

**First Regular Session
Seventy-third General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. 21-0400.01 Jason Gelender x4330

HOUSE BILL 21-1213

HOUSE SPONSORSHIP

Soper, Will

SENATE SPONSORSHIP

(None),

House Committees

State, Civic, Military, & Veterans Affairs
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE CONVERSION OF PINNACOL ASSURANCE FROM A**
102 **POLITICAL SUBDIVISION OF THE STATE INTO A STOCK**
103 **INSURANCE COMPANY OWNED BY A MUTUAL INSURANCE**
104 **HOLDING COMPANY.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

Section 2 of the bill:

- Sets forth a process and deadlines for and requires the conversion of Pinnacol Assurance from a political

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

subdivision of the state to a stock insurance company owned by a mutual insurance holding company, the initial members of which are the policyholders of Pinnacol Assurance immediately prior to the conversion, and also sets forth a process and deadlines for the disaffiliation of Pinnacol Assurance from the public employees' retirement association (PERA), with details as to how the disaffiliation is to be accomplished;

- Requires the transfer of a specified amount from Pinnacol Assurance to the state within 5 days of the effective date of the conversion and requires the money transferred to be allocated in equal shares to the controlled maintenance trust fund and to the just transition trust fund; and
- Requires the commissioner of insurance to contract with an insurance company as the carrier of last resort for employers seeking workers' compensation insurance and for the successor stock insurance company to serve in that capacity for a transitional period.

Section 3 repeals the existing statutes concerning Pinnacol Assurance in its current form as a political subdivision of the state.

Sections 4 to 35 make conforming amendments necessitated by the conversion of Pinnacol Assurance from a political subdivision of the state to a stock insurance company owned by a mutual insurance holding company and the disaffiliation of Pinnacol Assurance from PERA.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration - intent.** (1) The general
3 assembly hereby finds and declares:

4 (a) That, after considering fairness for all such people,
5 policyholders, and employees, it is in the best interests of and fair and
6 equitable to the people of the state of Colorado, the policyholders of
7 Pinnacol Assurance, and the employees covered by the policies issued by
8 Pinnacol Assurance that Pinnacol Assurance convert into a stock
9 insurance company owned by a mutual insurance holding company,
10 which is in turn owned by the policyholders of Pinnacol Assurance; and

11 (b) The general assembly approves and directs that Pinnacol

1 Assurance be converted in accordance with this act.

2 (2) It is the intent of the general assembly that Pinnacol
3 Assurance, the successor stock insurance company, and the mutual
4 insurance holding company be instrumentalities of this state until the
5 disaffiliation of the successor stock insurance company from the Public
6 Employees' Retirement Association. The successor stock insurance
7 company is subject to the premium tax described in section 10-3-209,
8 Colorado Revised Statutes.

9 **SECTION 2.** In Colorado Revised Statutes, **add** parts 2 and 3 to
10 article 45 of title 8 as follows:

11 PART 2

12 CONVERSION OF PINNACOL ASSURANCE TO
13 STOCK INSURANCE COMPANY

14 **8-45-201. Conversion of Pinnacol Assurance - just transition**
15 **trust fund - creation - definitions.** (1) AS USED IN THIS PART 2 AND PART
16 3 OF THIS ARTICLE 45, UNLESS THE CONTEXT OTHERWISE REQUIRES:

17 (a) "CONVERSION" MEANS A CHANGE IN THE LEGAL STATUS OF
18 PINNACOL ASSURANCE FROM A POLITICAL SUBDIVISION THAT OPERATES
19 PURSUANT TO THE LAWS OF THE STATE AS A MUTUAL INSURANCE
20 COMPANY INTO A STOCK INSURANCE COMPANY OWNED BY A MUTUAL
21 INSURANCE HOLDING COMPANY IN WHICH THE POLICYHOLDERS OF THE
22 SUCCESSOR STOCK INSURANCE COMPANY ARE MEMBERS AS LONG AS THEY
23 REMAIN POLICYHOLDERS OF THE SUCCESSOR STOCK INSURANCE COMPANY.

24 (b) "CONVERSION DATE" MEANS THE DATE ON WHICH CONVERSION
25 OCCURS, WHICH IS THE EFFECTIVE DATE OF THE ARTICLES OF
26 INCORPORATION OF BOTH THE SUCCESSOR STOCK INSURANCE COMPANY
27 AND THE MUTUAL INSURANCE HOLDING COMPANY.

1 (c) "MUTUAL INSURANCE HOLDING COMPANY" MEANS AN ENTITY
2 FORMED FOR THE PURPOSE OF CONVERTING PINNACOL ASSURANCE FROM
3 A POLITICAL SUBDIVISION THAT OPERATES PURSUANT TO THE LAWS OF THE
4 STATE AS A DOMESTIC MUTUAL INSURANCE COMPANY INTO THE
5 SUCCESSOR STOCK INSURANCE COMPANY OWNED BY THE MUTUAL
6 INSURANCE HOLDING COMPANY IN WHICH THE POLICYHOLDERS OF THE
7 SUCCESSOR STOCK INSURANCE COMPANY ARE MEMBERS FOR AS LONG AS
8 THEY REMAIN POLICYHOLDERS OF THE SUCCESSOR STOCK INSURANCE
9 COMPANY.

10 (2) (a) NO LATER THAN ONE HUNDRED TWENTY DAYS AFTER THE
11 EFFECTIVE DATE OF THIS SUBSECTION (2), THE PINNACOL ASSURANCE
12 BOARD SHALL SIMULTANEOUSLY FILE WITH THE COMMISSIONER OF
13 INSURANCE ARTICLES OF INCORPORATION TO ESTABLISH A DOMESTIC
14 MUTUAL INSURANCE HOLDING COMPANY AND FILE WITH THE
15 COMMISSIONER OF INSURANCE ARTICLES OF INCORPORATION FOR
16 PINNACOL ASSURANCE TO BE AND BECOME A STOCK INSURANCE
17 COMPANY. THE MUTUAL INSURANCE HOLDING COMPANY MUST OPERATE
18 IN ACCORDANCE WITH THIS PART 2.

19 (b) THE SUCCESSOR STOCK INSURANCE COMPANY INCORPORATED
20 AS REQUIRED BY SUBSECTION (3) OF THIS SECTION SHALL BE AN ENTITY
21 AUTHORIZED TO OPERATE AS AN INSURER LICENSED TO WRITE INSURANCE
22 IN THIS STATE AND SHALL HAVE ALL OF THE POWERS AND BE SUBJECT TO
23 ALL THE LAWS, RULES, AND REQUIREMENTS OF A STOCK INSURANCE
24 COMPANY ORGANIZED UNDER THE LAWS OF THE STATE. THE SUCCESSOR
25 STOCK INSURANCE COMPANY AND THE MUTUAL INSURANCE HOLDING
26 COMPANY SHALL EACH BE SUBJECT TO THE REQUIREMENTS OF ARTICLE 3
27 OF TITLE 10.

1 (3) THE PINNACOL ASSURANCE BOARD SHALL PERFORM ALL
2 NECESSARY ACTS TO FILE ARTICLES OF INCORPORATION OF THE SUCCESSOR
3 STOCK INSURANCE COMPANY AND OF THE MUTUAL INSURANCE HOLDING
4 COMPANY, INCLUDING THE ADOPTION BY THE PINNACOL ASSURANCE
5 BOARD OF A RESOLUTION THAT THE TRANSACTIONS CONTEMPLATED BY
6 THIS PART 2 ARE FAIR AND EQUITABLE TO THE POLICYHOLDERS OF
7 PINNACOL ASSURANCE. THE BOARD MUST FILE THE ARTICLES OF
8 INCORPORATION FOR BOTH THE SUCCESSOR STOCK INSURANCE COMPANY
9 AND THE MUTUAL INSURANCE HOLDING COMPANY WITH THE SAME
10 EFFECTIVE DATE.

11 (4) PINNACOL ASSURANCE SHALL TRANSFER THREE HUNDRED FIVE
12 MILLION DOLLARS TO THE STATE OF COLORADO WITHIN FIVE BUSINESS
13 DAYS OF THE CONVERSION DATE. THE MONEY TRANSFERRED MUST BE
14 ALLOCATED AS FOLLOWS:

15 (a) FIFTY PERCENT TO THE CONTROLLED MAINTENANCE TRUST
16 FUND CREATED IN SECTION 24-75-302.5; AND

17 (b) (I) FIFTY PERCENT TO THE JUST TRANSITION TRUST FUND,
18 REFERRED TO IN THIS SECTION AS THE "TRUST FUND", WHICH IS HEREBY
19 CREATED IN THE STATE TREASURY. THE TRUST FUND IS ADMINISTERED BY
20 THE JUST TRANSITION OFFICE CREATED IN SECTION 8-83-503 AND
21 REFERRED TO IN THIS SECTION AS THE "OFFICE". THE GENERAL ASSEMBLY
22 IS ENCOURAGED TO PRIORITIZE THE APPROPRIATION OR TRANSFER OF
23 MONEY TO THE TRUST FUND IN FUTURE FISCAL YEARS.

24 (II) THE TRUST FUND CONSISTS OF MONEY TRANSFERRED TO THE
25 TRUST FUND PURSUANT TO SUBSECTION (4)(b)(I) OF THIS SECTION, ANY
26 OTHER MONEY THAT THE GENERAL ASSEMBLY MAY APPROPRIATE OR
27 TRANSFER TO THE TRUST FUND, AND ALL INTEREST AND INCOME EARNED

1 ON THE PRINCIPAL OF THE TRUST FUND.

2 (III) MONEY TRANSFERRED TO THE TRUST FUND PURSUANT TO
3 SUBSECTION (4)(b)(I) OF THIS SECTION AND ANY MONEY APPROPRIATED TO
4 THE TRUST FUND BY THE GENERAL ASSEMBLY CONSTITUTE THE PRINCIPAL
5 OF THE TRUST FUND. THE PRINCIPAL OF THE TRUST FUND REMAINS IN THE
6 TRUST FUND AND SHALL NOT BE APPROPRIATED, TRANSFERRED, OR
7 EXPENDED FROM THE TRUST FUND.

8 (IV) THE STATE TREASURER IS AUTHORIZED AND DIRECTED TO
9 MANAGE THE TRUST FUND THROUGH PRUDENT INVESTMENTS AS
10 AUTHORIZED BY SECTION 24-36-113 AND SHALL CREDIT ALL INTEREST AND
11 INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEY IN THE
12 TRUST FUND TO THE TRUST FUND.

13 (V) TRUST FUND INTEREST AND INCOME IS CONTINUOUSLY
14 APPROPRIATED TO THE OFFICE FOR JUST TRANSITION TRUST FUND GRANTS
15 TO BE AWARDED BY THE OFFICE IN ACCORDANCE WITH THE
16 RECOMMENDATIONS CONTAINED IN THE FINAL JUST TRANSITION PLAN
17 SUBMITTED, WITH THE APPROVAL OF THE EXECUTIVE DIRECTORS OF THE
18 DEPARTMENT OF LABOR AND EMPLOYMENT AND THE DIVISION OF LOCAL
19 AFFAIRS, BY THE OFFICE TO THE GOVERNOR, AND THE GENERAL ASSEMBLY
20 AS REQUIRED BY SECTION 8-83-503 (4). INTEREST AND INCOME NOT
21 EXPENDED DURING THE FISCAL YEAR IN WHICH IT IS ACCRUED FOR
22 HIGH-COST SPECIAL EDUCATION TRUST FUND GRANTS MAY BE EXPENDED
23 IN SUBSEQUENT FISCAL YEARS FOR THAT PURPOSE.

24 (5) ON THE CONVERSION DATE, ALL OF THE FOLLOWING SHALL
25 OCCUR:

26 (a) PINNACOL ASSURANCE SHALL BECOME THE SUCCESSOR STOCK
27 INSURANCE COMPANY AND, EXCEPT AS OTHERWISE PROVIDED IN THIS

1 SUBSECTION (5), THE SUCCESSOR STOCK INSURANCE COMPANY SHALL BE
2 THE SUCCESSOR IN INTEREST TO ALL ASSETS AND LIABILITIES OF PINNACOL
3 ASSURANCE, WITHOUT ANY CONVEYANCE OR TRANSFER AND WITHOUT
4 ANY FURTHER ACT OR DEED AND SHALL BE VESTED BY OPERATION OF LAW
5 WITH TITLE TO ALL PROPERTY OF PINNACOL ASSURANCE, INCLUDING THE
6 SURPLUS OF PINNACOL ASSURANCE, THUS EXTINGUISHING ALL RIGHTS OF
7 ANY PERSON OTHER THAN THE SUCCESSOR STOCK INSURANCE COMPANY
8 IN THE SURPLUS OF PINNACOL ASSURANCE.

9 (b) THE POLICYHOLDERS OF PINNACOL ASSURANCE SHALL BECOME
10 MEMBERS OF THE MUTUAL INSURANCE HOLDING COMPANY IN
11 ACCORDANCE WITH AND SUBJECT TO THIS PART 2 AND THE ARTICLES OF
12 INCORPORATION AND BYLAWS OF THE MUTUAL INSURANCE HOLDING
13 COMPANY.

14 (c) THE MUTUAL INSURANCE HOLDING COMPANY SHALL BECOME
15 THE OWNER OF THE SUCCESSOR STOCK INSURANCE COMPANY.

16 (d) THE COMMISSIONER OF INSURANCE SHALL ISSUE A CERTIFICATE
17 OF AUTHORITY TO THE SUCCESSOR STOCK INSURANCE COMPANY.

18 (e) THE STOCK IN ANY SUBSIDIARY CORPORATION OF PINNACOL
19 ASSURANCE SHALL BECOME OWNED DIRECTLY BY THE MUTUAL
20 INSURANCE HOLDING COMPANY.

21 (f) THE STATE SHALL RELINQUISH AND TRANSFER TO THE
22 SUCCESSOR STOCK INSURANCE COMPANY AND THE MUTUAL INSURANCE
23 HOLDING COMPANY ALL RIGHT, TITLE, AND INTEREST IN AND TO THE
24 NAMES "PINNACOL" AND "PINNACOL ASSURANCE".

25 (g) UNLESS OTHERWISE PROVIDED IN THE ARTICLES OF
26 INCORPORATION OR BYLAWS OF THE SUCCESSOR STOCK INSURANCE
27 COMPANY OR THE ARTICLES OF INCORPORATION OR BYLAWS OF THE

1 MUTUAL INSURANCE HOLDING COMPANY, THE DIRECTORS AND OFFICERS
2 OF PINNACOL ASSURANCE SHALL BECOME DIRECTORS AND OFFICERS OF
3 THE MUTUAL INSURANCE HOLDING COMPANY AND THE SUCCESSOR STOCK
4 INSURANCE COMPANY AND SHALL CONTINUE TO SERVE IN THEIR
5 RESPECTIVE ROLES UNTIL THEIR SUCCESSORS ARE ELECTED AND
6 QUALIFIED. BEFORE THE DISAFFILIATION DATE, AS DEFINED IN SECTION
7 8-45-203 (1)(a), THE GOVERNOR HAS THE SOLE POWER TO APPOINT AND
8 REMOVE BOARD MEMBERS OF THE MUTUAL INSURANCE HOLDING
9 COMPANY AND THE SUCCESSOR STOCK INSURANCE COMPANY.

10 (h) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION (5) OR
11 SUBSECTION (6) OF THIS SECTION:

12 (I) THE SUCCESSOR STOCK INSURANCE COMPANY SHALL FOR ALL
13 PURPOSES OF THE LAWS OF THE STATE BE DEEMED TO BE THE SUCCESSOR
14 IN INTEREST TO AND THE SAME ENTITY AS PINNACOL ASSURANCE. THE
15 CONVERSION OF PINNACOL ASSURANCE INTO THE SUCCESSOR STOCK
16 INSURANCE COMPANY DOES NOT REQUIRE THE SUBMISSION OF A PETITION
17 AND PLAN OF CONVERSION PURSUANT TO SECTION 10-12-411 OR ANY
18 FURTHER ACT, DETERMINATION, OR APPROVAL OF ANY AGENCY OR
19 AUTHORITY OF THIS STATE.

20 (II) THE ASSUMPTION OF ALL TANGIBLE AND INTANGIBLE
21 PROPERTY AND ASSETS OF PINNACOL ASSURANCE BY THE SUCCESSOR
22 STOCK INSURANCE COMPANY AND THE MUTUAL INSURANCE HOLDING
23 COMPANY SHALL BE FREE AND CLEAR OF ANY TAXES, LIENS, CLAIMS,
24 RIGHTS, OR INTERESTS OF THE STATE, ANY POLITICAL SUBDIVISION OF THE
25 STATE, OR ANY PERSON CLAIMING BY, OR ON BEHALF OF, THROUGH, OR
26 UNDER THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE. THE
27 PROPERTY AND ASSETS ASSUMED BY THE SUCCESSOR STOCK INSURANCE

1 COMPANY AND THE MUTUAL INSURANCE HOLDING COMPANY PURSUANT TO
2 THIS PART 2 SHALL NOT BE SUBJECT TO USE TAX UNDER THE LAWS OF THE
3 STATE OR ANY POLITICAL SUBDIVISION OR SPECIAL DISTRICT OF THE STATE.

4 (III) ALL OF THE RIGHTS, PRIVILEGES, INCLUDING SPECIFICALLY
5 THE ATTORNEY-CLIENT PRIVILEGE, AND POWERS OF PINNACOL
6 ASSURANCE; ALL REAL, PERSONAL, AND MIXED PROPERTY; AND ALL
7 OBLIGATIONS DUE TO PINNACOL ASSURANCE; AS WELL AS ALL OTHER
8 THINGS AND CAUSES OF ACTION OF PINNACOL ASSURANCE, VEST AS A
9 MATTER OF LAW IN THE SUCCESSOR STOCK INSURANCE COMPANY AND ARE
10 THEREAFTER THE RIGHTS, PRIVILEGES, POWERS, AND PROPERTY OF, AND
11 OBLIGATIONS DUE TO, THE SUCCESSOR STOCK INSURANCE COMPANY.

12 (IV) THE TITLE TO ANY REAL PROPERTY VESTED BY DEED OR
13 OTHERWISE IN PINNACOL ASSURANCE SHALL NOT REVERT OR BE IN ANY
14 WAY IMPAIRED, BUT ALL RIGHTS OF CREDITORS AND ALL LIENS UPON ANY
15 PROPERTY OF PINNACOL ASSURANCE SHALL BE PRESERVED UNIMPAIRED,
16 AND ALL DEBTS, LIABILITIES, AND DUTIES OF PINNACOL ASSURANCE SHALL
17 REMAIN ATTACHED TO THE SUCCESSOR STOCK INSURANCE COMPANY AND
18 MAY BE ENFORCED AGAINST THE SUCCESSOR STOCK INSURANCE COMPANY
19 TO THE SAME EXTENT AS IF SAID DEBTS, LIABILITIES, AND DUTIES HAD
20 ORIGINALLY BEEN INCURRED OR CONTRACTED BY THE SUCCESSOR STOCK
21 INSURANCE COMPANY IN ITS CAPACITY AS AN INSURANCE COMPANY
22 OPERATING UNDER THE LAWS OF THE STATE.

23 (V) THE CONVERSION DOES NOT OTHERWISE ANNUL, MODIFY, OR
24 CHANGE ANY EXISTING LICENSE OR OTHER AUTHORITY VESTED IN
25 PINNACOL ASSURANCE, AND WITHOUT FURTHER ACTION ALL SUCH
26 LICENSES AND AUTHORITY SHALL VEST IN THE SUCCESSOR STOCK
27 INSURANCE COMPANY. THE SUCCESSOR STOCK INSURANCE COMPANY MAY

1 EXERCISE ALL RIGHTS AND POWERS CONFERRED AND SHALL PERFORM ALL
2 DUTIES IMPOSED BY LAW ON INSURERS WRITING THE CLASSES OF
3 INSURANCE WRITTEN BY THE SUCCESSOR STOCK INSURANCE COMPANY
4 AND SHALL RETAIN ALL RIGHTS AND SHALL BE SUBJECT TO ALL
5 OBLIGATIONS OF PINNACOL ASSURANCE UNDER INSURANCE CONTRACTS
6 EXISTING IMMEDIATELY BEFORE THE CONVERSION.

7 (VI) THE CONVERSION OF PINNACOL ASSURANCE INTO THE
8 SUCCESSOR STOCK INSURANCE COMPANY SHALL NOT BE DEEMED TO
9 AFFECT ANY OBLIGATIONS OR LIABILITIES OF PINNACOL ASSURANCE
10 INCURRED PRIOR TO THE CONVERSION OR THE PERSONAL LIABILITY OF ANY
11 PERSON INCURRED BEFORE THE CONVERSION AND SHALL CONSTITUTE A
12 CONTINUATION OF THE EXISTENCE OF PINNACOL ASSURANCE IN THE FORM
13 OF A STOCK INSURANCE COMPANY OPERATING UNDER THE LAWS OF THE
14 STATE.

15 (VII) NO OFFICER, DIRECTOR, OR EMPLOYEE OF PINNACOL
16 ASSURANCE AS IT EXISTED BEFORE ITS CONVERSION INTO THE SUCCESSOR
17 STOCK INSURANCE COMPANY, OF THE SUCCESSOR STOCK INSURANCE
18 COMPANY, OF THE MUTUAL INSURANCE HOLDING COMPANY, OR OF ANY
19 ENTITY OR PARTY WITH WHOM THE SUCCESSOR STOCK INSURANCE
20 COMPANY OR THE MUTUAL INSURANCE HOLDING COMPANY CONTRACTS
21 FOR SERVICES SHALL BE PERSONALLY LIABLE IN A PRIVATE CAPACITY FOR
22 OR ON ACCOUNT OF ANY ACT DONE OR OMITTED OR CONTRACT OR OTHER
23 OBLIGATION ENTERED INTO OR UNDERTAKEN IN AN OFFICIAL CAPACITY IN
24 GOOD FAITH AND WITHOUT INTENT TO DEFRAUD IN CONNECTION WITH THE
25 ADMINISTRATION, MANAGEMENT, OR CONDUCT OF PINNACOL ASSURANCE
26 OR WITH ANY OTHER AFFAIRS RELATED TO PINNACOL ASSURANCE AS IT
27 EXISTED BEFORE ITS CONVERSION INTO THE SUCCESSOR STOCK INSURANCE

1 COMPANY.

2 (6) EXCEPT FOR GENERALLY APPLICABLE TAXES AND AS PROVIDED
3 IN SUBSECTION (4) OF THIS SECTION, THE STATE SHALL HAVE NO CLAIM TO
4 NOR ANY INTEREST IN THE REVENUE, MONEY, OR ASSETS OF THE
5 SUCCESSOR STOCK INSURANCE COMPANY OR THE MUTUAL INSURANCE
6 HOLDING COMPANY AND SHALL NOT BORROW, APPROPRIATE, OR DIRECT
7 PAYMENTS FROM SUCH REVENUE, MONEY, AND ASSETS FOR ANY PURPOSE.

8 (7) THE STATE SHALL NOT BE LIABLE FOR THE EXPENSES,
9 LIABILITIES, OR DEBTS OF THE SUCCESSOR STOCK INSURANCE COMPANY OR
10 THE MUTUAL INSURANCE HOLDING COMPANY. THE SUCCESSOR STOCK
11 INSURANCE COMPANY AND THE MUTUAL INSURANCE HOLDING COMPANY
12 SHALL ASSUME, INDEMNIFY, AND HOLD THE STATE HARMLESS FROM AND
13 AGAINST ALL EXISTING INSURANCE LIABILITIES OF PINNACOL ASSURANCE
14 ARISING UNDER ALL POLICIES OF WORKERS' COMPENSATION INSURANCE
15 ISSUED BY PINNACOL ASSURANCE THAT ARE OUTSTANDING ON THE
16 CONVERSION DATE.

17 (8) EXCEPT AS PROVIDED IN SUBSECTION (9) OF THIS SECTION, NO
18 SUIT, ACTION, CLAIM, OR OTHER JUDICIAL OR ADMINISTRATIVE
19 PROCEEDING LAWFULLY COMMENCED BEFORE THE CONVERSION DATE, OR
20 WHICH COULD HAVE BEEN COMMENCED BEFORE THAT DATE, BY OR
21 AGAINST PINNACOL ASSURANCE SHALL ABATE BY REASON OF THE
22 CONVERSION OF PINNACOL ASSURANCE INTO THE SUCCESSOR STOCK
23 INSURANCE COMPANY OR THE CREATION OF THE MUTUAL INSURANCE
24 HOLDING COMPANY.

25 (9) NO CAUSE OF ACTION ARISING SOLELY OUT OF OR RELATING TO
26 THE CONVERSION OF PINNACOL ASSURANCE INTO THE STOCK INSURANCE
27 COMPANY OR THE FORMATION OF THE MUTUAL INSURANCE HOLDING

1 COMPANY OR THE OTHER TRANSACTIONS PERMITTED OR REQUIRED TO
2 OCCUR PURSUANT TO THIS SECTION SHALL BE BROUGHT BY OR ON BEHALF
3 OF ANY HOLDER OF A POLICY OF INSURANCE ISSUED BY PINNACOL
4 ASSURANCE AGAINST THE SUCCESSOR STOCK INSURANCE COMPANY, THE
5 MUTUAL INSURANCE HOLDING COMPANY, PINNACOL ASSURANCE, OR THE
6 BOARD OF DIRECTORS OR OFFICERS OR ANY EMPLOYEE OR AGENT OF ANY
7 OF THEM; EXCEPT THAT THIS SUBSECTION (9) SHALL NOT LIMIT THE RIGHTS
8 OR REMEDIES OF THE HOLDER UNDER A POLICY OF INSURANCE ISSUED BY
9 PINNACOL ASSURANCE AND ASSUMED BY THE SUCCESSOR STOCK
10 INSURANCE COMPANY TO CONTEST THE INSURANCE COVERAGE ARISING
11 UNDER A POLICY OF INSURANCE ISSUED BY PINNACOL ASSURANCE. NO
12 CAUSE OF ACTION ON BEHALF OF ANY HOLDER OF A POLICY OF INSURANCE
13 ISSUED BY PINNACOL ASSURANCE SHALL LIE AGAINST THE STATE OR ANY
14 POLITICAL SUBDIVISION OF THE STATE ARISING OUT OF OR RELATING TO
15 THE CONVERSION OF PINNACOL ASSURANCE INTO THE SUCCESSOR STOCK
16 INSURANCE COMPANY OR THE FORMATION OF THE MUTUAL INSURANCE
17 HOLDING COMPANY OR THE OTHER TRANSACTIONS PERMITTED OR
18 REQUIRED TO OCCUR PURSUANT TO THIS SECTION, OR ARISING UNDER
19 POLICIES OF INSURANCE ISSUED BY PINNACOL ASSURANCE.

20 (10) EXCEPT AS PERMITTED BY A MAJORITY VOTE OF THE MEMBERS
21 OF THE MUTUAL INSURANCE HOLDING COMPANY WHO ARE POLICYHOLDERS
22 OF A STOCK INSURANCE COMPANY THAT IS A SUBSIDIARY OF THE MUTUAL
23 INSURANCE HOLDING COMPANY, A MAJORITY OF THE VOTING STOCK OF
24 THE SUCCESSOR STOCK INSURANCE COMPANY MUST AT ALL TIMES BE
25 OWNED UNENCUMBERED DIRECTLY OR INDIRECTLY BY THE MUTUAL
26 INSURANCE HOLDING COMPANY. ANY CONVEYANCE, TRANSFER,
27 ASSIGNMENT, PLEDGE, SECURITY INTEREST, LIEN, PLACEMENT IN A VOTING

1 TRUST, ENCUMBRANCE, OR HYPOTHECATION OR ALIENATION OF, IN, OR ON
2 A MAJORITY OF THE VOTING SHARES OF THE STOCK INSURANCE COMPANY
3 IN VIOLATION OF THIS SUBSECTION (10) IS VOID IN INVERSE
4 CHRONOLOGICAL ORDER AS TO THE SHARES NECESSARY TO ENSURE THAT
5 THE REQUIREMENTS OF THIS SUBSECTION (10) ARE MET.

6 (11) THE SUCCESSOR STOCK INSURANCE COMPANY SHALL BE
7 SUBJECT TO THE PREMIUM TAX DESCRIBED IN SECTION 10-3-209.

8 **8-45-202. Status of mutual insurance holding company as**
9 **corporation - status of insurer - rights and obligations of members -**
10 **voting - articles of incorporation.** (1) THE MUTUAL INSURANCE
11 HOLDING COMPANY IS NOT AN INSURER FOR THE PURPOSES OF THIS TITLE
12 8; EXCEPT THAT SECTIONS 10-12-405, 10-12-407, 10-12-408, 10-12-409,
13 10-12-410, AND 10-12-411 APPLY TO THE MUTUAL INSURANCE HOLDING
14 COMPANY AS IF THE MUTUAL INSURANCE HOLDING COMPANY WERE A
15 DOMESTIC MUTUAL INSURER.

16 (2) THE MUTUAL INSURANCE HOLDING COMPANY SHALL NOT
17 DISSOLVE OR LIQUIDATE WITHOUT APPROVAL BY THE COMMISSIONER OF
18 INSURANCE OR UNLESS REQUIRED BY JUDICIAL ORDER. THE COMMISSIONER
19 OF INSURANCE RETAINS JURISDICTION OVER THE MUTUAL INSURANCE
20 HOLDING COMPANY AND ANY SUBSIDIARY OF THE MUTUAL INSURANCE
21 HOLDING COMPANY AS PROVIDED IN THIS PART 2 AND SECTION 10-3-806.

22 (3) THE MEMBERS OF THE MUTUAL INSURANCE HOLDING COMPANY
23 HAVE THE RIGHTS AND OBLIGATIONS SET FORTH IN THIS PART 2 AND IN THE
24 ARTICLES OF INCORPORATION AND BYLAWS OF THE MUTUAL INSURANCE
25 HOLDING COMPANY. A MEMBER OF THE MUTUAL INSURANCE HOLDING
26 COMPANY SHALL NOT TRANSFER ITS MEMBERSHIP IN THE MUTUAL
27 INSURANCE HOLDING COMPANY OR ANY RIGHT ARISING FROM SUCH

1 MEMBERSHIP. THE LIMITATION ON THE TRANSFER OF MEMBERSHIP OR
2 RIGHTS ARISING FROM MEMBERSHIP DOES NOT RESTRICT ANY OTHERWISE
3 PERMISSIBLE ASSIGNMENT OF A POLICY. A MEMBER OF THE MUTUAL
4 INSURANCE HOLDING COMPANY IS NOT PERSONALLY LIABLE FOR THE ACTS,
5 DEBTS, LIABILITIES, OR OBLIGATIONS OF THE MUTUAL INSURANCE HOLDING
6 COMPANY MERELY BY REASON OF BEING A MEMBER. NO ASSESSMENT OF
7 ANY KIND SHALL BE IMPOSED ON A MEMBER OF THE MUTUAL INSURANCE
8 HOLDING COMPANY. A PREMIUM OR POLICY FEE DUE UNDER AN
9 INSURANCE POLICY OR CONTRACT ISSUED TO A MEMBER OF THE MUTUAL
10 INSURANCE HOLDING COMPANY IS NOT AN ASSESSMENT.

11 (4) A MEMBERSHIP INTEREST IN THE MUTUAL INSURANCE HOLDING
12 COMPANY IS NOT A SECURITY, AS DEFINED IN SECTION 11-51-201 (17).

13 (5) THE BYLAWS SHALL PROVIDE THAT EACH POLICYHOLDER OF AN
14 INSURANCE COMPANY OWNED BY THE MUTUAL INSURANCE HOLDING
15 COMPANY SHALL BE A MEMBER OF THE MUTUAL INSURANCE HOLDING
16 COMPANY AND SHALL BE ENTITLED TO ONE OR MORE VOTES BASED UPON
17 THE AMOUNT OF INSURANCE IN FORCE, THE NUMBER OF POLICIES HELD, OR
18 THE AMOUNT OF PREMIUM PAID, AS STATED IN SUCH BYLAWS. THE
19 BYLAWS MAY PERMIT VOTING BY PROXY.

20 (6) MEETINGS OF THE MEMBERS OF THE MUTUAL INSURANCE
21 HOLDING COMPANY SHALL BE GOVERNED IN THE SAME MANNER AS IF THE
22 MUTUAL INSURANCE HOLDING COMPANY WERE A DOMESTIC MUTUAL
23 INSURER, INCLUDING PROVISIONS GOVERNING QUORUM REQUIREMENTS,
24 THE APPROVAL OF MATTERS BY THE MEMBERS, AND THE ELECTION OF
25 DIRECTORS BY THE MEMBERS.

26 (7) THE ARTICLES OF INCORPORATION OF THE MUTUAL INSURANCE
27 HOLDING COMPANY SHALL CONTAIN ALL THE FOLLOWING PROVISIONS:

1 (a) THE NAME OF THE MUTUAL INSURANCE HOLDING COMPANY
2 SHALL INCLUDE THE WORDS "MUTUAL HOLDING COMPANY" OR "MUTUAL
3 INSURANCE HOLDING COMPANY" OR OTHER WORDS CONNOTING THE
4 MUTUAL CHARACTER OF THE MUTUAL INSURANCE HOLDING COMPANY
5 THAT ARE APPROVED BY THE INSURANCE COMMISSIONER.

6 (b) A PROVISION SPECIFYING THAT THE MUTUAL INSURANCE
7 HOLDING COMPANY IS NOT AUTHORIZED TO ISSUE CAPITAL STOCK,
8 WHETHER VOTING OR NONVOTING; AND

9 (c) A PROVISION SETTING FORTH ANY RIGHTS OF THE MEMBERS OF
10 THE MUTUAL INSURANCE HOLDING COMPANY ON DISSOLUTION OR
11 LIQUIDATION.

12 (8) THE MUTUAL INSURANCE HOLDING COMPANY MUST
13 AUTOMATICALLY BE A PARTY TO ANY REHABILITATION OR LIQUIDATION
14 PROCEEDING INVOLVING A SUBSIDIARY STOCK INSURANCE COMPANY THAT
15 IS A DIRECT OR INDIRECT SUBSIDIARY OF THE MUTUAL INSURANCE
16 HOLDING COMPANY. IN SUCH A PROCEEDING, THE ASSETS OF THE MUTUAL
17 INSURANCE HOLDING COMPANY SHALL BE COUNTED AS ASSETS OF THE
18 ESTATE OF THE SUBSIDIARY STOCK INSURANCE COMPANY FOR THE
19 PURPOSE OF SATISFYING THE CLAIMS OF THE POLICYHOLDERS OF THE
20 SUBSIDIARY STOCK INSURANCE COMPANY.

21 **8-45-203. Disaffiliation of Pinnacol Assurance from the public**
22 **employees' retirement association - definitions.** (1) AS USED IN THIS
23 SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

24 (a) "DISAFFILIATION DATE" MEANS THE DATE OF TERMINATION OF
25 PINNACOL ASSURANCE'S AFFILIATION WITH THE PUBLIC EMPLOYEES'
26 RETIREMENT ASSOCIATION AS SPECIFIED IN A DISAFFILIATION ELECTION.

27 (b) "DISAFFILIATION ELECTION" MEANS AN ELECTION MADE BY

1 PINNACOL ASSURANCE AS DESCRIBED IN SUBSECTIONS (2) AND (3) OF THIS
2 SECTION.

3 (c) "DISAFFILIATION PAYMENT" MEANS THE PAYMENT THAT IS
4 REQUIRED TO BE MADE BY PINNACOL ASSURANCE TO THE PUBLIC
5 EMPLOYEES' RETIREMENT ASSOCIATION PURSUANT TO THIS SECTION AND
6 THE AMOUNT OF WHICH IS DETERMINED UNDER SUBSECTION (6)(f) OF THIS
7 SECTION.

8 (d) "PINNACOL ASSURANCE" MEANS PINNACOL ASSURANCE AND
9 ITS SUCCESSORS, INCLUDING THE SUCCESSOR STOCK INSURANCE
10 COMPANY.

11 (e) "RBA" MEANS THE PUBLIC EMPLOYEES' RETIREMENT
12 ASSOCIATION'S REPLACEMENT BENEFIT ARRANGEMENT.

13 (2) NOTWITHSTANDING ANY OTHER PROVISION OF LAW TO THE
14 CONTRARY, PINNACOL ASSURANCE MAY MAKE A DISAFFILIATION
15 ELECTION TO TERMINATE ITS AFFILIATION WITH THE PUBLIC EMPLOYEES'
16 RETIREMENT ASSOCIATION EFFECTIVE AS OF THE FIRST DAY OF ANY MONTH
17 PRIOR TO JANUARY 1, 2023, AND SHALL MAKE A DISAFFILIATION ELECTION
18 TO TERMINATE ITS AFFILIATION WITH THE PUBLIC EMPLOYEES'
19 RETIREMENT ASSOCIATION EFFECTIVE AS OF JANUARY 1, 2023, IF NO
20 DISAFFILIATION ELECTION HAS BEEN MADE FOR A PRIOR DISAFFILIATION
21 DATE.

22 (3) A DISAFFILIATION ELECTION SHALL BE MADE BY WRITTEN
23 NOTICE TO THE BOARD OF THE PUBLIC EMPLOYEES' RETIREMENT
24 ASSOCIATION SPECIFYING A DISAFFILIATION DATE, WHICH DISAFFILIATION
25 DATE MUST NOT BE LESS THAN NINETY DAYS NOR MORE THAN ONE
26 HUNDRED FIFTY DAYS AFTER THE DATE OF MAILING OF THE NOTICE TO THE
27 BOARD OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION. A

1 DISAFFILIATION ELECTION, OTHER THAN A DISAFFILIATION ELECTION
2 SPECIFYING A DISAFFILIATION DATE OF JANUARY 1, 2023, MAY BE
3 REVOKED BY PINNACOL ASSURANCE AT ANY TIME BEFORE THE
4 DISAFFILIATION DATE SPECIFIED IN THE DISAFFILIATION ELECTION.
5 SUBJECT TO ALL OTHER REQUIREMENTS FOR A DISAFFILIATION ELECTION,
6 REVOCATION OF A DISAFFILIATION ELECTION DOES NOT PREVENT
7 PINNACOL ASSURANCE FROM MAKING ANOTHER DISAFFILIATION ELECTION
8 FOR THE SAME OR ANOTHER DISAFFILIATION DATE. NEITHER A
9 DISAFFILIATION ELECTION NOR A REVOCATION OF A DISAFFILIATION
10 ELECTION IS SUBJECT TO THE APPROVAL OF THE PUBLIC EMPLOYEES'
11 RETIREMENT ASSOCIATION.

12 (4) WITHIN NINETY DAYS OF RECEIPT OF A DISAFFILIATION
13 ELECTION, THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION SHALL
14 ESTIMATE THE AMOUNT OF THE DISAFFILIATION PAYMENT USING THE
15 METHODOLOGY DESCRIBED IN SUBSECTION (6) OF THIS SECTION. THE
16 ESTIMATE MUST BE MADE USING THE BEST AVAILABLE INFORMATION
17 AVAILABLE TO THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION,
18 ADJUSTED IN GOOD FAITH TO ESTIMATE THE AMOUNT OF THE
19 DISAFFILIATION PAYMENT AS OF THE DISAFFILIATION DATE. THE
20 ESTIMATED AMOUNT SHALL BE PROVIDED TO PINNACOL ASSURANCE
21 WITHIN NINETY-ONE DAYS OF RECEIPT BY THE PUBLIC EMPLOYEES'
22 RETIREMENT ASSOCIATION OF THE DISAFFILIATION ELECTION.

23 (5) WITHIN ONE HUNDRED EIGHTY DAYS FOLLOWING THE
24 DISAFFILIATION DATE, THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
25 SHALL DETERMINE THE AMOUNT OF THE DISAFFILIATION PAYMENT
26 PURSUANT TO SUBSECTION (6) OF THIS SECTION.

27 (6) THE AMOUNT OF THE DISAFFILIATION PAYMENT SHALL BE

1 DETERMINED USING THE FOLLOWING METHODOLOGY:

2 (a) FIRST, AN ADJUSTED MARKET VALUE OF ASSETS EQUAL TO THE
3 FAIR MARKET VALUE AS OF THE DISAFFILIATION DATE OF THE ASSETS THAT
4 ARE HELD IN THE STATE DIVISION OF THE PUBLIC EMPLOYEES' RETIREMENT
5 ASSOCIATION TO COVER EMPLOYER-FINANCED ACCRUED LIABILITIES LESS
6 THE ANNUAL INCREASE RESERVE SHALL BE DETERMINED. THE ADJUSTED
7 MARKET VALUE OF ASSETS SHALL THEN BE ALLOCATED, IN EACH CASE FOR
8 THE ENTIRE STATE DIVISION OF THE PUBLIC EMPLOYEES' RETIREMENT
9 ASSOCIATION, TO THE FOLLOWING CATEGORIES IN THE FOLLOWING ORDER:

10 (I) INACTIVE MEMBER CONTRIBUTION ACCOUNT BALANCES;

11 (II) ACTIVE MEMBER CONTRIBUTION ACCOUNT BALANCES;

12 (III) RETIREE AND SURVIVOR LIABILITIES;

13 (IV) EMPLOYER-FINANCED INACTIVE MEMBER LIABILITIES; AND

14 (V) EMPLOYER-FINANCED ACTIVE MEMBER LIABILITIES.

15 (b) SECOND, THE ADJUSTED MARKET VALUE OF ASSETS CREDITED
16 TO PINNACOL ASSURANCE SHALL BE DETERMINED AS FOLLOWS:

17 (I) IF THE ASSETS ARE FIRST DEPLETED IN THE CATEGORY
18 DESCRIBED IN SUBSECTION (6)(a)(I) OF THIS SECTION, THE ADJUSTED
19 MARKET VALUE OF ASSETS CREDITED TO PINNACOL ASSURANCE IS EQUAL
20 TO THE ADJUSTED MARKET VALUE OF ASSETS MULTIPLIED BY A FRACTION
21 THAT IS THE RATIO OF PINNACOL ASSURANCE'S INACTIVE MEMBER
22 ACCOUNT BALANCES TO THE ENTIRE STATE DIVISION OF THE PUBLIC
23 EMPLOYEES' RETIREMENT ASSOCIATION INACTIVE MEMBER ACCOUNT
24 BALANCES.

25 (II) IF THE ASSETS ARE FIRST DEPLETED IN THE CATEGORY
26 DESCRIBED IN SUBSECTION (6)(a)(II) OF THIS SECTION, THE ADJUSTED
27 MARKET VALUE OF ASSETS CREDITED TO PINNACOL ASSURANCE IS EQUAL

1 TO THE SUM OF:

2 (A) THE MEMBER ACCOUNT BALANCES OF THE INACTIVE MEMBERS
3 OF PINNACOL ASSURANCE; AND

4 (B) THE REMAINING ADJUSTED MARKET VALUE OF ASSETS
5 MULTIPLIED BY A FRACTION THAT IS THE RATIO OF PINNACOL
6 ASSURANCE'S ACTIVE MEMBER ACCOUNT BALANCES TO THE ENTIRE STATE
7 DIVISION OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION ACTIVE
8 MEMBER ACCOUNT BALANCES.

9 (III) IF THE ASSETS ARE FIRST DEPLETED IN THE CATEGORY
10 DESCRIBED IN SUBSECTION (6)(a)(III) OF THIS SECTION, THE ADJUSTED
11 MARKET VALUE OF ASSETS CREDITED TO PINNACOL ASSURANCE IS EQUAL
12 TO THE SUM OF:

13 (A) THE MEMBER ACCOUNT BALANCES OF THE INACTIVE MEMBERS
14 OF PINNACOL ASSURANCE;

15 (B) THE MEMBER ACCOUNT BALANCES OF THE ACTIVE MEMBERS
16 OF PINNACOL ASSURANCE; AND

17 (C) THE REMAINING ADJUSTED MARKET VALUE OF ASSETS
18 MULTIPLIED BY A FRACTION THAT IS THE RATIO OF PINNACOL
19 ASSURANCE'S RETIREE AND SURVIVOR ACCRUED LIABILITY TO THE ENTIRE
20 STATE DIVISION OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
21 RETIREE AND SURVIVOR ACCRUED LIABILITY. IN EACH CASE, RETIREE AND
22 SURVIVOR ACCRUED LIABILITY MUST BE EQUAL TO THE RETIREE AND
23 SURVIVOR ACCRUED LIABILITY DETERMINED USING THE CURRENT
24 ACTUARIAL VALUATION ASSUMPTIONS AND METHODS OF THE PUBLIC
25 EMPLOYEES' RETIREMENT ASSOCIATION.

26 (IV) IF THE ASSETS ARE FIRST DEPLETED IN THE CATEGORY
27 DESCRIBED IN SUBSECTION (6)(a)(IV) OF THIS SECTION, THE ADJUSTED

1 MARKET VALUE OF ASSETS CREDITED TO PINNACOL ASSURANCE SHALL BE
2 EQUAL TO THE SUM OF:

3 (A) THE MEMBER ACCOUNT BALANCES OF THE INACTIVE MEMBERS
4 OF PINNACOL ASSURANCE;

5 (B) THE MEMBER ACCOUNT BALANCES OF THE ACTIVE MEMBERS
6 OF PINNACOL ASSURANCE;

7 (C) PINNACOL ASSURANCE'S RETIREE AND SURVIVOR ACCRUED
8 LIABILITY; AND

9 (D) THE REMAINING ADJUSTED MARKET VALUE OF ASSETS
10 MULTIPLIED BY A FRACTION THAT IS THE RATIO OF PINNACOL
11 ASSURANCE'S EMPLOYER-FINANCED INACTIVE ACCRUED LIABILITY TO THE
12 ENTIRE STATE DIVISION OF THE PUBLIC EMPLOYEES' RETIREMENT
13 ASSOCIATION EMPLOYER-FINANCED INACTIVE ACCRUED LIABILITY. IN
14 EACH CASE, THE EMPLOYER-FINANCED INACTIVE ACCRUED LIABILITY MUST
15 BE EQUAL TO THE INACTIVE ACCRUED LIABILITY DETERMINED USING
16 CURRENT ACTUARIAL VALUATION ASSUMPTIONS AND METHODS OF THE
17 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION LESS THE INACTIVE
18 MEMBER CONTRIBUTION ACCOUNT BALANCES.

19 (V) IF THERE ARE ASSETS REMAINING AFTER THE APPLICATION OF
20 SUBSECTION (6)(b)(IV) OF THIS SECTION, THE ADJUSTED MARKET VALUE
21 OF ASSETS CREDITED TO PINNACOL ASSURANCE SHALL BE EQUAL TO THE
22 SUM OF:

23 (A) THE MEMBER ACCOUNT BALANCES OF THE INACTIVE MEMBERS
24 OF PINNACOL ASSURANCE;

25 (B) THE MEMBER ACCOUNT BALANCES OF THE ACTIVE MEMBERS
26 OF PINNACOL ASSURANCE;

27 (C) PINNACOL ASSURANCE'S RETIREE AND SURVIVOR ACCRUED

1 LIABILITY;

2 (D) PINNACOL ASSURANCE'S EMPLOYER-FINANCED INACTIVE
3 ACCRUED LIABILITY; AND

4 (E) THE REMAINING ADJUSTED MARKET VALUE OF ASSETS
5 MULTIPLIED BY A FRACTION THAT IS THE RATIO OF PINNACOL
6 ASSURANCE'S EMPLOYER-FINANCED ACTIVE ACCRUED LIABILITY TO THE
7 ENTIRE STATE DIVISION OF THE PUBLIC EMPLOYEES' RETIREMENT
8 ASSOCIATION EMPLOYER-FINANCED ACTIVE ACCRUED LIABILITY. IN EACH
9 CASE, THE EMPLOYER-FINANCED ACTIVE ACCRUED LIABILITY MUST BE
10 EQUAL TO THE ACTIVE ACCRUED LIABILITY DETERMINED USING CURRENT
11 ACTUARIAL VALUATION ASSUMPTIONS AND METHODS OF THE PUBLIC
12 EMPLOYEES' RETIREMENT ASSOCIATION LESS THE ACTIVE MEMBER
13 CONTRIBUTION ACCOUNT BALANCES.

14 (c) THIRD, THE PENSION RESERVES REQUIRED TO FUND THE
15 ACCRUED BENEFITS OF PINNACOL ASSURANCE MEMBERS EQUAL TO THE
16 SUM OF PINNACOL ASSURANCE'S LIABILITIES FOR THE CATEGORIES
17 DESCRIBED IN SUBSECTIONS (6)(a)(I) THROUGH (6)(a)(IV) OF THIS SECTION
18 PLUS THE VESTED PORTION OF THE CATEGORY DESCRIBED IN SUBSECTION
19 (6)(a)(V) OF THIS SECTION SHALL BE DETERMINED. WITH RESPECT TO
20 SUBSECTION (6)(a)(V) OF THIS SECTION, SUCH VESTED ACCRUED LIABILITY
21 SHALL BE DETERMINED ASSUMING THAT ALL ACTIVE MEMBERS OF
22 PINNACOL ASSURANCE TERMINATE ON THE DISAFFILIATION DATE.

23 (d) FOURTH, A PENSION DISAFFILIATION AMOUNT EQUAL TO THE
24 AMOUNT OF REQUIRED PENSION RESERVES DETERMINED PURSUANT TO
25 SUBSECTION (6)(c) OF THIS SECTION LESS THE ADJUSTED MARKET VALUE
26 OF ASSETS CREDITED TO PINNACOL ASSURANCE PURSUANT TO SUBSECTION
27 (6)(b) OF THIS SECTION SHALL BE DETERMINED.

1 (e) FIFTH, A HEALTH CARE TRUST FUND DISAFFILIATION AMOUNT
2 EQUAL TO THE PRESENT VALUE OF THE FUTURE HEALTH CARE TRUST FUND
3 BENEFITS FOR ALL ACTIVE AND INACTIVE PINNACOL ASSURANCE MEMBERS
4 OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION LESS THE MARKET
5 VALUE OF ASSETS OF THE HEALTH CARE TRUST FUND ALLOCATED TO ALL
6 ACTIVE AND INACTIVE PINNACOL ASSURANCE MEMBERS OF THE PUBLIC
7 EMPLOYEES' RETIREMENT ASSOCIATION, IN EACH CASE AS OF THE
8 DISAFFILIATION DATE AND ONLY FOR VESTED MEMBERS OF THE PUBLIC
9 EMPLOYEES' RETIREMENT ASSOCIATION ASSUMING THAT ALL ACTIVE
10 MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
11 TERMINATE ON THE DISAFFILIATION DATE, SHALL BE DETERMINED. THE
12 HEALTH CARE TRUST FUND DISAFFILIATION AMOUNT SHALL BE
13 DETERMINED USING THE ACTUARIAL ASSUMPTIONS SET BY THE BOARD OF
14 THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION FOR PURPOSES OF THE
15 ANNUAL FUNDING ACTUARIAL VALUATIONS FOR THE HEALTH CARE TRUST
16 FUND THAT ARE IN EFFECT AS OF THE DISAFFILIATION DATE; EXCEPT THAT
17 THE DISCOUNT RATE DESCRIBED IN SUBSECTION (7) OF THIS SECTION SHALL
18 BE USED. AN INDIVIDUAL SHALL BE TREATED AS AN ACTIVE OR INACTIVE
19 MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION ONLY IF
20 THE LAST PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION EMPLOYER OF
21 SUCH INDIVIDUAL WAS PINNACOL ASSURANCE. FOR PURPOSES OF THIS
22 SUBSECTION (6)(e), PINNACOL ASSURANCE INCLUDES THE COLORADO
23 COMPENSATION INSURANCE AUTHORITY. THE MARKET VALUE OF ASSETS
24 OF THE HEALTH CARE TRUST FUND ALLOCATED TO ACTIVE AND INACTIVE
25 PINNACOL ASSURANCE MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT
26 ASSOCIATION MUST BE DETERMINED BY MULTIPLYING THE MARKET VALUE
27 OF ASSETS OF THE HEALTH CARE TRUST FUND BY A FRACTION, THE

1 NUMERATOR OF WHICH IS THE PRESENT VALUE OF FUTURE HEALTH CARE
2 TRUST FUND BENEFITS FOR ACTIVE AND INACTIVE PINNACOL ASSURANCE
3 MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION AND THE
4 DENOMINATOR OF WHICH IS THE PRESENT VALUE OF FUTURE HEALTH CARE
5 TRUST FUND BENEFITS FOR ALL ACTIVE AND INACTIVE MEMBERS OF THE
6 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION.

7 (f) SIXTH, THE DISAFFILIATION PAYMENT AMOUNT EQUAL TO THE
8 SUM OF THE PENSION DISAFFILIATION AMOUNT DETERMINED PURSUANT TO
9 SUBSECTION (6)(d) OF THIS SECTION AND THE HEALTH CARE TRUST FUND
10 DISAFFILIATION AMOUNT DETERMINED PURSUANT TO SUBSECTION (6)(e)
11 OF THIS SECTION SHALL BE DETERMINED.

12 (7) THE DISCOUNT RATE USED FOR DETERMINING THE AMOUNT OF
13 THE DISAFFILIATION PAYMENT PURSUANT TO SUBSECTION (6) OF THIS
14 SECTION IS THE ACTUARIAL INVESTMENT ASSUMPTION RATE AS SET BY THE
15 BOARD OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION PURSUANT
16 TO SECTIONS 24-51-101 (2) AND 24-51-204 (5), FOR THE STATE DIVISION
17 OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION AS OF THE
18 DISAFFILIATION DATE.

19 (8) THE REASONABLE EXPENSES INCURRED BY THE PUBLIC
20 EMPLOYEES' RETIREMENT ASSOCIATION IN DETERMINING THE ESTIMATED
21 AMOUNT DESCRIBED IN SUBSECTION (4) OF THIS SECTION AND THE
22 AMOUNT OF THE DISAFFILIATION PAYMENT PURSUANT TO SUBSECTION (6)
23 OF THIS SECTION SHALL BE PAID BY PINNACOL ASSURANCE TO THE PUBLIC
24 EMPLOYEES' RETIREMENT ASSOCIATION; EXCEPT THAT PINNACOL
25 ASSURANCE'S LIABILITY FOR SUCH EXPENSES SHALL NOT EXCEED TWENTY
26 THOUSAND DOLLARS IF THE DISAFFILIATION DATE SPECIFIED IN THE
27 DISAFFILIATION ELECTION IS JANUARY 1 OF ANY YEAR.

1 (9) THE DETERMINATION OF THE AMOUNT OF THE DISAFFILIATION
2 PAYMENT PURSUANT TO SUBSECTION (6) OF THIS SECTION SHALL BE
3 MAILED TO PINNACOL ASSURANCE BY THE PUBLIC EMPLOYEES'
4 RETIREMENT ASSOCIATION NO LATER THAN ONE HUNDRED EIGHTY-ONE
5 DAYS AFTER THE DISAFFILIATION DATE.

6 (10) THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION SHALL
7 PROMPTLY PROVIDE TO PINNACOL ASSURANCE, OR AT PINNACOL
8 ASSURANCE'S REQUEST TO PINNACOL ASSURANCE'S ATTORNEYS OR
9 ACTUARIES, ANY INFORMATION REASONABLY REQUESTED BY PINNACOL
10 ASSURANCE THAT THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION HAS
11 USED OR RELIED ON OR CAN REASONABLY BE EXPECTED TO USE OR RELY
12 ON IN DETERMINING THE ESTIMATED AMOUNTS DESCRIBED IN SUBSECTION
13 (4) OF THIS SECTION AND THE AMOUNT OF THE DISAFFILIATION PAYMENT
14 PURSUANT TO SUBSECTION (6) OF THIS SECTION. THE PUBLIC EMPLOYEES'
15 RETIREMENT ASSOCIATION MAY REQUIRE THAT A RECIPIENT OF SUCH
16 INFORMATION EXECUTE AN AGREEMENT CONTAINING ONLY SUCH TERMS
17 AS ARE REASONABLY REQUIRED TO PROTECT THE CONFIDENTIALITY OF
18 SUCH INFORMATION.

19 (11) PINNACOL ASSURANCE MAY APPEAL THE DETERMINATION OF
20 THE DISAFFILIATION PAYMENT PURSUANT TO SUBSECTION (6) OF THIS
21 SECTION WITHIN THIRTY DAYS AFTER THE MAILING OF THE
22 DETERMINATION REQUIRED BY SUBSECTION (9) OF THIS SECTION BY FILING
23 WITH THE CLERK OF THE DENVER DISTRICT COURT A COPY OF THE
24 DETERMINATION RECEIVED BY PINNACOL ASSURANCE WITH A WRITTEN
25 NOTICE STATING THAT PINNACOL ASSURANCE APPEALS TO THE DISTRICT
26 COURT AND ALLEGING THE PERTINENT FACTS UPON WHICH THE APPEAL IS
27 GROUNDED. JURISDICTION AND VENUE TO HEAR AND DETERMINE AN

1 APPEAL IS IN THE DENVER DISTRICT COURT. THE DENVER DISTRICT COURT
2 SHALL TRY THE CASE DE NOVO, REVIEWING ALL QUESTIONS OF LAW AND
3 FACT. PINNACOL ASSURANCE SHALL NOT BE REQUIRED TO POST ANY BOND
4 WITH RESPECT TO AN APPEAL UNDER THIS SUBSECTION (11). UPON FILING
5 OF THE WRITTEN NOTICE DESCRIBED IN THE FIRST SENTENCE OF THIS
6 SUBSECTION (11), THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION AND
7 ITS EXECUTIVE DIRECTOR BECOME PARTIES TO THE APPEAL, AND THE
8 CLERK OF THE DENVER DISTRICT COURT SHALL DOCKET THE CASE AS A
9 CIVIL ACTION. PINNACOL ASSURANCE SHALL CAUSE SUMMONS TO BE
10 ISSUED AND CAUSE THE SAME TO BE SERVED UPON SUCH PARTIES IN
11 ACCORDANCE WITH THE MANNER PROVIDED BY LAW IN CIVIL CASES. ANY
12 DECISION OF THE DISTRICT COURT IS REVIEWABLE BY THE SUPREME COURT
13 OR THE COURT OF APPEALS AS IS OTHERWISE PROVIDED BY LAW; EXCEPT
14 THAT C.R.C.P. 62(d) AND C.R.C.P. 121 1-1 TO 1-23 SHALL NOT APPLY.

15 (12) THE DISAFFILIATION PAYMENT IS PAYABLE BY PINNACOL
16 ASSURANCE TO THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION ON
17 THE DATE THAT IS THIRTY DAYS AFTER PINNACOL ASSURANCE RECEIVES
18 THE NOTICE OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION'S
19 DETERMINATION OF THE AMOUNT OF THE DISAFFILIATION PAYMENT AS
20 PROVIDED IN SUBSECTION (5) OF THIS SECTION, UNLESS PINNACOL
21 ASSURANCE APPEALS THE DETERMINATION PURSUANT TO SUBSECTION
22 (11) OF THIS SECTION. IF PINNACOL ASSURANCE APPEALS THE
23 DETERMINATION, IT SHALL PAY TO THE PUBLIC EMPLOYEES' RETIREMENT
24 ASSOCIATION THE UNDISPUTED PORTION OF THE AMOUNT OF THE
25 DISAFFILIATION PAYMENT WITHIN THIRTY DAYS AFTER PINNACOL
26 ASSURANCE RECEIVES THE NOTICE OF THE PUBLIC EMPLOYEES'
27 RETIREMENT ASSOCIATION'S DETERMINATION OF THE AMOUNT OF THE

1 DISAFFILIATION PAYMENT AS PROVIDED IN SUBSECTION (5) OF THIS
2 SECTION AND SHALL PAY THE BALANCE, IF ANY, WITHIN THIRTY DAYS
3 AFTER THE DATE OF A FINAL DETERMINATION PURSUANT TO SUBSECTION
4 (11) OF THIS SECTION OR AS OTHERWISE PROVIDED IN THE FINAL
5 DETERMINATION. PAYMENTS UNDER THIS SECTION DO NOT BEAR ANY
6 INTEREST.

7 (13) (a) THE RIGHTS OF BENEFIT RECIPIENTS AND THE VESTED
8 RIGHTS OF INACTIVE MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT
9 ASSOCIATION WHO WERE EMPLOYEES OF THE SUCCESSOR STOCK
10 INSURANCE COMPANY, PINNACOL ASSURANCE, OR THE PREDECESSORS OF
11 PINNACOL ASSURANCE SHALL NOT BE IMPAIRED OR REDUCED IN ANY
12 MANNER AS A RESULT OF PINNACOL ASSURANCE'S DISAFFILIATION WITH
13 THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION PURSUANT TO THIS
14 SECTION.

15 (b) ON OR AFTER THE DISAFFILIATION DATE, ANY EMPLOYEE OF
16 PINNACOL ASSURANCE WHO IS A MEMBER OF THE PUBLIC EMPLOYEES'
17 RETIREMENT ASSOCIATION AND WHO HAS ATTAINED THE AGE AND SERVICE
18 CREDIT REQUIREMENTS TO RETIRE WITH A RETIREMENT BENEFIT WITHOUT
19 REDUCTION MAY ELECT TO RETIRE AND COMMENCE RECEIPT OF THE
20 MONTHLY SERVICE RETIREMENT BENEFIT FROM THE PUBLIC EMPLOYEES'
21 RETIREMENT ASSOCIATION. SUCH A MEMBER MAY CONTINUE EMPLOYMENT
22 WITH, OR BE REEMPLOYED BY, PINNACOL ASSURANCE WITHOUT BEING
23 SUBJECT TO THE EMPLOYMENT AFTER RETIREMENT PROVISIONS OF PART
24 11 OF ARTICLE 51 OF TITLE 24.

25 (14) (a) AS LONG AS THERE REMAIN ANY PINNACOL ASSURANCE
26 BENEFIT RECIPIENTS, INCLUDING ANY PINNACOL ASSURANCE BENEFIT
27 RECIPIENTS WHO RETIRE AFTER THE DISAFFILIATION DATE, OR THEIR

1 BENEFICIARIES WHO ARE ELIGIBLE TO RECEIVE A BENEFIT UNDER THE
2 RBA, THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION SHALL PROVIDE
3 INFORMATION TO PINNACOL ASSURANCE REGARDING THE MONTHLY
4 EXCESS BENEFIT AMOUNTS PAYABLE TO SUCH RECIPIENTS UNDER THE
5 RBA.

6 (b) ON AND AFTER THE DISAFFILIATION DATE, PINNACOL
7 ASSURANCE SHALL PROVIDE MONTHLY TO THE STATE OF COLORADO THE
8 AMOUNTS THAT ARE PAYABLE PURSUANT TO SUBSECTION (14)(a) OF THIS
9 SECTION. THE STATE SHALL PAY THOSE AMOUNTS TO THE BENEFIT
10 RECIPIENTS DESCRIBED IN SAID SUBSECTION (14)(a) WHEN THE PAYMENTS
11 ARE REQUIRED TO BE MADE UNDER THE RBA.

12 (c) THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION SHALL
13 PROVIDE, UPON REQUEST BY PINNACOL ASSURANCE BUT NO MORE
14 FREQUENTLY THAN ANNUALLY, THE PROJECTED RBA PAYMENTS TO EACH
15 OF THE RECIPIENTS DESCRIBED IN SUBSECTION (14)(a) OF THIS SECTION.

16 (15) PRIOR TO THE DISAFFILIATION DATE, PINNACOL ASSURANCE
17 SHALL BE AFFILIATED WITH THE PUBLIC EMPLOYEES' RETIREMENT
18 ASSOCIATION. NEITHER PINNACOL ASSURANCE NOR THE EMPLOYEES OF
19 PINNACOL ASSURANCE WHO ARE MEMBERS OF THE PUBLIC EMPLOYEES'
20 RETIREMENT ASSOCIATION SHALL BE REQUIRED TO MAKE ANY
21 CONTRIBUTIONS OR OTHER PAYMENTS, TO THE PUBLIC EMPLOYEES'
22 RETIREMENT ASSOCIATION ON OR AFTER THE DISAFFILIATION DATE, OTHER
23 THAN THE DISAFFILIATION PAYMENT AND CONTRIBUTIONS WITH RESPECT
24 TO SALARY EARNED BY AN EMPLOYEE OF PINNACOL ASSURANCE BEFORE
25 THE DISAFFILIATION DATE THAT IS PAYABLE TO THE EMPLOYEE FOR THE
26 LAST PAY PERIOD ENDING ON OR BEFORE THE DISAFFILIATION DATE OR THE
27 PAY PERIOD INCLUDING THE DISAFFILIATION DATE.

1 (16) ANY NOTICE REQUIRED UNDER THIS SECTION, OTHER THAN A
2 NOTICE REQUIRED UNDER SUBSECTION (11) OF THIS SECTION, MUST BE
3 MAILED BY REGISTERED UNITED STATES MAIL TO THE BUSINESS ADDRESS
4 OF THE RECEIVING PARTY ADDRESSED TO THE GENERAL COUNSEL OF SUCH
5 PARTY, AND THE MAILING DATE OF SUCH NOTICE SHALL BE THE POSTMARK
6 DATE, AND CONTEMPORANEOUSLY WITH SUCH MAILED NOTICE, NOTICE
7 SHALL ALSO BE PROVIDED BY ELECTRONIC MAIL TO THE GENERAL COUNSEL
8 OF THE RECEIVING PARTY.

9 **8-45-204. Rules.** THE COMMISSIONER OF INSURANCE MAY
10 PROMULGATE RULES AS NECESSARY FOR THE IMPLEMENTATION OF
11 SECTIONS 8-45-201 AND 8-45-202.

12 **8-45-205. Conversion date - notice to revisor of statutes.** AS
13 SOON AS FEASIBLE AFTER THE CONVERSION DATE, THE CHIEF EXECUTIVE
14 OFFICER OF THE SUCCESSOR STOCK INSURANCE COMPANY SHALL NOTIFY
15 THE REVISOR OF STATUTES IN WRITING OF THE CONVERSION DATE BY
16 E-MAILING THE NOTICE TO REVISOROFSTATUTES.GA@STATE.CO.US.

17 PART 3

18 INSURING THE RESIDUAL MARKET -

19 CARRIER OF LAST RESORT

20 **8-45-301. Obligation to write workers' compensation**
21 **insurance.** (1) THE INSURANCE COMMISSIONER SHALL ENTER INTO A
22 CONTRACT WITH THE SUCCESSOR STOCK INSURANCE COMPANY CREATED
23 IN SECTION 8-45-201, WHICH SHALL BE OBLIGATED TO WRITE ALL
24 WORKERS' COMPENSATION INSURANCE FOR WHICH APPLICATION IS MADE
25 TO THE WORKERS' COMPENSATION INSURANCE CARRIER, EXCEPT AS
26 PROVIDED IN THIS SECTION. THE CONTRACT SHALL BE EFFECTIVE FROM
27 THE CONVERSION DATE THROUGH DECEMBER 31, 2024. DURING THAT

1 PERIOD, THE SUCCESSOR STOCK INSURANCE COMPANY SHALL BE REFERRED
2 TO IN THIS SECTION AS THE RESIDUAL MARKET CARRIER.

3 (2) (a) THE COMMISSIONER OF INSURANCE SHALL ENTER INTO A
4 CONTRACT EFFECTIVE JANUARY 1, 2025, WITH A WORKERS'
5 COMPENSATION INSURANCE CARRIER, WHICH SHALL BE OBLIGATED TO
6 WRITE ALL WORKERS' COMPENSATION INSURANCE FOR WHICH APPLICATION
7 IS MADE TO THE WORKERS' COMPENSATION INSURANCE CARRIER, EXCEPT
8 AS OTHERWISE PROVIDED IN THIS SECTION. DURING THE PERIOD OF THE
9 CONTRACT, THE CARRIER SELECTED PURSUANT TO THIS SUBSECTION (2)(a)
10 SHALL BE REFERRED TO AS THE RESIDUAL MARKET CARRIER.

11 (b) THE COMMISSIONER OF INSURANCE SHALL COMPLY WITH THE
12 PROCUREMENT CODE, ARTICLES 101 TO 112 OF TITLE 24, IN SELECTING THE
13 WORKERS' COMPENSATION INSURANCE CARRIER DESCRIBED IN SUBSECTION
14 (2)(a) OF THIS SECTION. CRITERIA THAT THE COMMISSIONER OF INSURANCE
15 MAY CONSIDER WHEN SELECTING THE CARRIER INCLUDE:

16 (I) A MINIMUM RATING FOR THE WORKERS' COMPENSATION
17 INSURANCE CARRIER OF EXCELLENT BY A NATIONALLY RECOGNIZED
18 STATISTICAL RATINGS ORGANIZATION;

19 (II) THE FINANCIAL SIZE CATEGORY OF THE WORKERS'
20 COMPENSATION INSURANCE CARRIER AS DETERMINED BY A NATIONALLY
21 RECOGNIZED STATISTICAL RATINGS ORGANIZATION;

22 (III) THE LENGTH OF TIME THAT THE WORKERS' COMPENSATION
23 INSURANCE CARRIER HAS HELD A CERTIFICATE OF AUTHORITY OR HAS
24 BEEN ACTIVE IN THE COLORADO WORKERS' COMPENSATION INSURANCE
25 MARKET, WITH THE SUCCESSOR STOCK INSURANCE COMPANY CREATED
26 PURSUANT TO SECTION 8-45-201 BEING CREDITED WITH THE LENGTH OF
27 TIME THAT PINNACOL ASSURANCE HAS BEEN ACTIVE IN THE COLORADO

1 WORKERS' COMPENSATION INSURANCE MARKET; AND
2 (IV) THE WORKERS' COMPENSATION INSURANCE CARRIER'S
3 DEMONSTRATION OF INTENT TO PROVIDE STATEWIDE:
4 (A) SAFETY CONSULTATION, EMPLOYER TRAINING ABILITY, AND
5 ACCIDENT PREVENTION EXPERTISE;
6 (B) CLAIMS HANDLING, MEDICAL CASE MANAGEMENT,
7 REHABILITATION, COST CONTAINMENT, AND EMPLOYEE RETURN TO WORK
8 CAPABILITIES; AND
9 (C) A PHYSICAL OFFICE IN THE STATE AND ELECTRONIC ACCESS
10 FOR THE CONVENIENCE OF COLORADO EMPLOYERS AND EMPLOYEES.
11 (3) A CONTRACT ENTERED PURSUANT TO SUBSECTION (2)(a) OF
12 THIS SECTION SHALL:
13 (a) NOTWITHSTANDING ANY STATUTORY PROVISION TO THE
14 CONTRARY, BE FOR A TERM OF AT LEAST TEN YEARS;
15 (b) INCLUDE AN OPTION TO RENEW THE CONTRACT;
16 (c) REQUIRE THE WORKERS' COMPENSATION INSURANCE CARRIER
17 WITH WHOM THE COMMISSIONER OF INSURANCE CONTRACTS TO PROVIDE
18 ANY NOTICE THAT THE WORKERS' COMPENSATION CARRIER SHALL NOT
19 SEEK TO RENEW THE CONTRACT AT LEAST THREE YEARS BEFORE THE END
20 OF THE CONTRACT; AND
21 (d) CONTAIN SUCH OTHER TERMS AS ARE NECESSARY TO ENSURE
22 THAT THE WORKERS' COMPENSATION INSURANCE CARRIER WITH WHOM
23 THE COMMISSIONER OF INSURANCE CONTRACTS SHALL PROVIDE WORKERS'
24 COMPENSATION INSURANCE TO THE RESIDUAL MARKET. FOR PURPOSES OF
25 THIS PART 3, THE RESIDUAL MARKET INCLUDES ALL APPLICANTS WHO
26 WOULD OTHERWISE BE REJECTED FOR WORKERS' COMPENSATION UNDER
27 THE RESIDUAL MARKET CARRIER'S UNDERWRITING STANDARDS.

1 (4) (a) THE RESIDUAL MARKET CARRIER SHALL DEVELOP
2 STATISTICAL AND OTHER INFORMATION AS NECESSARY TO ALLOW THE
3 RESIDUAL MARKET CARRIER TO DISTINGUISH BETWEEN THE RESIDUAL
4 MARKET CARRIER'S:

5 (I) WRITINGS IN THE NON-RESIDUAL MARKET; AND

6 (II) WRITINGS IN THE RESIDUAL MARKET.

7 (b) ON REQUEST, THE RESIDUAL MARKET CARRIER SHALL REPORT
8 STATISTICAL OR OTHER INFORMATION DEVELOPED UNDER SUBSECTION
9 (4)(a) OF THIS SECTION TO THE COMMISSIONER OF INSURANCE.

10 (5) (a) IF AN APPLICANT WOULD NORMALLY BE REJECTED FOR
11 WORKERS' COMPENSATION UNDER THE RESIDUAL MARKET CARRIER'S
12 UNDERWRITING STANDARDS, THE RESIDUAL MARKET CARRIER MAY NOT
13 REJECT THE RISK, BUT SHALL INSTEAD INSURE THE RISK AT A HIGHER
14 PREMIUM AS PROVIDED BY THE RESIDUAL MARKET CARRIER'S
15 REQUIREMENTS. THE RESIDUAL MARKET CARRIER MAY REQUIRE THE RISK
16 TO MEET OTHER CONDITIONS CONSIDERED NECESSARY TO PROTECT THE
17 RESIDUAL MARKET CARRIER'S INTEREST.

18 (b) THE RESIDUAL MARKET CARRIER MAY IMPOSE A PREMIUM
19 SURCHARGE, NOT TO EXCEED AN ADDITIONAL FIFTY PERCENT AND FOR UP
20 TO TWELVE CONTINUOUS MONTHS, AS A CONDITION PRECEDENT TO INSURE
21 OR REINSURE AN EMPLOYER WHOSE POLICY WAS CANCELED OR
22 TERMINATED BY ANY INSURER FOR REASONS OF FRAUD OR INTENTIONAL
23 MISREPRESENTATION OF A MATERIAL FACT; EXCEPT THAT, IF AN EMPLOYER
24 DISPUTES THE IMPOSITION OF SUCH SURCHARGE, THE EMPLOYER MAY
25 MAKE A COMPLAINT TO THE COMMISSIONER OF INSURANCE. IF THE
26 COMMISSIONER OF INSURANCE DETERMINES THAT THE RESIDUAL MARKET
27 CARRIER, IN IMPOSING A PREMIUM SURCHARGE, HAS ENGAGED IN ANY

1 CONDUCT IN VIOLATION OF PART 11 OF ARTICLE 3 OF TITLE 10, THE
2 COMMISSIONER MAY TAKE ANY ACTION THAT THE COMMISSIONER DEEMS
3 APPROPRIATE AND AUTHORIZED BY LAW.

4 (6) AN EMPLOYER IS NOT ELIGIBLE FOR RESIDUAL MARKET
5 COVERAGE IF ANY OF THE FOLLOWING CIRCUMSTANCES EXIST AT THE TIME
6 OF APPLICATION OR THEREAFTER:

7 (a) A SELF-INSURED EMPLOYER KNOWS AND IS AWARE OF PENDING
8 BANKRUPTCY PROCEEDINGS, INSOLVENCY, CESSATION OF OPERATIONS, OR
9 CONDITIONS THAT WILL PROBABLY RESULT IN OCCUPATIONAL DISEASE OR
10 CUMULATIVE INJURY CLAIMS FROM EXPOSURES INCURRED WHILE THE
11 EMPLOYER WAS SELF-INSURED;

12 (b) THE EMPLOYER KNOWINGLY REFUSES TO MEET REASONABLE
13 HEALTH, SAFETY, OR LOSS CONTROL REQUIREMENTS;

14 (c) THE EMPLOYER HAS AN OUTSTANDING WORKERS'
15 COMPENSATION INSURANCE PREMIUM OBLIGATION OR OTHER MONETARY
16 POLICY OBLIGATION, INCLUDING BUT NOT LIMITED TO AN OBLIGATION
17 UNDER A DEDUCTIBLE PROGRAM, ON PREVIOUS WORKERS' COMPENSATION
18 INSURANCE THAT IS NOT SUBJECT TO A BONA FIDE DISPUTE;

19 (d) THE EMPLOYER DOES NOT COMPLY WITH ANY OTHER
20 OBLIGATION OF THE POLICY OR OF OTHER CANCELED POLICIES FROM THE
21 RESIDUAL MARKET CARRIER OR PREVIOUS WORKERS' COMPENSATION
22 INSURER;

23 (e) THE EMPLOYER OR A REPRESENTATIVE OF THE EMPLOYER
24 KNOWINGLY FAILS TO PROVIDE INFORMATION REQUESTED FOR OR MAKES
25 A MATERIAL MISREPRESENTATION ON THE APPLICATION BY EXPRESS
26 STATEMENT, OMISSION, OR OTHERWISE REGARDING INFORMATION
27 RELATED TO AN APPLICATION INCLUDING BUT NOT LIMITED TO:

- 1 (I) ESTIMATED PAYROLL;
- 2 (II) NATURE OF BUSINESS;
- 3 (III) NAME OF BUSINESS;
- 4 (IV) MANAGEMENT OR OWNERSHIP OF BUSINESS;
- 5 (V) PREVIOUS INSURANCE HISTORY;
- 6 (VI) AVOIDANCE OF AN EXPERIENCE RATING MODIFICATION;
- 7 (VII) AN OUTSTANDING WORKERS' COMPENSATION INSURANCE
- 8 PREMIUM OBLIGATION OR OTHER MONETARY POLICY OBLIGATION OF THE
- 9 EMPLOYER;
- 10 (VIII) NONCOMPLIANCE WITH ANY APPLICABLE STATE LICENSING
- 11 OR REGISTRATION REQUIREMENT; OR
- 12 (IX) OTHER EVIDENCE EXISTS THAT SHOWS THE EMPLOYER IS NOT
- 13 ENTITLED TO INSURANCE.

14 **8-45-302. Rules.** THE COMMISSIONER OF INSURANCE MAY
15 PROMULGATE RULES AS NECESSARY FOR THE IMPLEMENTATION OF THIS
16 PART 3.

17 **SECTION 3.** In Colorado Revised Statutes, **add** 8-45-126 as
18 follows:

19 **8-45-126. Repeal of part.** THIS PART 1 IS REPEALED, EFFECTIVE
20 JANUARY 1, 2023.

21 **SECTION 4.** In Colorado Revised Statutes, 8-14.5-104, **amend**
22 (1) and (3) as follows:

23 **8-14.5-104. Creation of board.** (1) There is hereby created in the
24 division the workers' compensation cost containment board, to be
25 composed of seven members: The commissioner of insurance ~~the chief~~
26 ~~executive officer of Pinnacle Assurance~~, and ~~five~~ SIX members appointed
27 by the governor and confirmed by the senate. Appointed members of the

1 board shall be chosen among the following: Employers or their
2 designated representatives engaged in businesses having workers'
3 compensation insurance rates in the upper five percent of the rate
4 schedule, actuaries or executives with risk management experience in the
5 insurance industry, or employers who have demonstrated good risk
6 management experience with respect to their workers' compensation
7 insurance.

8 (3) The appointed members of the board shall serve for terms of
9 three years and may be reappointed; except that, of the members first
10 appointed, two shall serve for terms of three years; two shall serve for
11 terms of two years, and one shall serve for a term of one year. The ~~chief~~
12 ~~executive officer of Pinnacol Assurance and the~~ commissioner of
13 insurance shall serve continuously.

14 **SECTION 5.** In Colorado Revised Statutes, 8-14.5-107.5, **amend**
15 (1) introductory portion, (1)(a), (1)(b), and (2)(b) as follows:

16 **8-14.5-107.5. Workplace safety programs - study by**
17 **commissioner.** (1) The commissioner shall undertake a full study of
18 current workplace safety, risk management, and cost containment
19 programs offered by insurers ~~including Pinnacol Assurance,~~ AND a review
20 and analysis of the various incentives used by insurers to obtain
21 policyholder participation, including any premium adjustment programs
22 in use, and shall evaluate other possible programs and incentives that
23 could be used by insurers to expand workplace safety programs and
24 reward policyholder participation. The commissioner shall consult with
25 the Colorado department of labor and employment in conducting the
26 study. Such study, review and analysis, and evaluation shall include but
27 not be limited to the following:

1 (a) Whether or not by a date certain, all insurers ~~including~~
2 ~~Pinnacol Assurance~~ issuing workers' compensation insurance policies in
3 this state shall offer all insureds in the ten most populous counties a
4 managed care plan featuring a designated medical provider;

5 (b) Whether or not by a date certain, if it is in the best interest of
6 employers and employees, all insurers ~~including Pinnacol Assurance~~
7 issuing workers' compensation insurance policies in this state shall offer
8 to all or some selected classes of insureds some type of basic workplace
9 safety program;

10 (2) (b) Insurers shall make all necessary information and records
11 pertaining to workplace safety programs of such insurers available to the
12 commissioner in carrying out the study required by subsection (1) of this
13 section. The reasonable costs of such study shall be borne by insurers
14 ~~including Pinnacol Assurance~~, as determined by the commissioner based
15 on the total cost of such study.

16 **SECTION 6.** In Colorado Revised Statutes, 8-40-201, **repeal** (3)
17 and (3.4) as follows:

18 **8-40-201. Definitions.** As used in articles 40 to 47 of this title,
19 unless the context otherwise requires:

20 (3) ~~"Board" means the board of directors of Pinnacol Assurance.~~

21 (3.4) ~~"Chief executive officer" means the chief executive officer~~
22 ~~of Pinnacol Assurance.~~

23 **SECTION 7.** In Colorado Revised Statutes, 8-40-301, **amend** (6)
24 as follows:

25 **8-40-301. Scope of term "employee" - definition.** (6) Any
26 person working as a driver with a common carrier or contract carrier as
27 described in this section shall be eligible for and shall be offered workers'

1 compensation insurance coverage by ~~Pinnacol Assurance or similar~~
2 coverage consistent with the requirements set forth in section 40-11.5-102
3 (5). ~~C.R.S.~~

4 **SECTION 8.** In Colorado Revised Statutes, 8-41-203, **amend**
5 (1)(b) and (2) as follows:

6 **8-41-203. Negligence of stranger - remedies - subrogation -**
7 **actions - compromise.** (1) (b) The payment of compensation pursuant
8 to articles 40 to 47 of this title shall operate as and be an assignment of
9 the cause of action against ~~such~~ THE other person to ~~Pinnacol Assurance,~~
10 the medical disaster insurance fund, the major medical insurance fund, or
11 the subsequent injury fund, if compensation is payable from said ~~THOSE~~
12 funds, and otherwise to the person, association, corporation, or insurance
13 carrier liable for the payment of such compensation. ~~Said~~ THE insurance
14 carrier shall not be entitled to recover any sum in excess of the amount of
15 compensation for which ~~said~~ THE carrier is liable under ~~said~~ articles
16 ARTICLES 40 TO 47 to the injured employee, but to that extent ~~said~~ THE
17 carrier shall be subrogated to the rights of the injured employee against
18 ~~said~~ THE third party causing the injury. If the injured employee proceeds
19 against ~~such~~ THE other person, then ~~Pinnacol Assurance,~~ the medical
20 disaster insurance fund, the major medical insurance fund, the subsequent
21 injury fund, or ~~such~~ THE other person, association, corporation, or
22 insurance carrier, as the case may be, shall contribute only the deficiency,
23 if any, between the amount of the recovery against ~~such~~ THE other person
24 actually collected and the compensation provided by ~~said~~ articles
25 ARTICLES 40 TO 47 in ~~such~~ THE case.

26 (2) ~~Such~~ A cause of action assigned to ~~Pinnacol Assurance~~
27 PURSUANT TO SUBSECTION (1)(b) OF THIS SECTION may be prosecuted or

1 compromised by ~~it~~ THE ASSIGNEE. A compromise of any such cause of
2 action by the employee or, if the employee is deceased, the employee's
3 dependents at an amount less than the compensation provided for by
4 articles 40 to 47 of this ~~title~~ TITLE 8 shall be made only with the written
5 approval of the ~~chief executive officer of Pinnacol Assurance~~ ASSIGNEE,
6 if the deficiency of compensation would be payable ~~from the Pinnacol~~
7 ~~Assurance fund, and otherwise with the written approval of the person,~~
8 ~~association, corporation, or insurance carrier liable to pay the same~~ BY
9 THE ASSIGNEE. Such written approval shall not be unreasonably withheld.
10 Failure to obtain such written approval shall entitle the party responsible
11 for paying workers' compensation benefits to be reimbursed for all
12 benefits paid from, and offset any future liability under articles 40 to 47
13 of this ~~title~~ TITLE 8 against, the entire proceeds recovered without any
14 credit for reasonable attorney fees and costs as provided in ~~paragraph (c)~~
15 ~~of subsection (1)~~ SUBSECTION (1)(e) of this section. If such approval is
16 not obtained, the employee or, if the employee is deceased, the
17 employee's dependents shall not be liable for any plaintiff's attorney fees
18 for the third-party recovery on that portion of any recovery equal to the
19 assigned and subrogated interest and are not subject to any action for
20 refusal to pay such plaintiff's attorney fees resulting from the third-party
21 case.

22 **SECTION 9.** In Colorado Revised Statutes, 8-43-304, **amend** (2)
23 as follows:

24 **8-43-304. Violations - penalty - offset for benefits obtained**
25 **through fraud - rules.** (2) An insurer or self-insured employer may take
26 a credit or offset of previously paid workers' compensation benefits or
27 payments against any further workers' compensation benefits or payments

1 due a worker when the worker admits to having obtained the previously
2 paid benefits or payments through fraud, or a civil judgment or criminal
3 conviction is entered against the worker for having obtained the
4 previously paid benefits through fraud. Benefits or payments obtained
5 through fraud by a worker shall not be included in any data used for
6 rate-making or individual employer rating or dividend calculations by any
7 insurer. ~~or by Pinnacol Assurance.~~

8 **SECTION 10.** In Colorado Revised Statutes, 8-43-307, **amend**
9 (1) as follows:

10 **8-43-307. Appeals to court of appeals.** (1) The final order of the
11 director or the panel shall constitute the final order of the division. Any
12 person in interest ~~including Pinnacol Assurance, being~~ THAT IS
13 dissatisfied with any final order of the division, may commence an action
14 in the court of appeals against the industrial claim appeals office as
15 defendant to modify or vacate any such order on the grounds set forth in
16 section 8-43-308.

17 **SECTION 11.** In Colorado Revised Statutes, 8-43-401, **amend**
18 (1) as follows:

19 **8-43-401. District attorney or attorney of division to act for**
20 **director or office - penalties for failure of insurer to pay benefits.**
21 (1) Upon the request of the director or the industrial claim appeals office,
22 the district attorney of any district or any attorney-at-law employed by the
23 division shall institute and prosecute the necessary actions or proceedings
24 for the enforcement of any of the provisions of articles 40 to 47 of this
25 title, or any award or order of the director, an administrative law judge,
26 or the industrial claim appeals office, ~~or for the recovery of any money~~
27 ~~due to Pinnacol Assurance,~~ or any penalty provided in ~~said articles~~

1 ARTICLES 40 TO 47, and shall defend in like manner all suits, actions, or
2 proceedings brought against the director, an administrative law judge, or
3 the industrial claim appeals office.

4 **SECTION 12.** In Colorado Revised Statutes, 8-44-101, **amend**
5 (1) introductory portion; and **repeal** (1)(a) as follows:

6 **8-44-101. Insurance requirements.** (1) Any employer subject
7 to the provisions of articles 40 to 47 of this ~~title~~ TITLE 8 shall secure
8 compensation for all employees in one or more of the following ways,
9 which shall be deemed to be compliance with the insurance requirements
10 of ~~said~~ THOSE articles:

11 (a) ~~By insuring and keeping insured the payment of such~~
12 ~~compensation in the Pinnacol Assurance fund;~~

13 **SECTION 13.** In Colorado Revised Statutes, 8-44-102, **amend**
14 (1) as follows:

15 **8-44-102. Contract for insurance subject to workers'**
16 **compensation act.** (1) Every contract for the insurance of compensation
17 and benefits as provided in articles 40 to 47 of this ~~title~~ TITLE 8 or against
18 liability therefor is subject to articles 40 to 47 of this ~~title~~ TITLE 8, and all
19 provisions in the contract for insurance inconsistent with those articles are
20 void. Any contract of insurance issued under articles 40 to 47 of this ~~title~~
21 TITLE 8 by any insurance carrier, including stock and mutual corporations,
22 ~~and Pinnacol Assurance,~~ may include and cover any liability of the
23 employer on account of personal injuries sustained by or death resulting
24 therefrom to any employee.

25 **SECTION 14.** In Colorado Revised Statutes, 8-44-108, **amend**
26 (1) as follows:

27 **8-44-108. Repayments for misclassifications.** (1) Every

1 insurance carrier authorized to transact business in this state ~~including~~
2 ~~Pinnacol Assurance~~, which insures employers against liability for
3 compensation under the provisions of articles 40 to 47 of this ~~title~~ TITLE
4 8, is authorized to charge and collect any amount of money that should
5 have been included in premiums paid by an insured but were not included
6 in ~~such~~ THE premiums as a result of job misclassification. Upon written
7 request by the employer, the issue of whether a job misclassification
8 occurred shall be determined in writing by the insurance company. The
9 employer's request shall be made within thirty working days after the
10 anniversary date of the policy or the date of receipt by the employer of
11 notice of a change in job classification. The insurance company's
12 determination ~~shall~~ MUST be made within thirty days after receipt of the
13 employer's written request. An employer may appeal any determination
14 of an insurance company made pursuant to this subsection (1) to the
15 workers' compensation classification appeals board, pursuant to section
16 8-55-102. If it is determined that a job misclassification occurred and that
17 ~~such~~ THE misclassification was caused by the failure of the insured to
18 provide accurate or complete data in order to determine the proper
19 classification as requested by the insurance carrier, the repayment may be
20 collected during the term of the contract for ~~such~~ THE insurance plus an
21 additional reasonable time not to exceed twelve months.

22 **SECTION 15.** In Colorado Revised Statutes, **amend** 8-44-109 as
23 follows:

24 **8-44-109. Notice - change in rate by classification -**
25 **policyholder's right to appeal classifications - availability of medical**
26 **case management services.** (1) Any insurance carrier authorized to
27 transact business in this state ~~including Pinnacol Assurance~~, which

1 insures employers against liability for compensation under the provisions
2 of articles 40 to 47 of this ~~title~~ TITLE 8, shall supply information regarding
3 a change in the rate by classification to any insured employer, if ~~such~~ THE
4 employer has requested that such information be supplied. ~~Such~~ THE
5 information shall be supplied within thirty days following release of such
6 information to such insurer by the authorized rating organization and
7 following approval of ~~such~~ THE rate change by the division of insurance.
8 As soon as reasonably possible after the division of insurance's approval
9 of a change in rate by classification, the authorized rating organization
10 shall disseminate notice of ~~such~~ THE approval and change in rate.

11 (2) Every insurance carrier authorized to transact business in
12 Colorado ~~including Pinnacle Assurance~~, which insures employers against
13 liability for compensation under the provisions of articles 40 to 47 of this
14 ~~title~~ TITLE 8, shall clearly and conspicuously inform policyholders of their
15 rights to appeal employee classification designations, the procedures to
16 be used for such an appeal, and the types of medical case management
17 that the carrier has available to employees to promote medical cost
18 containment.

19 **SECTION 16.** In Colorado Revised Statutes, **amend** 8-44-110 as
20 follows:

21 **8-44-110. Notice of cancellation.** Every insurance carrier
22 authorized to transact business in this state ~~including Pinnacle Assurance~~,
23 which insures employers against liability for compensation under the
24 provisions of articles 40 to 47 of this ~~title~~ TITLE 8, shall notify any
25 employer insured by the carrier, ~~or Pinnacle Assurance~~, and any agent or
26 representative of ~~such~~ THE employer, if applicable, by certified mail of
27 any cancellation of ~~such~~ THE employer's insurance coverage. ~~Such~~ THE

1 notice shall be sent at least thirty days ~~prior to~~ BEFORE the effective date
2 of the cancellation of the insurance. However, if the cancellation is based
3 on one or more of the following reasons, then ~~such~~ THE notice may be
4 sent less than thirty days ~~prior to~~ BEFORE the effective date of the
5 cancellation of the insurance: Fraud, material misrepresentation,
6 nonpayment of premium, or any other reason approved by the
7 commissioner of insurance.

8 **SECTION 17.** In Colorado Revised Statutes, 8-44-111, **amend**
9 (1.5), (3), and (4) as follows:

10 **8-44-111. Workers' compensation insurance - deductibles -**
11 **definition.** (1.5) Whenever any insurer ~~including Pinnacol Assurance~~
12 ~~created in section 8-45-101~~, issues a workers' compensation policy in this
13 state, and annually thereafter, the insurer must issue a policy including the
14 deductible provision if requested by the insured employer; except that the
15 commissioner shall promulgate rules establishing criteria to allow the
16 insurer to deny a deductible policy to an employer based on financial
17 inability to reimburse the insurer for the deductible plan selected.

18 (3) The deductible amounts paid by any employer under the
19 provisions of this section shall be excluded from consideration by ANY
20 insurance ~~carriers~~ CARRIER authorized to transact business in Colorado
21 ~~including Pinnacol Assurance, which~~ THAT insures employers against
22 liability for compensation under the provisions of articles 40 to 47 of this
23 ~~title~~ TITLE 8, in establishing the modification factors based upon
24 experience used by ~~such insurance carriers~~ THE CARRIER to determine
25 premiums. For purposes of experience modifications, medical only claims
26 ~~shall~~ MUST be calculated in the same manner as claims with indemnity
27 payments.

1 (4) Every insurance carrier authorized to transact business in
2 Colorado ~~including Pinnacol Assurance, which~~ THAT insures employers
3 against liability for compensation under the provisions of articles 40 to 47
4 of this ~~title~~ TITLE 8, shall clearly and conspicuously inform policyholders
5 of the availability of the deductible option specified in subsection (1) of
6 this section.

7 **SECTION 18.** In Colorado Revised Statutes, 8-44-112, **amend**
8 (1)(a) and (3) as follows:

9 **8-44-112. Surcharge on workers' compensation insurance**
10 **premiums - workers' compensation cash fund.** (1) (a) Notwithstanding
11 the provisions of sections 10-3-209 (1)(c) and 10-6-128 (3), ~~C.R.S.~~, for
12 the purpose of offsetting the direct and indirect costs of the administration
13 of the workers' compensation system, every person, partnership,
14 association, and corporation, whether organized under the laws of this
15 state or of any other state or country, every mutual company or
16 association, every captive insurance company, and every other insurance
17 carrier ~~including Pinnacol Assurance~~, insuring employers in this state
18 against liability for personal injury to their employees or death caused
19 thereby under the provisions of the "Workers' Compensation Act of
20 Colorado" shall, as provided in this section, pay a surcharge upon the
21 premiums received, whether in cash or not, in this state, or on account of
22 business done in this state, for such insurance in this state, at a rate
23 established by the director by rule, which surcharge shall be reviewed and
24 adjusted annually based upon appropriations made for the direct and
25 indirect costs of the administration of the workers' compensation system,
26 as provided in subsection (7) of this section. Such insurance carriers shall
27 be credited with all cancelled or returned premiums actually refunded

1 during the year of such insurance.

2 (3) Every employer acting as a self-insurer under the provisions
3 of the "Workers' Compensation Act of Colorado" shall, under oath, report
4 to the division of workers' compensation the business payroll in such
5 form as may be prescribed by the director and at the times in this section
6 provided for premium reports by insurance companies in subsection (2)
7 of this section. The division shall assess against ~~such~~ THE payroll a
8 surcharge for the purposes of this section ascertained as provided in
9 subsection (2) of this section on the basic premiums chargeable against
10 the same or most similar industry or business taken from the manual
11 insurance rates, including any discount or experience modification
12 allowed, ~~chargeable by the Pinnacle Assurance fund~~, and, upon receipt
13 of notice from the division of workers' compensation of the surcharge so
14 assessed, every such self-insurer shall, within thirty days after the receipt
15 of such notice, pay to the division of workers' compensation the surcharge
16 so assessed.

17 **SECTION 19.** In Colorado Revised Statutes, 8-44-115, **amend**
18 (3) as follows:

19 **8-44-115. Calculation of premium - motor vehicle accidents.**

20 (3) This section applies to all insurers ~~including Pinnacle Assurance~~
21 ~~created in section 8-45-101~~, offering workers' compensation insurance
22 under articles 40 to 47 of this ~~title~~ TITLE 8. The provisions of this section
23 shall be disclosed to all policyholders annually.

24 **SECTION 20.** In Colorado Revised Statutes, 8-46-102, **amend**
25 (2)(a)(I) and (2)(c) as follows:

26 **8-46-102. Funding for subsequent injury fund and major**
27 **medical insurance fund.** (2) (a) (I) Notwithstanding sections 10-3-209

1 (1)(c) and 10-6-128 (3), ~~C.R.S.~~, for the purpose of funding the financial
2 liabilities of the subsequent injury fund pursuant to this section and of the
3 major medical insurance fund pursuant to section 8-46-202, every person,
4 partnership, association, and corporation, whether organized under the
5 laws of this state or of any other state or country, every mutual company
6 or association, every captive insurance company, and every other
7 insurance carrier ~~including Pinnacle Assurance~~, insuring employers in
8 this state against liability for personal injury to their employees or death
9 caused thereby under the provisions of articles 40 to 47 of this ~~title~~ TITLE
10 8 shall, as provided in this subsection (2), be levied a tax upon the
11 premiums received in this state, whether or not in cash, or on account of
12 business done in this state for such insurance in this state at a rate
13 determined by the director to generate sufficient revenue for claim
14 payments and direct and indirect costs of administration that are
15 anticipated to be submitted in the following state fiscal year for which
16 such funds are liable. In determining the rate, the director shall, in
17 addition to revenue for claim payments and direct and indirect costs of
18 administration that are anticipated to be due in the following state fiscal
19 year, maintain a cash balance in both the major medical insurance fund
20 and the subsequent injury fund of an amount of otherwise unrestricted
21 revenues equal to approximately one year's worth of claim payments and
22 direct and indirect administrative costs. Such insurance carriers shall be
23 credited with all cancelled or returned premiums actually refunded during
24 the year of such insurance.

25 (c) Every employer acting as a self-insurer under the provisions
26 of articles 40 to 47 of this ~~title~~ TITLE 8 shall, under oath, report to the
27 division the employer's payroll in such form as may be prescribed by the

1 director and at the times specified for premium reports by insurance
2 companies in ~~paragraph (b) of this subsection (2)~~ SUBSECTION (2)(b) OF
3 THIS SECTION. The division shall assess against ~~such~~ THE payroll a tax for
4 the purposes of ~~paragraph (b) of this subsection (2)~~ SUBSECTION (2)(b) OF
5 THIS SECTION on the basic premiums chargeable against the same or most
6 similar industry or business taken from the manual insurance rates,
7 including any discount or experience modification allowed, ~~chargeable by~~
8 ~~Pinnacol Assurance~~, and, upon receipt of notice from the division of the
9 tax so assessed, every such self-insurer shall, within thirty days after the
10 receipt of such notice, pay to the division the tax so assessed.

11 **SECTION 21.** In Colorado Revised Statutes, 8-47-111, **amend**
12 (2) as follows:

13 **8-47-111. Division efforts to ensure employer compliance with**
14 **workers' compensation coverage requirements - legislative**
15 **declaration.** (2) In order to implement the declaration in subsection (1)
16 of this section, the division shall develop a procedure for verifying
17 whether or not all employers doing business in the state of Colorado
18 comply with the requirements of article 44 of this ~~title~~ TITLE 8. This
19 procedure must include cross-referencing employer records of the
20 division of unemployment insurance and the division of workers'
21 compensation. Upon identifying employers that are not in compliance
22 with article 44 of this ~~title~~ TITLE 8, the division, with the assistance and
23 cooperation of the attorney general, shall use all available means under
24 articles 40 to 47 of this ~~title~~ TITLE 8 to ensure compliance. Every
25 insurance carrier authorized to transact business in this state ~~including~~
26 ~~Pinnacol Assurance, which~~ THAT insures employers against liability for
27 compensation under the provisions of articles 40 to 47 of this ~~title~~ TITLE

1 8, shall furnish the division, upon request, all information required by it
2 to accomplish the purposes of this section.

3 **SECTION 22.** In Colorado Revised Statutes, 8-55-101, **amend**
4 (1) introductory portion, (1)(a), (1)(c), (2), and (3)(b) as follows:

5 **8-55-101. Workers' compensation classification appeals board**
6 **- creation.** (1) There is hereby created, in the division of insurance in the
7 department of regulatory agencies, the workers' compensation
8 classification appeals board. The board shall hear grievances brought by
9 employers against insurers ~~and Pinnacol Assurance~~ concerning the
10 calculation of experience modification factors and classification
11 assignment decisions. The board shall consist of five voting members,
12 each of whom shall be knowledgeable about workers' compensation
13 classification and experience modification factors, and one nonvoting
14 member, as follows:

15 (a) Two members ~~shall~~ **MUST** be ~~either~~ salaried employees of an
16 insurance company that issues workers' compensation insurance policies
17 in this state ~~or representatives of Pinnacol Assurance. Such two~~ **AND**
18 members shall not both represent ~~Pinnacol Assurance~~ or the same
19 insurance company. In addition, one person shall be selected to serve as
20 an alternate member to represent the interests of the insurance industry.
21 ~~or Pinnacol Assurance.~~ The alternate shall represent such interests in the
22 event the primary member recuses himself or herself.

23 (c) Three members shall represent private employers. Each private
24 employer member ~~shall~~ **MUST** be knowledgeable with respect to workers'
25 compensation insurance, rules, and classifications, and ~~shall~~ **MUST** be
26 familiar with the business environment and community in this state. No
27 private employer member shall be an employee of an insurance company,

1 insurance broker, insurance agent, law firm, actuary, ~~Pinnacol Assurance~~,
2 or any association of such entities or persons. All private employer board
3 memberships ~~shall~~ MUST be held in the name of an individual. At least
4 one private employer member ~~shall~~ MUST represent the construction
5 industry.

6 (2) The private employer members and the members representing
7 insurers ~~and Pinnacol Assurance~~ shall be appointed by the commissioner
8 of insurance. The workers' compensation rating organization
9 representative shall be appointed by the chief executive officer of such
10 organization or by another officer designated to make ~~such~~ THE
11 appointment. The commissioner may solicit a list of nominees from any
12 interested party before making ~~such~~ appointments. The commissioner
13 shall immediately notify the workers' compensation rating organization
14 concerning the identity of any appointees.

15 (3) Each member shall serve one three-year term, and, in addition:

16 (b) A private employer member or member representing the
17 insurance industry ~~or Pinnacol Assurance~~ may serve a second consecutive
18 three-year term; and

19 **SECTION 23.** In Colorado Revised Statutes, **amend** 8-55-102 as
20 follows:

21 **8-55-102. Right to appeal - notice of appeal procedures.** An
22 employer may appeal to the workers' compensation classification appeals
23 board any issue concerning the calculation of experience modification
24 factors and classification assignment decisions under the workers'
25 compensation laws of this state by filing written notice with said board
26 within thirty days after the employer has exhausted all appeal review
27 procedures provided by the insurance company. Every insurance carrier

1 authorized to transact business in this state ~~including Pinnacol Assurance,~~
2 shall provide employers with a written copy or summary of their appeal
3 procedures, together with a written notice of the availability of an appeal
4 under this ~~article~~ ARTICLE 55, at the beginning of each policy year and
5 when notice is provided to the employer of a change in experience
6 modification factors or job classification.

7 **SECTION 24.** In Colorado Revised Statutes, 8-55-104, **amend**
8 (1) introductory portion, (2), and (3) as follows:

9 **8-55-104. Review of board decisions.** (1) A decision of the
10 board shall be final and not subject to appeal unless the employer OR
11 insurance company ~~or Pinnacol Assurance~~ provides written notice to the
12 office of the commissioner of insurance, who shall determine whether a
13 job misclassification occurred, as required pursuant to section 8-44-108.
14 An employer may hold disputed premium amounts in abeyance from the
15 date an appeal is filed pursuant to section 8-55-102 until the later of:

16 (2) Each employer OR insurance company, ~~or Pinnacol Assurance,~~
17 as the case may be, shall be advised of the right to appeal to the office of
18 the commissioner of insurance.

19 (3) An employer OR insurance company ~~or Pinnacol Assurance~~
20 shall provide written notice of an appeal to the commissioner of insurance
21 within thirty days after the date of the board's decision. The commissioner
22 shall review any decision of the board properly appealed pursuant to this
23 section and shall provide a written decision within thirty days after the
24 request for such review.

25 **SECTION 25.** In Colorado Revised Statutes, 10-3-1502, **amend**
26 (2) as follows:

27 **10-3-1502. Definitions.** As used in this part 15, unless the context

1 otherwise requires:

2 (2) "Insurer" has the same meaning as set forth in section
3 10-3-801 (6). ~~and includes any political subdivision of the state created~~
4 ~~pursuant to article 45 of title 8, C.R.S.~~

5 **SECTION 26.** In Colorado Revised Statutes, 10-4-1002, **amend**
6 (2) as follows:

7 **10-4-1002. Definitions.** As used in this part 10, unless the context
8 otherwise requires:

9 (2) "Insurer" means any insurer and any person licensed or
10 regulated under this ~~title and Pinnacol Assurance~~ TITLE 10.

11 **SECTION 27.** In Colorado Revised Statutes, 10-4-1303, **amend**
12 (1) as follows:

13 **10-4-1303. Temporary joint underwriting association.** (1) A
14 nonprofit temporary joint underwriting association is hereby created,
15 consisting of all insurance carriers authorized to transact business in this
16 state, ~~including Pinnacol Assurance~~, that insures employers against
17 liability for compensation under the provisions of articles 40 to 47 of title
18 8, ~~C.R.S.~~, who shall constitute the members thereof. Every such insurer
19 shall participate in the association as a condition of its authority to
20 continue to make contracts of such kind of insurance in this state.

21 **SECTION 28.** In Colorado Revised Statutes, 10-4-1304, **amend**
22 (1) as follows:

23 **10-4-1304. Board of directors - authority.** (1) The association
24 shall be governed by a board of six directors, to be appointed by the
25 commissioner. ~~Such~~ THE directors ~~shall~~ MUST be individuals employed
26 full-time in the business of writing workers' compensation insurance in
27 Colorado, ~~at least one shall be employed by Pinnacol Assurance~~, at least

1 one ~~shall~~ MUST be actively engaged in operations in a small underground
2 mine, and at least one ~~shall~~ MUST be actively engaged in operations in a
3 large underground mine. The board shall elect a chairperson from among
4 its members.

5 **SECTION 29.** In Colorado Revised Statutes, 14-14-102, **amend**
6 (4.3) as follows:

7 **14-14-102. Definitions.** As used in this article 14, unless the
8 context otherwise requires:

9 (4.3) "Employer", for purposes of income withholding pursuant
10 to section 14-5-501, includes any person, company, ~~or~~ corporation,
11 ~~Pinnacle Assurance~~, or other insurance carrier paying any type of
12 workers' compensation benefits pursuant to articles 40 to 47 of title 8.
13 ~~C.R.S.~~

14 **SECTION 30.** In Colorado Revised Statutes, 24-30-1510, **repeal**
15 (5) as follows:

16 **24-30-1510. Risk management fund - creation - authorized**
17 **and unauthorized payments.** (5) ~~As of July 1, 2000, Pinnacle~~
18 ~~Assurance created pursuant to section 8-45-101, C.R.S., is no longer~~
19 ~~included within, or part of, the risk management fund created pursuant to~~
20 ~~this section and the department of personnel assumes no responsibility~~
21 ~~and bears no financial obligation for the defense of, or liability for, any~~
22 ~~claims or lawsuits asserted against Pinnacle Assurance.~~

23 **SECTION 31.** In Colorado Revised Statutes, 24-30-1510.7,
24 **amend** (5)(a)(I) and (5)(b) as follows:

25 **24-30-1510.7. Workers' compensation for state employees.**
26 (5) (a) (I) Notwithstanding section 8-44-105, ~~C.R.S.~~, if the state elects to
27 self-insure workers' compensation claims as authorized in this section or

1 to insure for such claims through an entity other than THE SUCCESSOR
2 STOCK INSURANCE COMPANY TO Pinnacol Assurance ~~created in section~~
3 ~~8-45-101, C.R.S.~~, INCORPORATED PURSUANT TO SECTION 8-45-201, on
4 and after the effective date of such election, the state shall be directly and
5 primarily liable for all liabilities due on all workers' compensation claims
6 after ~~such~~ THE election that arise on and after the beginning date of the
7 initial policy period in the annually renewable memorandum of agreement
8 containing a premium payment plan in effect between the state and
9 ~~Pinnacol Assurance~~ THE SUCCESSOR STOCK INSURANCE COMPANY.

10 (b) (I) Funding of the liability obligations assumed by the state
11 from THE SUCCESSOR STOCK INSURANCE COMPANY TO Pinnacol Assurance
12 pursuant to ~~paragraph (a) of this subsection (5)~~ SUBSECTION (5)(a) OF THIS
13 SECTION beyond a current fiscal year is contingent upon funds for that
14 purpose being appropriated, budgeted, and otherwise made available.

15 (II) Nothing in this ~~paragraph (b) shall be construed to relieve~~
16 SUBSECTION (5)(b) RELIEVES the state of any liability obligation if the
17 state elects to self-insure or insure through an entity other than THE
18 SUCCESSOR STOCK INSURANCE COMPANY TO Pinnacol Assurance pursuant
19 to ~~paragraph (a) of this subsection (5)~~ SUBSECTION (5)(a) OF THIS
20 SECTION.

21 **SECTION 32.** In Colorado Revised Statutes, **amend** 24-75-205
22 as follows:

23 **24-75-205. Insurance and retirement reserves.** The insurance
24 and retirement reserves of this state shall comprise ~~the Pinnacol~~
25 ~~Assurance fund~~; the unemployment compensation fund on deposit with
26 the treasurer of the United States, the unemployment compensation fund
27 clearing account, the funds of the public employees' retirement

1 association, and such other funds of the same or similar character as may
2 be created after April 9, 1941; and all moneys expended for any purpose
3 ~~by said~~ FROM THOSE funds shall be expended in accordance with the
4 provisions of the respective laws creating ~~said funds and relating thereto~~
5 AND RELATING TO THE FUNDS. Nothing in this part 2 ~~shall be construed to~~
6 ~~repeal, alter, or impair~~ REPEALS, ALTERS, OR IMPAIRS the method of
7 administering ~~said~~ THE funds as provided by law.

8 **SECTION 33.** In Colorado Revised Statutes, 24-75-903, **amend**
9 (2) as follows:

10 **24-75-903. Definitions.** As used in this part 9, unless the context
11 otherwise requires:

12 (2) "Fund" means any fund or group of accounts to which state
13 moneys are credited, including, but not limited to: The general fund, the
14 highway users tax fund, ~~the Pinnacle Assurance fund~~; the Colorado water
15 conservation board construction fund, the department of personnel
16 revolving fund, the correctional industries account, the capital
17 construction fund, the severance tax trust fund, and the higher education
18 fund.

19 **SECTION 34.** In Colorado Revised Statutes, 24-77-102, **repeal**
20 (15)(b)(IV) as follows:

21 **24-77-102. Definitions.** As used in this article, unless the context
22 otherwise requires:

23 (15) (b) "Special purpose authority" includes, but is not limited to:

24 (IV) ~~Pinnacle Assurance created pursuant to section 8-45-101,~~
25 ~~C.R.S.;~~

26 **SECTION 35.** In Colorado Revised Statutes, 26-13-122, **repeal**
27 (5) as follows:

1 **26-13-122. Administrative lien and attachment.** (5) For
2 ~~purposes of this section, "insurance company" includes Pinnacle~~
3 ~~Assurance.~~

4 **SECTION 36. Effective date.** This act takes effect upon passage;
5 except that sections 4 through 35 of this act take effect on the conversion
6 date, as defined in section 8-45-201 (1)(b), enacted by section 2 of this
7 act, and as reported to the revisor of statutes in a written notice as
8 required by section 8-45-205, enacted by section 2 of this act.

9 **SECTION 37. Safety clause.** The general assembly hereby finds,
10 determines, and declares that this act is necessary for the immediate
11 preservation of the public peace, health, or safety.