

2019 Agent General Dividend Tool Kit

Dear Valued Agent,

On March 19, Pinnacol Assurance will begin distributing our 2019 general dividend. To ensure that you have comprehensive information about this year's dividend statistics and distribution plan, we have created the **2019 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. This year, there are also [marketing materials](#) to help you communicate about the dividend to your customers.

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

- **Distribution Timeline** — Key dates for communication and action items during February and March.
- **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, and Alternative Rating Program.
- **Check-Stub Letter** — A sample of the letter that will be attached to dividend checks.
- **Email Template** — A sample email you can send to your customers to share the news about their dividend.
- **Safety Group Executive Directors' Handout and Letter** — 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 relationship managers.
- **Template Press Release** — Agents are not required to send information to their local news media, but we encourage it. If you would like to approach your local news outlets, we have provided a template press release you may issue on your agency's letterhead. Please send a copy of your finished press release to liz.johnson@pinnacol.com prior to distribution. **We ask that you distribute your press release on or after March 19.** If you have questions or plans for additional public relations activities related to the general dividend, please consult with your Pinnacol agency relationship manager first.

Information regarding the 2019 general dividend is also available on Pinnacol.com.

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

**2019 Agent General Dividend Tool Kit
Distribution Timeline**

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- February 28** Board of directors declares general dividend and implementation plan.
- March 1** High-level dividend information posted on Pinnacol.com.
- March 4** 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.
- March 11** “General Dividend by Policyholder” report available. This report will provide the amount your customers have qualified for. The actual check amount may be different from this number, as any outstanding balance will be deducted from the check.
- March 18** “General Dividend Check Amount” report available. This report will provide the final check amount your customers will receive.
- March 18** Pinnacol distributes press release announcing the general dividend to news media across the state.
- March 19** Dividend check distribution begins. *All checks*, regardless of the amount, will be mailed directly to the customer.

**2019 Agent General Dividend Tool Kit
Talking Points**

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Fast Facts

Total 2019 General Dividend	\$70 million
General Dividend Total Since 2005	\$676 million
Number of Customers Receiving a Dividend	More than 52,000
Percentage of Customers Receiving a Dividend	88%
Percentage of Colorado Counties with Businesses Receiving a Dividend	100%
Check Distribution	March 19

- Pinnacol Assurance is issuing a general dividend for the fourth year in a row.
- The 2019 dividend totals \$70 million distributed among more than 52,000 (or 88 percent) of Pinnacol's policyholders.
- With this year's declaration, Pinnacol has returned nearly \$676 million in total general dividends to Colorado's business community since 2005.
- The general dividend is possible because of our customers' commitment to workplace safety, a strong economy, and Pinnacol's careful stewardship of our customers' premium dollars.
- There is nothing we love more than seeing money put back into Colorado businesses.
- Past dividends are not a guarantee of future dividends.
- The general dividend is a portion of Pinnacol's surplus, paid to customers that earn it through their commitment to workplace safety and effective claims management.
- Customers must meet certain criteria to receive a general dividend, as detailed in the following Frequently Asked Questions section.
- Customers can visit Pinnacol.com to view additional dividend information.

2019 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 that 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 \$70 million.

What is the total amount of dividends Pinnacol has distributed?

- Since 2005, Pinnacol has returned more than \$676 million in general dividends to Colorado's business community.

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

- In 2019, Pinnacol both lowered rates and will pay a dividend.
- Rates and dividends are two very different calculations that occur under different circumstances.
- Rates are based on **future** projections; 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. But we wait to pay dividends until results from the previous period are available.
- The more accurately our rates reflect actual results, the smaller the dividends.

Will you pay a dividend again next year?

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

What are the criteria for receiving the general dividend?

- The policy has an expiration date between June 2, 2017, and June 1, 2018.
- 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 that contribute 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.
- The average customer general dividend being paid this year is \$1,328. Again, dividends are based on a customer's underwriting performance.

When will I receive my dividend check?

- General dividend checks will be mailed to qualified customers on March 19.

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 related to their general dividend, they should consult with 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.

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 both premiums paid and loss ratio.
- If you or your underwriting 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 noncompliant audit will not receive a dividend.

Are customers that participate in one of Pinnacol's alternative-pricing programs eligible to receive a general dividend?

- Yes. Customers that participate in Pinnacol's alternative rating programs, such as Large Deductible Programs and Group Large Deductible Programs, are eligible to receive general dividends. The group and the individual customer must have contributed to surplus to be eligible.
- Participants in the Safety Group Dividend Program or Individual Loss Control Dividend Program 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 who participate 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 qualifying premium net of program dividends is less than 71.3 percent.
- If a safety group's losses divided by 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.
- It is important to remember that for the general dividend, the safety group's members' policies must have an expiration date between June 2, 2017, and June 1, 2018.
- 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, 2017, and June 1, 2018) 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.

2019 Agent General Dividend Tool Kit General Dividend Determination Guidelines for Different Underwriting Programs

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This document summarizes the criteria Pinnacol uses to determine how customers qualify for general dividends. It also explains how the dividend is disbursed through our different underwriting programs.

Customer Dividends

- Policy must have an expiration date between June 2, 2017, and June 1, 2018.
- 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 Individual Loss Control Dividend.
- 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 **as a whole qualifies**, its members receive a portion of the general dividend based on their individual loss ratio performance. If a safety group **as a whole does not qualify** 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 terms of the contract with Pinnacol.
- Safety group members will receive a general dividend **only** if their group's losses divided by qualifying premium net of program dividends is less than 71.3 percent.
- If a safety group program's losses divided by 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 prior to 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 prior to determining their general dividend.

Alternative Rating Programs

- The alternative rating programs include Large Deductible Programs and Group Large Deductible Programs.
- To qualify for the general dividend, both the group and the individual customer must have

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contributed to Pinnacol's surplus.

- Group Large Deductible members are evaluated as a group. If the Group Large Deductible Program as a whole qualifies, its members are eligible to receive a portion of the general dividend based on their individual experience. If the Group Large Deductible Program as a whole does not qualify for the general dividend, its members do not qualify, regardless of their individual performance. The general dividend is calculated using the specific policy period for each participant's policy, regardless of the Group Large Deductible Program's period.
- 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.



2019 Agent General Dividend Tool Kit
Pinnacol's Check-Stub Letter to Customers
To be sent by Pinnacol

Dear <Company Name>,

On behalf of Pinnacol Assurance and your agent, <agent name>, I'm pleased to let you know we're distributing \$70 million in general dividends to our customers this year. This is the fourth year in a row Pinnacol has provided dividends because of our careful stewardship of your premium dollars and your commitment to workplace safety. There's nothing we love more than seeing money put back into Colorado businesses like yours.

The attached check for \$X,XXX is your portion of the 2019 general dividend. The check is for the period of <date> to <date> for your policy <policy number>. The amount is based on your premium size and performance.

For more information about the general dividend, please visit the Dividend Information page on Pinnacol.com.

If you have questions about your dividend, please contact a customer service representative at 1.800.873.7242.

Sincerely,

Philip B. Kalin
President and CEO

**2019 Agent General Dividend Tool Kit
Email Template**

Available [here](#) for use by your agency; feel free to modify

Suggested subject line: \$70 million in general dividends mean more money for your business

Dear <Customer Name>,

<Insurance Agency Name> and I are pleased to announce that Pinnacol Assurance is issuing a general dividend in 2019, and your portion is <\$amount>. I've asked Pinnacol to send your check directly to you so you have the funds as soon as possible. Your check will be mailed on March 19. Please note that your check could be different than the amount above if there is an outstanding balance on your policy.

This dividend is possible because of your continuing dedication to safety and the well-being of your workforce, as well as a strong Colorado economy and Pinnacol's commitment to maintaining a stable financial position.

Congratulations on receiving a general dividend. I look forward to continuing to assist you with your business insurance needs. If you have questions, please call me at <phone number>, contact your Pinnacol underwriter or check out the [general dividend resources on Pinnacol.com](#).

Sincerely,

<Agent's name>

2019 Agent General Dividend Tool Kit Social Media Templates

Social Media

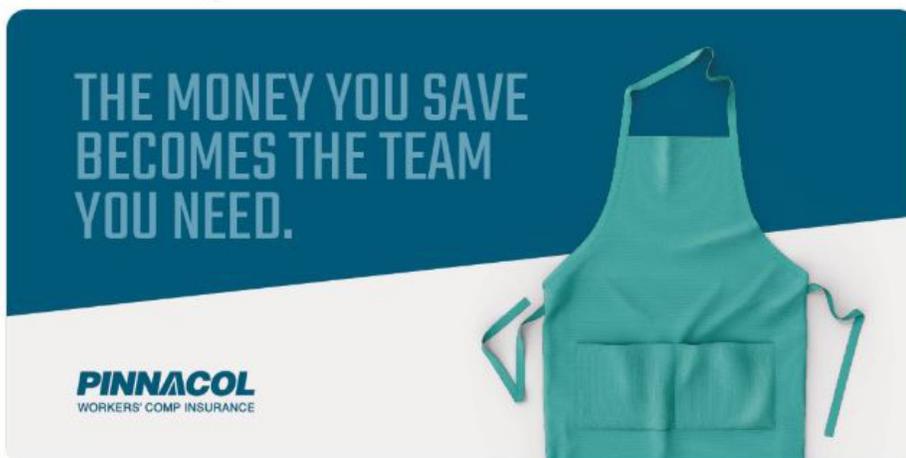
The 2019 general dividend is good news for your clients, and we encourage you to share it with them on your professional and agency social media channels.

The sample below illustrates what your post could look like. We've made it easy for you to [download text and images](#) for Facebook, LinkedIn, Twitter, and Instagram.



InsuranceAgent @InsuranceSite · 30 Mar

For the fourth straight year, our clients with @Pinnacol workers' comp coverage will receive checks from the insurer's \$70M general dividend. Not with Pinnacol? Let us review your workers' comp policy to see if we can save you money to invest in what matters to your business.



2019 Agent General Dividend Tool Kit How Pinnacol's 2018 General Dividend Applies to Safety Groups

The 2019 general dividend returns a portion of Pinnacol's 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 is disbursed through the safety group dividend program.

- If a safety group **as a whole qualifies**, its members receive a portion of the general dividend based on their individual loss ratio performance. If a safety group **as a whole does not qualify** 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 qualifying premium net of program dividends is less than 71.3 percent.
- If a safety group program's losses divided by 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, 2017, to June 1, 2018, 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 Individual Loss Control Dividend.
- 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 relationship 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.



2019 Agent General Dividend Tool Kit
Email Letter to Qualifying Safety Group Executive Directors
To be sent by Pinnacol

Dear <ED name>,

I'm pleased to inform you that Pinnacol Assurance is paying a general dividend in 2019, totaling \$70 million to customers across the state.

This is the fourth year in a row Pinnacol has issued dividends because of the efforts of safety groups and agents to improve workplace safety and to reduce claims costs through effective claims management, as well as a strong Colorado economy and Pinnacol's careful stewardship of customers' premium dollars. There's nothing we love more than seeing money put back into Colorado business.

In late March, we will issue general dividend checks to safety group members based on the safety group's contribution to Pinnacol's surplus and each member's specific loss ratio performance. Accompanying this email is general information about how the general dividend is determined for safety groups.

Safety group members may be eligible to receive the general dividend in addition to the many benefits of program participation, including up-front premium discounts and the opportunity to earn a separate safety group dividend.

If your 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. I encourage you to reinvest these funds in accident prevention and claims-management programs, which will help you recruit and maintain safety group members and keep your workers' comp costs low.

I value our relationship and congratulate you for earning a general dividend for your members.

Please call me if you have any questions.

Sincerely,

<Agency relationship manager's name>

Cc: <Agent Name>

2019 Agent General Dividend Tool Kit Template Press Release

Agents are not required to send information to their local news media, but we encourage it. If you would like to approach your local news outlets, we have provided a template press release you may issue on your agency's letterhead. This template is available [here](#). Please send a copy of your finished press release to liz.johnson@pinnacol.com prior to distribution. **We ask that you distribute your press release on or after March 19.** If you have questions or plans for additional public relations activities related to the general dividend, please consult with your Pinnacol agency relationship manager first.

[Insert Agency Logo]

FOR IMMEDIATE RELEASE

Contact:

[insert agency contact information]

**[Insert Agency Name] to Distribute [\$XX] in
Workers' Comp Insurance Dividends to Customers**
Investing in worker safety and well-being pays off

[INSERT TOWN], Colo. — March [insert distribution date], 2019 — [Insert agency name] will distribute **[insert dollar amount]** in workers' compensation dividend checks to **[insert number]** local employers who have maintained safe workplaces. For the fourth consecutive year, Pinnacol Assurance, Colorado's leading workers' compensation provider, issued the dividend.

Pinnacol's board of directors approved a general dividend of \$70 million. Nearly XX,000 employers throughout the state — roughly XX percent of the company's customers — will receive a dividend. Checks will be mailed to **[insert town/region]** businesses by [insert agency name] agents.

[Insert quote from agency rep — include name, title and name of agency].

Dividend checks are calculated based on the customer's premium size and performance. The average 2019 dividend check will be \$1,328.

"Returning \$70 million back to our customers will enable them to invest in their businesses and we're pleased to be in a position to support their growth," said Phil Kalin, Pinnacol's president and CEO. "These funds represent our careful stewardship of customers' premium dollars and our customers' commitment to keeping their employees safe and healthy at work."

Pinnacol has issued a dividend eleven times since 2005, a result of its financial health and stability. With the 2019 dividend, Pinnacol has now returned nearly \$676 million in total general dividends to Colorado businesses.

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About Pinnacol Assurance

Pinnacol Assurance does just one thing, and it does it better than anyone: provide caring workers' compensation protection to Colorado employers and their employees. The 57,000 employers we insure enjoy fast claims support, convenient online tools, a keen understanding of their business and the expertise of the largest workplace safety team in the state. We're responsible stewards of our customer premiums, giving back through general dividends and rate decreases for three years

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in a row. Pinnacol's commitment to the community went deep in 2018, with thousands of hours volunteered and thoughtful grants to nonprofits supporting rehabilitative health, employee safety and workforce development. Our online home is Pinnacol.com.

About [Insert Agency Name]

[Insert agency boilerplate information]