

2024 Agent General Dividend Tool Kit

Dear valued agent,

On March 21, Pinnacol Assurance will begin distributing our 2024 general dividend. To ensure you have comprehensive information about this year's dividend numbers and our distribution plan, we've created the **2024 Agent General Dividend Tool Kit**. This kit includes dividend facts, frequently asked questions, a timeline, talking points, and copies of materials that will be sent to customers and safety groups.

A complete list of the tool kit contents is below. A link to the tool kit is also on the Agent Portal and the Agent Microsite.

- **Distribution Timeline** — Key dates for communication and action items.
- **Talking Points** — Conversational points to share with dividend recipients.
- **Frequently Asked Questions** — Answers to a wide range of dividend questions.
- **Dividend Determination Guidelines** — Information about how the dividend will be distributed to Pinnacol customers and members of Pinnacol's Safety Group Dividend Program, Individual Loss Control Dividend Program (ILCD) and Alternative Rating Program.
- **Check Stub Letter** — A sample of the letter that will be attached to the dividend checks.
- **Customer Email** — The email that will be sent to customers about the general dividend.
- **Safety Group Executive Directors' Handout** — Materials that explain the difference between the general dividend and the Safety Group dividend to be emailed to safety group executive directors by Pinnacol agency sales managers.

We value your partnership and appreciate your work to help make the general dividend possible. If you have any questions, please contact your Pinnacol agency sales manager.

2024 Agent General Dividend Tool Kit Distribution Timeline

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| March 1 | Agent General Dividend Tool Kit delivered to agents and Safety Group executive directors via email. A link to the tool kit is also on the Agent Portal and the Agent Microsite. |
| March 15 | “General Dividend by Policyholder” report is available. This report will provide the amount for which your customers have qualified. The actual check amount may differ from this number, as any outstanding balance will be deducted. A privilege of being a Pinnacol agent is that you are first notified of the general dividend amount for your customers. This information is not yet reflected in the financial screens of Pinnacol’s systems. Our systems will not reflect the actual check amounts of the general dividend until March 21. |
| March 21 | “General Dividend Check Amount” report is available. This report will provide the final check amount your customers will receive. |
| March 21 | Dividend check distribution begins. All checks will be mailed directly to customers, except those less than \$25, which will be applied to the customer’s account. |

2024 Agent General Dividend Tool Kit Talking Points

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Fast Facts

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| • This year's general dividend | \$15 million |
| • Number of years Pinnacol has distributed a general dividend | Nine years |
| • Number of customers receiving a dividend | More than 48,000 |
| • Check distribution | March 21 |

Key Messages

- Pinnacol is committed to providing customers with a best-in-class workers' compensation experience at a competitive price.
- We create value for our policyholders with a comprehensive safety program and industry-leading claims support that helps them maintain safer workplaces and lower premium costs.
- Thanks to our customers' dedication to safety and our financial stewardship, this is our ninth consecutive year of paying dividends, so businesses can reinvest in what matters.
- We provide more dividends than any other carrier in Colorado.
- This year's general dividend is \$15 million.
- We're proud that injured workers rate Pinnacol as the top-performing workers' compensation carrier in Colorado, among major carriers operating in the state, according to a state-issued report. We're also proud of our policyholder Net Promoter Score (NPS) of 62, compared to the industry average of 28, demonstrating our commitment to caring for our customers and their injured workers.
- Past dividends are not a guarantee of future dividends.
- Customers must meet certain criteria to receive a general dividend, as detailed in the Frequently Asked Questions section.

2024 Agent General Dividend Tool Kit Frequently Asked Questions

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What is a dividend?

- A dividend is a portion of a mutual insurance company's surplus paid to stockholders.
- Because Pinnacol doesn't have stockholders, we return a portion of our surplus to customers who earn it through their commitment to workplace safety and effective claims management.

What is the total amount of this year's general dividend?

- This year's general dividend is \$15 million.

Why don't you lower your rates instead of paying a dividend?

- Rates and dividends are two very different calculations that occur under different circumstances.
- Rates are based on **future** projections, and dividends are based on past experience. Our ultimate goal is rate stability year after year, so we set prices based on our best information about the future. We wait to pay dividends until results from the previous period are available.
- When we charge accurate rates reflecting actual claim results, we have less excess premium to distribute in dividends.

Will you pay a dividend again next year?

- Dividends are never guaranteed because they can be affected by customer claims costs, catastrophic events, the performance of our investment portfolio, and other factors. None of these factors can be predicted with absolute accuracy.

What are the criteria for receiving the general dividend?

- The policy expires between June 2, 2022, and June 1, 2023.
- The policy is in good standing.
- In most instances, the underwriting program or individual policy has a loss ratio better than 71.3 percent. Different circumstances apply to special programs as outlined below.

How is the general dividend determined?

- The general dividend is determined based on premium size and loss ratio, factors contributing to Pinnacol's underwriting performance, and ultimately surplus.

How much general dividend money should I expect to receive?

- Dividend amounts vary based on each underwriting program's or individual customer's premium amount and loss ratio.

When will I receive my dividend check?

- General dividend checks will be mailed to qualified customers on March 21.

Is the dividend taxable?

- Because the general dividend is a return of premium to the customer, Pinnacol does not issue a 1099 for the dividend. If customers have tax questions about their general dividend, they should consult their tax advisor.

Why not credit my premium instead of sending me a check?

- A check gives a customer more control over how to use this money; however, checks less than \$25 will be applied to the customer's account and will not be mailed to them.

I've filed very few claims with Pinnacol. Why didn't I receive a general dividend?

- Dividend amounts are based on each customer's contribution to surplus through premiums paid and loss ratio.
- If you or your policy program does not have a loss ratio better than 71.3 percent, you will not qualify for a dividend.
- If a Safety Group program does not have a loss ratio better than 71.3 percent, individual members will not receive a general dividend, regardless of their claims history.
- Pinnacol will not be issuing checks for amounts of \$25 or less.
- If a customer owes Pinnacol money, the dividend amount will be applied to the outstanding balance in most circumstances.
- Customers with a non-compliant audit will not receive a dividend.

Are customers participating in one of Pinnacol's alternative-pricing programs eligible for a general dividend?

- Yes. Customers participating in Pinnacol's alternative rating programs, such as Large Deductible Programs are eligible for general dividends. The group and the individual customer must have contributed to the surplus to be eligible.
- Participants in the Safety Group Dividend Program or Individual Loss Control Dividend Program (ILCD) are eligible to receive both their program and general dividends.

What if a safety group doesn't earn a general dividend, but some of its individual members have qualifying loss ratios?

- The performance of safety group members participating in the ILCD program will not be considered when evaluating safety group performance.
- Safety group members will receive a general dividend **only** if their safety group's losses divided by the qualifying premium net of program dividends is less than 71.3 percent.
- If a safety group's losses divided by the qualifying premium net of program dividends is not less than 71.3 percent, individual members will not receive a general dividend, regardless of their claim history.

- It's important to remember that for the general dividend, the safety group's members' policies must expire between June 2, 2022, and June 1, 2023.
- The general dividend is calculated using the specific policy period for each member's policy, regardless of the safety group's dividend period.

What if a customer changed agents since the dividend period (June 2, 2022, and June 1, 2023) ended? Does that affect the general dividend check?

- Changing agents after the dividend period does not impact a customer's eligibility for a general dividend.
- The check stub notation will show the name of the current agent.

When will agencies be notified of customers' general dividend amounts?

- On March 15, before general dividends are added to the financial screens in Pinnacol's system, our agency partners will receive a report with the dividend for which each customer has qualified.
- The actual amount may differ as outstanding balances may still be deducted from the check.
- General dividend amounts will not be available to customers until the check has been posted to the customer's account on March 21 and after any owed balances (if applicable) are deducted.
- Agencies will receive a final report for these customers on March 21, including the final amount of the customer's general dividend check.

What happens if my customers don't cash their general dividend checks?

- For active policies, if general dividend checks aren't cashed within 240 days, they'll be applied to the policy as a credit.
- For non-active policies, if checks aren't cashed after five years, they'll be sent to the Great Colorado Payback, a program by the State of Colorado to reunite Coloradans with money owed to them from five years ago.

2024 Agent General Dividend Tool Kit

General Dividend Determination Guidelines for Different Underwriting Programs

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This document summarizes Pinnacol's criteria for determining how customers qualify for general dividends. It also explains how we disburse the dividend through our different underwriting programs.

Customer Dividends

- Policy must expire between June 2, 2022, and June 1, 2023.
- In most instances, an individual customer must have a loss ratio better than 71.3 percent. Loss ratio is a customer's total claims costs compared with the amount of premium paid. Different circumstances apply to special programs as outlined below.

Safety Group Dividend Program

- Safety group members are evaluated as a group, excluding members who participate in the ILCD.
- For safety groups and their members, Pinnacol uses the same policy periods noted above to determine each safety group's performance. This allows us to return dividends to qualified safety groups in a timely, consistent manner.
- If a safety group **qualifies as a whole**, its members receive a portion of the general dividend based on their individual loss ratio performance. If a safety group **does not qualify as a whole** for the general dividend, members also do not qualify, regardless of their individual experience.
- If a safety group is retaining a portion of the safety group's general dividend, its members will receive the remainder based on the terms of the contract with Pinnacol.
- If the safety group is retaining the bonus portion of their ILCD customers, it will also receive a portion of the ILCD customers' general dividends paid out, based on the contract terms with Pinnacol.
- Safety group members will receive a general dividend **only** if their group's losses divided by the qualifying premium net of program dividends is less than 71.3 percent.
- If a safety group program's losses divided by the qualifying premium net of program dividends is not less than 71.3 percent, individual members will not receive a general dividend, regardless of their claims history.
- Safety group members are potentially eligible to receive general dividends in addition to the many benefits of program participation, including eligibility for an up-front premium discount and the opportunity to earn a separate safety group dividend.
- Previously paid program dividends for safety group members are netted from their premium before determining their general dividend.

Individual Loss Control Dividend Program (ILCD)

- All ILCD participants, including those in a safety group, will be evaluated individually.
- To be eligible for the general dividend, ILCD participants' losses divided by qualifying premium net of program dividends must be less than 71.3 percent.
- Previously paid program dividends for ILCD participants are netted from their premium before determining their general dividend.

Large Deductible Programs

- To qualify for the general dividend, the individual customer must have contributed to Pinnacol's surplus.
- The general dividend will not affect any current or future retrospective policy calculation.
- If you have questions regarding a specific customer, please contact the Pinnacol underwriter assigned to the policy.



2024 Agent General Dividend Tool Kit
Pinnacol's Check-Stub Letter to Customers
To be sent by Pinnacol

Dear <Company Name>,

Pinnacol is committed to providing customers with a best-in-class workers' compensation experience at a competitive price. Our comprehensive safety program and industry-leading claims support help you maintain safer workplaces and lower premium costs.

Thanks to your dedication to workplace safety and our financial stewardship, we're issuing a general dividend of \$15 million to our customers in 2024. This is our ninth consecutive year of paying dividends.

The attached check for \$X,XXX is your portion of Pinnacol Assurance's 2024 general dividend, for the period of <date> to <date>, for your policy <policy number>. We based this amount on your premium size and performance.

I'm proud to share this dividend with you. Thank you for your business.

For more information about our general dividend, visit the Dividend Information page on pinnacol.com. If you have questions, please contact a customer experience representative at 1.800.873.7242.

Sincerely,

John O'Donnell
President and CEO

2024 Agent General Dividend Tool Kit
Pinnacol's Marketing Email to Customers
To be sent by Pinnacol

General Dividend

Reinvest in what matters most



At Pinnacol, we're committed to providing customers with a best-in-class workers' compensation experience at a competitive price. Thanks to your dedication to workplace safety and Pinnacol's financial stewardship, we're issuing dividends to customers like you. **Your dividend check is in the mail and on its way.**

This is our ninth consecutive year of paying dividends, so businesses can reinvest in what matters. We provide more dividends than any other carrier in Colorado. Our comprehensive safety programs and industry-leading claims support help ensure a safe workplace for you and your employees while keeping premium costs low. Injured workers consistently rate Pinnacol as the top-performing workers' compensation carrier in Colorado, among major carriers, according to a state-issued report. We're proud to hold a policyholder Net Promoter Score of 62, compared to the industry average of 28, demonstrating our ongoing commitment to our customers and their injured workers.

2024 Agent General Dividend Tool Kit

How Pinnacol's General Dividend Applies to Safety Groups

Pinnacol's general dividend returns a portion of our surplus to customers. Dividends are designed to reward those whose commitment to workplace safety and effective claims management have contributed to Pinnacol's success. The information below explains how customers qualify for the general dividend and how it's disbursed through the Safety Group Dividend Program.

- If a safety group **qualifies as a whole**, its members receive a portion of the general dividend based on their individual loss ratio performance. If a safety group **does not qualify as a whole** for the general dividend, members also do not qualify, regardless of their individual experience.
- Safety group members will receive a general dividend **only** if their group's losses divided by the qualifying premium net of program dividends is less than 71.3 percent.
- If a safety group program's loss divided by the qualifying premium net of program dividends is greater than 71.3 percent, individual members will not receive a general dividend, regardless of their claims history.

For safety groups and their members, Pinnacol uses policies with an expiration date from June 2, 2022, to June 1, 2023, to determine each safety group's underwriting performance. This allows Pinnacol to return general dividends to qualified safety groups in a timely, consistent manner.

As a safety group, here's how the general dividend works for you:

- Safety group members are evaluated as a group, excluding members who participate in the ILCD.
- If the safety group is retaining the bonus portion of the safety group dividend, it will also receive a portion of the general dividend, based on the terms of the contract with Pinnacol.
- If the safety group is retaining the bonus portion of their ILCD customers, it will also receive a portion of the ILCD customers' general dividends paid out, based on the terms of the contract with Pinnacol.
- Safety group members are potentially eligible to receive the general dividend in addition to the many benefits of program participation, including eligibility for an up-front premium discount and the opportunity to earn a separate safety group dividend.

A Pinnacol agency sales manager will send the email on the following page to the safety group executive director and copy the group's agent. We look forward to continuing our partnership with you to provide effective risk management solutions.