

SAFETY GROUP PROGRAM CHANGES SAMPLE ASSOCIATION NEWSLETTER ARTICLE

Pinnacol Assurance Revamping its Association Program Creating value and long-term viability are major goals

<insert your group's name> workers' compensation group dividend program, sponsored by Pinnacol Assurance, is being renamed and revamped and new requirements put in place. Pinnacol announced the changes in early October.

Currently, the size and mix of business within many group dividend programs are resulting in poor financial and safety results for groups and their individual members. Pinnacol believes creating new program requirements, renaming the program "Safety Group Program" and emphasizing the creation of a safety culture will transform the program into a sustainable and highly respected program that is stable and has measureable value for all who participate.

The program changes take effect on January 1, 2013 and <insert your group's name> like all groups, will have a two-year transition period to meet the new requirements.

Impact on <insert your group's name>

The new Safety Group Program requirements our group will need to meet include:

- Higher minimum number of participants in the group
- Higher minimum premium thresholds
- New maximum loss ratio requirements
- New expectations for program administration

Impact on individual members

For our individual members, there are also new requirements. Those include:

- A lower loss ratio threshold
- Increased participation in approved safety training classes
- Program eligibility based on annual evaluation of claims management and safety programs

All individual members who remain eligible for the program will receive a discount and <insert your group's name>'s along with all our members will remain eligible to receive dividends.

SAFETY GROUP PROGRAM CHANGES SAMPLE MEMBERSHIP LETTER

Dear<insert name>:

As a valued member of <insert your group's name> workers' compensation group dividend program, sponsored by Pinnacol Assurance, we want you to be aware of changes that are being made to the program. Last month Pinnacol announced that the program is being renamed and revamped and new requirements put in place.

Currently, the size and mix of business within many of Pinnacol's group dividend programs are resulting in poor financial and safety results for groups and their individual members. Pinnacol believes creating new program requirements, renaming the program "Safety Group Program" and emphasizing the creation of a safety culture will transform the program into a sustainable and highly respected program that is stable and has measureable value for both <insert your group's name> and for you as a group member.

The program changes take effect on January 1, 2013 and <insert your group's name> like all groups, will have a two-year transition period to meet the new requirements.

The new Safety Group Program requirements our group will need to meet include:

- Higher minimum number of participants in the group
- Higher minimum premium thresholds
- New maximum loss ratio requirements
- New expectations for program administration

As a member of <insert your group's name>, your company will also have to meet new requirements. Those include:

- A lower loss ratio threshold
- Increased participation in approved safety training classes
- Program eligibility based on annual evaluation of claims management and safety programs

All individual members who remain eligible for the program will receive a discount and <insert your group's name>, along with all our members will remain eligible to receive dividends.

Pinnacol is committed to making the new Safety Group Program a long-term success and to supporting <insert your group's name> as we work to implement the new requirements. We will work closely with Pinnacol and the agents representing the program to ensure regular communication with you throughout this transition.

Thank you for being a part of <insert your group's name> workers' compensation dividend group. If you have questions, please contact <insert name>, <insert contact information>.

PINNACOL ASSURANCE SAFETY GROUP PROGRAM

FACT SHEET

- Despite previous attempts to correct issues with Pinnacol's association program, it continues to underperform financially.
- Pinnacol is renaming and revamping the program in order to help ensure that it brings value to the participants.
- There will be two types of safety groups – general and industry.
- The program has new group requirements that include but are not limited to:
 - Higher minimum number of participants in the group
 - Higher minimum premium thresholds
 - New maximum loss ratio requirements
 - New expectations for program administration
- The program has new member requirements that include but are not limited to:
 - A lower loss ratio threshold
 - Increased participation in approved safety training classes
 - Program eligibility based on annual evaluation of claims management and safety programs
- Changes will be phased in. There will be a two-year transition period, beginning January 1, 2013, to meet the new program requirements.
- Pinnacol is committed to the program's success and is making these changes to ensure the program's long-term viability.

PINNACOL ASSURANCE SAFETY GROUP PROGRAM

FREQUENTLY ASKED QUESTIONS

1. Why is Pinnacol making changes to the association program?

Despite previous attempts to correct issues with Pinnacol's association program, it continues to underperform financially. The reasons are many, including:

- Insufficient premium within groups
- Too few members in groups
- The risk spectrum in groups is too broad
- Poor performers are remaining in groups
- Low threshold for per-claim stop loss

2. Why are the changes happening now?

These changes can't wait. The program's financial results have been unsatisfactory for too long, and Pinnacol is investing significant resources to manage it. Pinnacol is committed to the program's success and has chosen to revamp rather than eliminate it. We believe a revamp benefits everyone and that the new requirements will drive performance and ensure long-term success.

3. What are the underlying principles of the new program?

- All programs must be self-sustaining
- Ensure adequate number of members and premium to help drive success
- Manage common exposure to loss in every safety group
- Select quality risks
- Leverage the program as a competitive differentiator

4. When will the new requirements be effective?

There will be a two-year transition period, beginning on Jan. 1, 2013, for safety groups to meet the new program requirements. The specific effective dates for the new requirements are:

For groups

- Minimum premium size: Effective upon the group's renewal in 2015
- Minimum number of policyholders: Effective upon the group's renewal in 2015
- Maximum loss ratio: Applied prospectively beginning in 2014

For individual members

- Minimum experience: Effective for business placed in the program on or after Jan. 1, 2013
- Maximum loss ratio: Applied upon policy renewal in 2013



External - Safety Group: New Loss Ratio Requirement

Group Name: AUTOMOTIVE SERVICE ASSOCIATION
 Group Governing Hazard : D

Valuation Date 09/30/12

Dividend Plan	NEAP - Written Premium	Policy Count	Loss Ratio Eligible Policy	Loss Ratio Eligible Premium	Active GAD
GROUP	\$452,002	66	66	\$452,002	60
ILCD	\$146,399	5	3	\$65,500	3
Total	\$598,401	71	69	\$517,502	63

Other eligibility requirements apply.

Group Name: AUTOMOTIVE SERVICE ASSOCIATION

09/30/12

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AUTOMOTIVE SERVICE ASSOCIATION

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Dividend Year	Policy Governing Hazard Group	Policy Count	NEAP - Written Premium	Earned Premium	Net Incurred Losses	Safety Group Net Loss Ratio	Claim Count Over \$150k Incurred	Net Incurred Losses On Claims With Over \$150k Incurred
2008	B	1	\$42,999	\$42,999	\$4,532	10.5%	0	\$0
	C	9	\$70,045	\$70,045	\$1,911	2.7%	0	\$0
	D	41	\$258,967	\$258,967	\$142,184	54.9%	0	\$0
	E	5	\$106,640	\$106,640	\$2,993	2.8%	0	\$0
	Total	56	\$478,651	\$478,651	\$151,622	31.7%	0	\$0
2009	B	1	\$39,796	\$39,796	\$472,546	1,187.4%	1	\$472,546
	C	13	\$80,348	\$80,348	\$1,662	2.1%	0	\$0
	D	44	\$237,187	\$237,187	\$87,707	37.0%	0	\$0
	E	5	\$104,728	\$104,728	\$5,350	5.1%	0	\$0
	Total	63	\$462,059	\$462,059	\$567,264	122.8%	1	\$472,546
2010	B	1	\$43,000	\$43,000	\$8,189	19.0%	0	\$0
	C	12	\$71,869	\$71,869	\$64,660	90.0%	0	\$0
	D	49	\$255,316	\$255,316	\$19,592	7.7%	0	\$0
	E	5	\$93,617	\$93,617	\$118,802	126.9%	0	\$0
	Total	67	\$463,802	\$463,802	\$211,243	45.5%	0	\$0
2011	B	1	\$58,308	\$58,308	\$120,858	207.3%	0	\$0
	C	14	\$81,562	\$81,562	\$6,549	8.0%	0	\$0
	D	50	\$297,385	\$297,385	\$356,343	119.8%	0	\$0
	E	4	\$86,594	\$86,594	\$41,464	47.9%	0	\$0
	Total	69	\$523,849	\$523,849	\$525,214	100.3%	0	\$0
2012	C	3	\$35,193	\$13,538	\$0	0.0%	0	\$0
	D	11	\$47,047	\$18,761	\$2,929	15.6%	0	\$0
	E	2	\$43,828	\$20,565	\$0	0.0%	0	\$0
	Total	16	\$126,068	\$52,864	\$2,929	5.5%	0	\$0