 55%, the policy is eligible to be in a safety group.

If the cumulative net uncapped loss ratio is over 55%

- **then** the system checks if there are more than one period within the evaluated periods that are over 55%, the policy is ineligible to be in a safety group

Note: Premium and losses evaluated up to nine months after policy expiration date

Scenario Two: Less than three periods of eligibility

If there are less than 600 days of experience in the highlighted areas

- **then** the L/R eligibility defaults to no.
    - **If** the policy has prior experience, not with Pinnacol, the underwriter will manually calculate year by year the loss ratio for the periods not included in Pinnacol's policy history, and determine the cumulative loss ratio. Only currently valued loss runs for the missing, applicable periods should be used.
        - **then** refer to Scenario One to determine policy eligibility.

Scenario Four: Policies whose prior experience included specialty pricing programs (mid-size deductibles, LRAPS, GLDs, master PEO accounts:

Safety group loss ratio calculations are based on small deductible, guaranteed pricing programs. Mid-size deductibles, GLDs, LRAPs and master PEO accounts use a different method to calculate loss ratios.

If a policy has any loss experience in a specialty pricing program

- **then** the loss ratios for any affected period(s) must be calculated manually on a guaranteed cost, no deductible basis. The cumulative loss ratio will also need to be recalculated. Based on the new loss ratio information, the underwriter will need to determine whether the policy is eligible to participate in a safety group program based on loss ratio (refer to Scenario One).

Minimum Experience

New business, BOR/AOR:
Eligibility for a safety group requires that a business demonstrate the effectiveness of their safety culture and management's commitment to safety. Consequently, only those businesses that have had experience hiring, screening, training and supervising employees will have the ability to demonstrate their eligibility. Minimum experience for a policyholder is defined as two full-term policy periods of continuous experience, **excluding current period**. (**Note:** a "full-term policy periods" is defined as greater than or equal to 300 days, two years is defined as 600 days of continuous experience).

Renewal business:
If a policy that is renewing in a safety group has less than 600 days of qualifying Pinnacol experience, the underwriter will need to manually calculate the loss ratio for the "missing periods" to determine eligibility. Resources for loss data could include prior Pinnacol policies or currently valued loss runs.

New Business Loss Runs
A safety group underwriter is entrusted with selecting only those risks that meet the eligibility requirements of the safety group program. For a business new to Pinnacol, loss

runs are an essential tool for evaluating the risk profile of a business. Consequently, loss runs will be required on all new business submissions.

Safety Group Inclusion and Exclusion Endorsements

Effective 1/1/2013-12/31/2013 for any policy that was in an association program and was evaluated to be eligible for inclusion in a safety group and for any policy new to a safety group, Pinnacol's safety group inclusion endorsement will be created. The inclusion endorsement will generate at each qualifying policy's renewal date. When a policy leaves the safety group, Pinnacol's safety group exclusion endorsement will be generated and sent to the policyholder. Both endorsements will be generated and mailed to the policyholder via an automated system.

Pinnacol-Approved Safety Group Training Attendance Requirements

To qualify for the 4% discount, policyholders must fulfill:

- Two Pinnacol-approved safety training sessions per policy period (marked with the "Safety Group Approved" icon).
- Examples of training opportunities include: Trainings offered by the Safety Group or Pinnacol, J.J. Keller online courses, Pinnacol webinars, etc.

For more information about Pinnacol's safety groups, go to the Agent page of Pinnacol.com.

Additional Services

SECTION 7

Claims

Agent's Role

The agent is not obliged to assist in claims management or in claims resolution. The degree of an agent's regular involvement depends on the preference of the agency.

First reports of injury

Per the Colorado Workers' Compensation Act, **every injury** must be reported to the carrier. Pinnacol Assurance provides printed first report of injury filing guides with every new policy packet to assist the policyholder in the timely reporting of injuries. The guides are not policy specific and may be reproduced as needed. The claim may also be called in to our customer service line 303.361.4000 or 1.800.873.7242 or completed at Pinnacol Assurance's website Pinnacol.com.

Reporting of claims

The Colorado Workers' Compensation Act requires notification to the carrier **within ten days** of the employers' knowledge of an injury that may be work related. Employers are encouraged to report all injuries, whether or not work relatedness is clear. Delays in reporting injuries may result in statutory penalties imposed by the Division of Workers' Compensation.

While the statutory requirement is ten days, Pinnacol Assurance's experience has proven that claims reported within 48 hours are routinely closed at a lower cost to the insured.

Phone or Internet Reporting of Claims

The fastest and easiest method to report claims within 48 hours of notification is to use Pinnacol Assurance's phone reporting system or website. The policyholder should call our Customer Service department at (303) 361.4000 or 1.800.873.7242 and a representative will take him or her through the filing process. Alternatively, a policyholder may go Pinnacol.com to report claims. To begin processing the claim, we need to know the following information:

- Policy number
- Date of injury
- Name, address, occupation and social security number of the injured worker
- The nature of the injury, i.e., what happened, to the best of the employer's knowledge.

In either case, the information will be entered into our computer and the claims representative will be notified. The policyholder will receive a copy of the filed information in the mail for his or her records.

Reserving Practices
Pinnacol encourages prompt, accurate reserving by all claims representatives. Reserves are generally established within 30 days of filing for lost-time injuries. Changes or modifications in reserves may be made as significant events occur throughout the claims process.

Return to Work

Returning injured workers to work following a workplace accident is the cornerstone of claims management. Employers in the State of Colorado have the choice to offer modified duty work. This is the best tool your clients have to manage and reduce claims costs. Pinnacol's return-to-work specialists provide education and assistance to return injured workers to work at no additional cost. Return to work services include:

- Helping to develop a written modified duty policy
- Onsite visits to define pre-planned tasks
- Education on Rule 6 – the formal job offer process
- Assistance completing the formal job offer letters
- Preplanned industry-specific modified duty task lists
- Presentations to educate policyholders on why, how and when injured workers can return to work
- Ergonomic evaluations

Medical Professionals

Pinnacol's Physician Advisor program, engages approximately 45 independent, board-certified Colorado physicians to support our nurse case management and claim staff with real-time recommendations related to causality, complex medical care, reasonable and appropriateness of treatment plans and medical necessity. This program, guided by Pinnacol's Medical Director, provides the treating physicians and Pinnacol claims staff with unbiased, timely evidenced-based medical opinions to facilitate optimal cost-effective, case management and care to injured workers that conforms to the Workers' Compensation Medical Treatment Guidelines.

Medical Payment

The MedPay department is responsible for all medical bill payment functions for Pinnacol Assurance. MedPay's goal is to provide medical bill payment services with industry-leading accuracy and efficiency. MedPay offers timely, accurate payments, ease of bill submission with three electronic data interchange vendors and electronic payments and statements. For contracted providers, MedPay also offers online bill payment information, appeals, billing and payment reports, and billing and payment resources.

Safety Services

In an effort to emphasize our expertise in a way that most benefits our policyholders, Pinnacol focuses on the following policyholder service priorities:

Services include:

1. **Underwriter Requests**
   We will better utilize Pinnacol's safety service staff as the eyes and ears of underwriting to drive toward more accurate pricing — this includes all accounts regardless of premium size.

2. **Risk Management Alliance (RMA) Accounts**
   We will continue our RMA program, which offers a custom service plan, including additional safety support, to our 1,000 accounts with the most opportunity to improve. For all accounts that completed the service plan, we've seen a 13 percent drop in frequency and a 46 percent drop in severity of claims in the first two years of this program, compared to the previous three years of claims history. This includes all accounts regardless of premium size.

3. **Risk Evaluations for our 1,000 Lowest Performing Accounts**
   We want to have current risk assessments available for underwriting when our 1,000 lowest performing accounts come up for renewal. To better assess a client's risk, a safety consultant will visit the client during the first three months of their policy period, make recommendations specific to the loss drivers, and request follow up on these recommendations. This includes all accounts regardless of premium size.

4. **Service Plans for Accounts over $250,000**
   We will continue working with underwriters and business directors to develop service plans for our larger accounts — those paying over $250,000 in annual premium. Many of these accounts are high-performing and, in an effort to retain them, we want to ensure they are aware of *all* the services Pinnacol has to offer.

5. **Risk Evaluations of Accounts Prior to Offering a Quote**
   To ensure more accurate pricing of large and high-risk accounts, whenever possible we will complete risk evaluations prior to offering a new business quote. We will start with all accounts over $250,000 in annual premium and accounts over $50,000 with an E, F, or G hazard grouping.

6. **Fatality Task Force**
   We have a fatality task force consisting of five employees specifically trained in handling fatality situations. The task force will visit the worksite to ensure steps are taken to prevent similar incidents in the future and to guide the policyholder in working with OSHA on post-fatality inspections and paperwork. This includes all accounts regardless of premium size.

Additional Resources

Safety on Call Hotline

Pinnacol offers policyholders access to our free "Safety on Call" line for immediate answers to safety questions. Safety consultants will be able to help with any safety issue or concern including:

- Answering questions regarding regulations, recordkeeping, injury trends, etc.
- Providing suggestions on how to reduce work-related accidents
- Recommending resources to assist in developing loss prevention and safety programs
- Directing callers to safety education/training materials and resources
- Introducing free safety materials and services

Pinnacol safety consultants will be available on Safety on Call hotline Monday through Friday from 8 a.m. to 5 p.m. at 888.501.4752 or 303.361.4700.

Web-based resources

For more information on safety resources, visit our website:

- Pinnacol.com/safety –Training opportunities, ordering materials, etc.
- Pinnacol.com/resources –Safety Services Resources – Cost Containment Certification program, toolbox talks, sample safety programs, and more.

Loss Runs

Ordering Loss Runs

Loss runs may be requested as needed by calling your service team or at Pinnacol Online from Pinnacol.com. Keep in mind that **only the policyholder and the agent of record for a policy** are entitled to the confidential information contained in a loss run. If the request comes from an agent other than the one listed on the policy, loss runs will be sent to the policyholder.

Newly Acquired Agent of Record Policy Loss Runs

Before requesting loss runs for a new account acquired by agent of record, keep in mind that loss runs are a normal part of the policy information provided to the new agent and don't need to be specially requested.

Ongoing Provision

If you desire, loss runs can be provided at regular intervals, (e.g. monthly or quarterly). Please direct your request to your account team or order through Pinnacol Online at Pinnacol.com.

Premium Auditing

Audits are conducted at the end of the policy period to close out the policy for that period. The majority of policyholders are audited to ensure the premium paid is accurate based on the actual payroll and exposure.

Audit Types

- **Mail Audit** – Policyholders receive an audit form via mail. Policyholder may either enter the information online at www.pinnacol.com or complete the audit form and return it to Pinnacol via fax or mail.
- **Field Audit** – Audit is conducted on-site at the policyholder's business or payroll location by a Pinnacol auditor or a contract auditor.
- **Phone Audit** – Audit is conducted via phone by a contract auditor. The policyholder receives an announcement letter than explains the process and time of the audit.
- **Office Audit** – The audit is conducted by appointment at Pinnacol's office. The policyholder should call 303-361-4000 for an appointment.
- **Early Waived Audit** – A small number of policyholders that fall within specified criteria do not receive a formal audit and there is no audit adjustment.

During the audit, information about the policy will be reviewed:

- Ownership
- Business operations
- Duties of employees
- Payments to subcontractors

Documentation needed to complete a Pinnacol audit may include, but is not limited to:

Employee Records

- Unemployment Insurance Tax Reports (UITRs)
- 941 or 943 federal tax returns, whichever you submit
- Payroll records for the audit period
- Individual earnings records

Subcontractor Records

- Reports that show payments to subcontractors
- Proof of workers' compensation insurance for subcontractors
- Documentation to support independent contractors

Records that show payments to workers not paid through payroll

- Detailed check register and/or cancelled checks
- Cash payment journal

Audit noncompliance
When an audit report is not returned to Pinnacol Assurance within 70 days after the policy period end date, Pinnacol Assurance will complete an audit based on historical information which typically results in additional premium. If the audit was not returned for a canceled policy, an actual audit is required before a new policy will be issued. Underwriting reviews all new applications to verify that any prior policy is properly closed out and any balance is paid in full.

Audit Revisions
The revision request should be specific and must be received as soon as possible after receipt of the audit billing, and absolutely no later than the due date for the bill that is being contested. **Requests to revise audits must include copies of all records that support the revision.** The underwriter will require payment of any undisputed amount or a percentage of the total audit.

The underwriter may block policy cancellation pending the revision only if the insured has inquired promptly and otherwise shown good faith. If the policy cancels for non-payment of the audit before the revision request is received, payment in full of all outstanding bills, including the audit, must be made before the policy will be considered for reinstatement.

Medical Operations

Pinnacol's medical operations department is responsible for recruiting, contracting, credentialing and maintaining Pinnacol Assurance's occupational health network, ***SelectNet.*** Dedicated staff is assigned to the provider community by specific geographic areas in order to build a solid rapport and provide periodic service/education/training visits within each assigned market. Ongoing training helps to ensure that providers are kept up to date with their responsibilities within the workers' compensation system through the Medical Treatment Guidelines as well as the Rules of procedure. This team is the primary connection between our network providers and Pinnacol's claim staff sharing a common commitment of streamlining communications and administrative requirements to ensure expedited care for injured workers.

Consideration for expanding the network, or adding new providers include:

- An existing ***SelectNet*** practice adding a new provider
- Business need
- Number of providers in a given specialty in an area
- Utilization of services, and
- Accessibility
- The provider's ability to meet ***SelectNet's*** credentialing standards

Current *SelectNet* Providers

Pinnacol's online ***SelectNet*** provider directory is a comprehensive resource that provides detailed information about the various medical services provided through the network; physician services, facility services and other ancillary medical services. The directory is available on Pinnacol.com.

Designated Medical Providers

Selecting a physician

Under Colorado law, employers must provide a list of at least four medical providers from which an injured employee may choose treatment in the event of a work-related injury. Of the four providers, at least one must be at a distinct location and without common ownership. There are some exceptions to this law, based on location, nature of the business being operated or availability of on-site health care. Contact your Agency Relationship Manager for details.

If the employer has not made medical provider designations at the time of an injury, the employee has the right to choose the doctor, which can result in higher medical costs.

Changing physicians

An injured employee has the right to change physicians. There are two avenues the employee can follow in order to make a change.

Option 1: To make a one-time change in treating physician, the injured worker must provide notice within 90 day of the injury, but before the injured worker reaches maximum medical improvement. The request must be in writing and submitted on the approved Division of Insurance form. The new provider must be on the employer's designated provider list. The injured worker must notify Pinnacol and the initial treating physician.

Option 2: An injured worker may obtain written permission to change treating physicians after the initial 90-day period. Requests must be made in writing. Pinnacol has 20 days from the mailing of the request to respond or the request is automatically approved.

SelectNet

To assist employers with choosing four designated providers, Pinnacol has a statewide network of providers. ***SelectNet*** is comprised of doctors, clinics, hospitals, occupational medical specialists, ancillary service providers and pharmacy services. These network providers understand the special needs of treating patients in the workers' compensation system.

Pinnacol's medical operations team evaluates ***SelectNet*** providers to ensure managed care principles are used and employer communications are implemented.

SelectNet providers:

- Understand and focus on work-related injuries and their treatment.
- Deliver quick access and timely services through specially designed care settings.
- Ensure efficiency by coordinating all aspects of care, such as rehabilitation and pain management.
- Know the workers' compensation system, including special medical and legal considerations.
- Help employers achieve financial and productivity benefits by returning patients to the workplace as soon as their recovery safely allows.
- Emphasize proactive communication, often conversing directly with employers about patient care.

A full directory of ***SelectNet*** designated providers — with search and mapping capabilities — is available online at Pinnacol's website (Pinnacol.com).

Pinnacol's Agent and Policyholder Portals

These web-based online tools offer online submission of applications and binding of policies within approved binding limits.

These tools provide agents and policyholders with access to policy information including:

- Declaration pages
- Endorsements
- Billing data
- Rating details
- Audit results
- Certificate History

Claims search capabilities provide:

- Injury information
- Medical payments
- Indemnity payments
- Loss runs

The system also provides capabilities to generate reports for details on:

- Book of business
- New business
- Claims, sorted by various indicators
- Ad-hoc queries
- Complex statistical analysis
- Data in a graphical format

The system will also allow users to perform a ***SelectNet*** physician search and provide a list of Pinnacol Assurance contacts, including team leaders, underwriters, claims representatives, and safety services consultants.

How to Sign Up

If your agency or policyholder has internet access and does not currently have access to Agent Online or to the Policyholder Portal, you may contact your Pinnacol agency relationship manager or account team for registration assistance.

Agency Agreements

SECTION 8

Pinnacol Assurance’s Agency Agreement

The agency agreement between Pinnacol Assurance and its representatives assigns rights and obligations to both parties. Failure to meet assigned obligations on the part of the agent may result in termination of the agent’s contract.

The simplified list below does not bind Pinnacol Assurance or in any way abridge the signed Agency Agreement for your agency.

Basic Provisions

Agent may

- Solicit and submit applications for workers’ compensation.
- Bind coverage on accounts under $10,000 annual manual premium.
- Advance premiums on behalf of the policyholder.
- Assist clients in:

  – Reporting claims

  – Completing applications

  – Preparing audit and payroll reports

  – Obtaining coverage or pricing changes

Agent may not

- Bind OSC workers’ compensation insurance. Agents can bind coverage on accounts under $10,000 annual manual premium and by underwriter approval for accounts over $10,000.
- Represent or imply any authority on behalf of Pinnacol Assurance.
- Issue, alter or cancel policies.
- Adjust, admit or deny claims, or authorize medical treatment.
- Negotiate retrospective rating or other loss-sensitive agreements.

Pinnacol Assurance will:

- Accept or reject application for coverage.
- Bind, issue, endorse and cancel polices.
- Adjust, admit or deny claims, and authorize medical treatment.
- Negotiate retrospective rating and other loss sensitive agreements.
- Revoke binding, the underwriter is entitled to revoke agent binding authority with appropriate justification. Agent binding authority revocation must be made in writing. The agency relationship manager must receive advance notice of any intent to revoke binding authority.

Master Agency Requirements

- Full contracted master agents must be a resident independent agency within the state of Colorado with proper licensing (agency and producer licenses) and errors and omissions insurance coverage (per contract).
- Master agents must maintain and retain $1MM in written premium at all times.
- Agents who fall below $1MM can work with their Pinnacol agency relationship manager to create an action plan to achieve the $1MM premium requirement. Time frames may vary.
- Agents who cannot meet the $1MM requirement after an approved action plan and timeline has been created have the option of contacting an agency aggregator for retail agency appointment.
- Full contracted master agents that are involved with or enter into a relationship with a subcontractor, partnership, sub-agency or similar relationships sometimes commonly known as clusters, captives, aggregators or MGA must be disclosed and approved by Pinnacol prior to inception of the relationship or prior to the agency's association with Pinnacol. If the relationship exists, it must be disclosed to Pinnacol Assurance immediately. Please contact your agency relationship manager for more information regarding approval and the aggregator and sub-agency addendum to the agency agreement.

Important Agency Agreement Requirements and Considerations

Errors & Omissions (E&O) Requirements

- Maintain errors and omissions' liability insurance policy in the face amount of at least one million dollars ($1MM) per occurrence.
- Agency is responsible for placing this policy with an insurance company that has an A.M. Best rating of A- or better.
- Agency also agrees to maintain a workers' compensation policy for the protection of Agency's employees.
- Agency shall provide certificates of insurance within thirty (30) days of any change in the status of any insurance policy or immediately upon request by Pinnacol Assurance.

Agency Termination

In the event that the partnership is terminated by either party, commission will be paid to the Agency through the end of each individual policy period in effect at the time of the termination.

- The commission will be subject to a final audit of the policies.
- At the time each individual policy renews, it will be renewed as a direct policy with Pinnacol Assurance with no commission paid.

Definition of Agent Brokering

- Our contract is with the agency listed in the contract and only this agency.
- The Agency cannot assign any part of their contract.
- The Agency cannot contract or utilize the services of any other agencies or utilize the services of any person or entity without the express written prior approval of Pinnacol.
- If it is discovered that brokering is occurring within an Agency, it will constitute grounds for immediate termination of contract.

Certificates of Insurance

- If an Agency issues a certificate for a policyholder and a specific number of days is documented to notify the certificate holder in the event of cancellation, it is the Agent's responsibility to notify the certificate holder when a cancellation occurs in the specified number of days.

Commissions

Commission may be earned on both new submissions and on current policies rolled over into your agency. (For more information on rolled over policies, refer to "Agent of Record" information in Section 2.) All premiums are billed directly to the policyholder. Commission is due to the agent for paid premiums only.

Commission under the Agency Agreement may vary depending on the market segment in which a policy is rated. (For more information on market segments, refer to the "Pricing" section.) A "Terms and Schedule of Commissions" addendum to your Agency Agreement specifies commission levels. Please note that safety group policies pay the same commission as other agent represented policies.

There is a 90-day grace period for agent commissions for payments on an audit billing.

2017 Commission Schedule by Market Segment

New business does not include business that has been taken over by AOR.

	New Business	**Renewal**
Superior	10%	10%
Preferred	10%	10%
Standard	10%	10%
Non-standard	4%	4%

When Commissions Are Not Paid

Commissions are **not** paid for the following circumstances:

- Agent of record changes, until the renewal following the receipt of the agent of record letter. (For more information, refer to the section called “Agent of Record.”)
- Adjustments to retrospective rating plans. Commission is paid only on the initial “guaranteed cost” premium.
- Audit payments received 90 days after the due date of the audit invoice.

Loss Ratio Bonus Program

Pinnacol Assurance pays bonus commission for achievement of loss ratio goals. The terms and percentages are specified in writing to contracted agents. Contact your agency relationship manager for details.

Commission Statements

Commissions are paid monthly on an automated basis **for invoiced and paid premiums only**. The monthly-automated commission statement generates a commission for each premium payment. The monthly statement and the check are mailed to the main agency address unless other arrangements have been made such electronic funds transfer (EFT).

If you would like to have your commission checks deposited directly into your bank account without a paper check, please contact Katharina Mass in Pinnacol’s Agency Relations department for the form needed to set up the electronic funds transfer.

Mail the completed form along with a voided check to:

Pinnacol Assurance
Attention: Katharina Maas
7501 E. Lowry Blvd.
Denver, CO 80230

Once we receive your completed form and voided check it will take approximately six weeks before your checks will be deposited electronically.

The EFT will go to the bank account of the agent who currently receives the commission checks. If checks are currently sent to the master agent, the EFT will also go to the master agent. Sub-agencies will not have access to the EFT system unless they are currently receiving their commission check directly.

Contents of Statement

Each statement for each agency location lists:

- Basic data on each policy period shown on the statement.
- Commission percentage applicable for the policy period.
- Current period and year-to-date payments for each policy.
- Current-period and year-to-date commissions.

Time Frame

Commission is calculated through the last day of each month, and paid by approximately the fifth business day of the following month. For instance, commissions for October 1-31 will be calculated on October 31 and paid by November 5.

Return Commission

If Pinnacol requests a returned commission, please submit the payment within 20 days.

Fees

Pursuant to C.R.S 10-1-109, agencies are prohibited from charging fees in addition to those contemplated in the rate filing and included in commissions for the solicitation and procurement of insurance products or for servicing existing insurance policies.