

Pinnacle Assurance

Audited Statutory Financial Statements and Supplementary Information

*Years ended December 31, 2025 and 2024
with Report of Independent Auditors*

Legislative Audit Committee

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State Auditor	Kerri L. Hunter, CPA, CFE
Deputy State Auditor	Marisa Edwards
Contract Monitor	Crystal Dorsey
Contractor	Johnson Lambert LLP

**PINNACOL ASSURANCE
2026 BOARD OF DIRECTORS**

*Akasha N. Absher
Chair*

*Martha J. Awad
Mowa Haile
Emily L. King
Angela A. Oakley
Mark D. Roellig
Andi G. Rugg
Jesus J. Salazar
Isaac Wanasika*

**PINNACOL ASSURANCE
2025 BOARD OF DIRECTORS**

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Chair*

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Jesus J. Salazar
Isaac Wanasika*

Members of the Legislative Audit Committee and
Pinnacol Assurance Board of Directors

We have completed the financial statement audit of Pinnacol Assurance as of and for the year ended December 31, 2025. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

We were engaged to conduct our audit pursuant to Section 8-45-121(2), C.R.S., which authorizes the State Auditor to conduct an annual financial audit of Pinnacol Assurance. In the conduct of the audit, the State Auditor may contract with an auditor or firm of auditors, having the specialized knowledge and experience. The audit was also conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of special purpose entities defined in Section 24-77-102(15), C.R.S., which includes Pinnacol Assurance. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.



May 20, 2026

Pinnacol Assurance
Audited Statutory Financial Statements
and Supplementary Information
Years ended December 31, 2025 and 2024

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Pinnacol Assurance

Report Summary

Authority and Purpose/Scope of the Audit

This audit is conducted under the authority of Section 8-45-121(2) of the Colorado Revised Statutes (C.R.S.), which authorizes the State Auditor to conduct an annual financial audit of Pinnacol Assurance (Pinnacol or the Company) and contract with an auditor or firm of auditors, having the specialized knowledge and experience. The primary purpose of our engagement is to audit the statutory financial statements of Pinnacol as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and to express an opinion on those statutory financial statements and the supplemental schedules of investment and reinsurance information. The objective of an audit conducted in accordance with such standards is to obtain reasonable, but not absolute, assurance about whether the statutory financial statements are free of material misstatement.

The financial statements of Pinnacol are prepared in accordance with statutory accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado (hereinafter referred to as statutory financial statements, or financial statements in accordance with statutory accounting principles). Accordingly, they are not designed to present, and do not present, the financial position or results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

In the course of our audit, we examined, on a test basis, evidence supporting the amounts and disclosures in Pinnacol's statutory financial statements as of and for the year ended December 31, 2025.

Audit Opinion and Report

As we are issuing an opinion on the statutory financial statements in conformity with accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, we have modified our financial statement opinion to include an adverse opinion on GAAP.

We issued a report on Pinnacol's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Summary of Current Year Findings and Recommendations

There were no reported findings and recommendations resulting from the audit for fiscal year 2025.

Summary of Prior Year Findings and Recommendations

There were no reported findings and recommendations resulting from the audit for fiscal year 2024.

PINNACOL ASSURANCE

Description of Pinnacol Assurance

December 31, 2025

Pinnacol Assurance (Pinnacol or the Company) was established as a political subdivision of the State of Colorado (the State) under provisions of the Workers' Compensation Act of Colorado (Title 8, Article 45 of the Colorado Revised Statutes, as amended) to operate as a domestic mutual insurance company for the benefit of injured employees and dependents of deceased employees in Colorado. As required under state law, Pinnacol provides an assured source of workers' compensation insurance to Colorado employers. Pinnacol shall not refuse to insure any Colorado employer or cancel any insurance policy due to the risk of loss or amount of premium, except as otherwise provided in Title 8, Article 45, C.R.S., as amended.

Pinnacol is controlled by a nine-member board of directors, with members being appointed by the Governor with the consent of the Colorado Senate. The board of directors has control over all monies of Pinnacol and is restricted to use such monies only for the purposes provided in Title 8, Article 45, C.R.S., as amended. The board of directors appoints a chief executive officer who is vested with full power and jurisdiction over the administration of Pinnacol. Pinnacol is not an agency of state government. The State retains no liability on the part of Pinnacol and no State monies are used for Pinnacol operations.

Cake Insure, Inc. d.b.a. EverPeak (EverPeak) was incorporated on September 20, 2017. EverPeak is a wholly owned subsidiary of Pinnacol and created a digital platform designed to help members quote and purchase a workers' compensation insurance policy from Pinnacol. Pinnacol is leveraging the innovations of EverPeak and continues to scale those innovations across both companies. With the launch of EverPeak, Pinnacol became subject to Title 10, Article 3, Part 8 of the C.R.S., Insurance Holding Company Systems, which requires additional report filings with the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. Pinnacol holds 100% of the voting shares in EverPeak. An "Insurance Holding Company System" is two or more affiliated persons, one or more of which is an insurer.

In 2023, EverPeak acquired an existing digital insurance agent, Attune Insurance Services, LLC (Attune), as a wholly owned subsidiary with a technology platform to connect members with other carriers that operate in multiple states. Attune is a licensed property and casualty insurance producer and principally acts as an agent for insurance companies. Attune built out the technology for a workers' compensation product offered on their platform underwritten by other carriers. As of December 31, 2025, the solution for workers' compensation is offered in 17 states.

In 2025, EverPeak acquired OccuSystems, Inc. (OccuSystems), a holding company that operates under the brand name Method. Method is a workers' compensation insurance agency that acts as an agent, placing insurance business with unaffiliated third-party insurance carriers in all 50 states.

Policyholders' Surplus

Pinnacol had policyholders' surplus of \$1,723,193,000 and \$1,645,534,000 as of December 31, 2025 and 2024, respectively. The increase in surplus was primarily related to current year net income.

Report of Independent Auditors

The Members of the Legislative Audit Committee and
Pinnacol Assurance Board of Directors

Opinions

We have audited the statutory financial statements of Pinnacol Assurance (the Company), which comprise the statutory statements of admitted assets, liabilities, and policyholders' surplus as of December 31, 2025 and 2024, and the related statutory statements of operations, changes in policyholders' surplus and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (US GAAP) section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2025 and 2024, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Investment Risks Interrogatories, Summary Investment Schedule and Reinsurance Summary Supplemental Filing of the Company as of December 31, 2025, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2026 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
May 20, 2026

Pinnacol Assurance

Statutory Statements of Admitted Assets, Liabilities, and Policyholders' Surplus

As of December 31, 2025 and 2024

(in thousands)

	2025	2024
Admitted Assets		
Bonds (note 4)	\$ 2,422,422	\$ 2,223,127
Preferred stock (note 4)	7,918	7,617
Common stock (note 4)	390,666	382,087
Mortgage loans on real estate (note 4)	61,557	64,740
Real estate, net (note 1)	10,110	11,499
Cash, cash equivalents and short-term investments	52,694	219,889
Other invested assets (notes 4 and 9)	151,717	157,897
Receivable for securities	2,412	84
Total cash and invested assets	3,099,496	3,066,940
Uncollected premiums	26,116	31,243
Earned but unbilled premiums	31,476	27,145
Funds held by or deposited with reinsured companies	6,391	7,391
Electronic data processing equipment, net	414	812
Due from affiliate	299	1,231
Accrued investment income	25,088	23,172
Current federal income taxes recoverable	182	-
Total admitted assets	\$ 3,189,462	\$ 3,157,934
Liabilities and Policyholders' Surplus		
Liabilities		
Reserve for unpaid losses (note 2)	\$ 721,349	\$ 741,705
Reserve for unpaid loss adjustment expenses (note 2)	106,922	110,425
Unearned premiums	69,847	69,108
Borrowed money and accrued interest	53,181	53,215
Advance premiums	8,854	3,674
Policyholder dividends payable	35,804	40,928
Commissions payable	32,227	35,846
Structured settlement liability (note 3)	390,779	408,961
Payable to affiliate	25	57
Credit balances due to policyholders	10,965	8,062
Payable for securities	-	7,079
Other liabilities	36,316	33,340
Total liabilities	1,466,269	1,512,400
Policyholders' Surplus		
Surplus notes (note 8)	45,000	45,000
Special surplus fund for unfunded pension benefits (notes 1 and 8)	171,969	207,348
Unassigned policyholders' surplus (note 8)	1,506,224	1,393,186
Total policyholders' surplus	1,723,193	1,645,534
Total liabilities and policyholders' surplus	\$ 3,189,462	\$ 3,157,934

See accompanying notes to the statutory financial statements.

Pinnacol Assurance

Statutory Statements of Operations

Years ended December 31, 2025 and 2024

(in thousands)

	<u>2025</u>	<u>2024</u>
Underwriting income		
Net premiums earned	\$ 549,719	\$ 554,927
Deductions		
Losses incurred, net (note 2)	278,163	299,419
Loss adjustment expenses incurred, net (note 2)	92,713	88,372
Other underwriting expenses, net (note 11)	<u>176,517</u>	<u>170,449</u>
Underwriting income (loss)	2,326	(3,313)
Investment income		
Net investment income earned (note 4)	137,413	138,044
Net realized gain (loss) on investments (note 4)	<u>35,438</u>	<u>(3,100)</u>
Net investment gain	172,851	134,944
Other income (loss)		
Provision for uncollectible premiums	(2,078)	(5,522)
Structured settlement income (expense) (note 3)	3,854	(14,334)
Other loss	(3,894)	(1,764)
Dividends to policyholders	<u>(16,008)</u>	<u>(15,450)</u>
Total other loss	<u>(18,126)</u>	<u>(37,070)</u>
Income before federal income taxes	157,051	94,561
Federal income tax benefit	<u>(88)</u>	<u>(89)</u>
Net income	<u>\$ 157,139</u>	<u>\$ 94,650</u>

See accompanying notes to the statutory financial statements.

Pinnacol Assurance

Statutory Statements of Changes in Policyholders' Surplus

Years ended December 31, 2025 and 2024
(in thousands)

	<u>2025</u>	<u>2024</u>
Policyholders' surplus at beginning of year	\$ 1,645,534	\$ 1,548,988
Net income	157,139	94,650
Change in net unrealized investment gains/losses	(65,001)	24,602
Change in nonadmitted assets	<u>(14,479)</u>	<u>(22,706)</u>
Policyholders' surplus at end of year	<u>\$ 1,723,193</u>	<u>\$ 1,645,534</u>

See accompanying notes to the statutory financial statements.

Pinnacol Assurance

Statutory Statements of Cash Flows

Years ended December 31, 2025 and 2024

(in thousands)

	2025	2024
Cash flows from operations		
Premiums collected, net	\$ 551,512	\$ 548,077
Loss and loss adjustment expenses paid, net of reinsurance and deductibles	(394,737)	(409,481)
Other underwriting expenses paid	(176,643)	(166,457)
Dividends paid	(21,131)	(17,785)
Federal and foreign income taxes (paid) recovered	(93)	12
Investment income received, net of investment expenses paid	135,015	136,939
Miscellaneous proceeds	(3,894)	(1,764)
Net cash flows from operations	90,029	89,541
Cash flows from investing activities		
Proceeds from investments sold, matured or repaid:		
Bonds	408,491	554,198
Stocks	133,354	79,418
Mortgage loans on real estate	25,452	22,316
Other invested assets	11,122	10,436
Miscellaneous proceeds	3	7,088
Total investment proceeds	578,422	673,456
Cost of investments acquired:		
Bonds	(606,835)	(631,740)
Stocks	(167,854)	(39,005)
Mortgage loans on real estate	(22,269)	(13,399)
Other invested assets	(29,580)	(2,227)
Miscellaneous applications	(9,584)	(2,620)
Total investments acquired	(836,122)	(688,991)
Net cash flows from investments	(257,700)	(15,535)
Cash flows from financing and miscellaneous activities		
Borrowed funds and interest	(33)	(37)
Other miscellaneous activities	509	(47,436)
Net cash flows from financing and miscellaneous activities	476	(47,473)
Net change in cash and short-term investments	(167,195)	26,533
Cash, cash equivalents and short-term investments at beginning of year	219,889	193,356
Cash, cash equivalents and short-term investments at end of year	\$ 52,694	\$ 219,889

See accompanying notes to the statutory financial statements.

Pinnacol Assurance

Notes to Statutory Financial Statements

Years ended December 31, 2025 and 2024

Note 1 - Nature of Operations and Significant Accounting Policies

Organization

Pinnacol Assurance (Pinnacol or the Company) was established as a political subdivision of the State of Colorado (the State) under provisions of the Workers' Compensation Act of Colorado (Title 8, Article 45 of the Colorado Revised Statutes (C.R.S.), as amended) to operate as a domestic mutual insurance company for the benefit of injured employees and dependents of deceased employees in Colorado. Pinnacol offers insurance to employers operating within the State.

Pinnacol is controlled by a nine-member board of directors, which is appointed by the Governor with the consent of the Colorado Senate. In accordance with applicable statutes of the State, the administration of Pinnacol is under the direction of the chief executive officer, appointed by the board of directors. Pinnacol is not an agency of state government. The State retains no liability on the part of Pinnacol and no State monies are used for Pinnacol operations.

Cake Insure, Inc. dba EverPeak and Subsidiaries (EverPeak) was incorporated on September 20, 2017. EverPeak is a wholly owned subsidiary of Pinnacol and created a digital platform designed to help members quote and purchase a workers' compensation insurance policy from Pinnacol. Pinnacol is leveraging the innovations of EverPeak and continues to scale those innovations across both companies.

On January 4, 2023, EverPeak acquired an existing digital insurance agent, Attune Insurance Services, LLC (Attune), as a wholly owned subsidiary with a technology platform to connect policyholders with other carriers that operate in multiple states. Attune is a licensed property casualty insurance producer and principally acts as an agent for insurance companies. On July 31, 2023, EverPeak formed a wholly owned subsidiary, EverPeak Insurance Services, LLC, which does not have any significant operational activities.

On August 28, 2025, EverPeak acquired 100% ownership of OccuSystems, Inc. and its subsidiaries Salus Workers' Compensation LLC, Method Claims Management LLC, THF LLC, Method Insurance Services LLC, Method Underwriting Services LLC, and Risk Insurance Services LLC (collectively OccuSystems). OccuSystems and its subsidiaries operate as a workers' compensation insurance agency that acts as an agent, placing insurance business with unaffiliated third-party insurance carriers. Their services include placing policies, policy distribution, claims processing, and fund management on behalf of those carriers.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying statutory financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado (the Division). Prescribed statutory accounting practices (SAP) are those practices that are incorporated directly or by reference to state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state. Colorado has adopted the National Association of Insurance Commissioners' (NAIC) SAP, which are codified in the NAIC's Accounting Practices and Procedures Manual (the Manual). Therefore, compliance with the Manual is a prescribed accounting practice. Colorado Statute §10-3-230 requires that the aggregate admitted other invested assets balance does not exceed certain thresholds. This is a departure from NAIC guidelines. There is no impact on net income. The total impact on surplus for amounts over the threshold is \$49,354,000 and \$27,566,000 for the years ended December 31, 2025 and 2024, respectively. Other than this application of Colorado law, in the preparation of the accompanying statutory financial statements, the Company has followed NAIC guidelines and has not utilized any practices considered to be permitted practices.

Statutory accounting practices contained in the Manual vary in some respects from accounting principles generally accepted in the United States of America (US GAAP). The more significant differences between NAIC SAP and US GAAP are as follows:

- Policy acquisition costs, such as commissions, premium surcharges, and other expenses directly related to the cost of acquiring new business, are expensed as incurred; while under US GAAP, they are deferred and amortized over the policy term to provide for proper matching of revenue and expense.
- Investments in debt securities are generally carried at amortized value; while under US GAAP, they would be carried at fair value. For US GAAP, changes in fair value in bonds go through net investment income. The impairment/credit loss model is different for statutory and US GAAP purposes.
- Pinnacol's investment in common stock of EverPeak, a non-insurance subsidiary, is carried at the equity basis, in conformity with Statements of Statutory Accounting Principles (SSAP) 97, *Investments in Subsidiary, Controlled and Affiliated Entities*. Equity basis is calculated using audited US GAAP equity of the subsidiary, adjusted to a limited statutory basis of accounting. Under US GAAP, EverPeak would be included as a consolidated entity within the financial statements, and all significant intercompany balances and transactions would be eliminated in consolidation.
- Short-term investments, which include investments with maturities at the time of acquisition of one year or less, are included with cash and cash equivalents in the accompanying statutory financial statements, while under US GAAP, only investments with maturities at the time of acquisition of three months or less are included with cash and cash equivalents.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

- Assets are reported under NAIC SAP at “admitted asset” value and “nonadmitted” assets, or those items not meeting the definition of an asset, are excluded through a charge against policyholders’ surplus; while under US GAAP, all assets are reported on the balance sheet, net of any required valuation allowance. Nonadmitted assets at December 31, 2025 and 2024 comprised the following (in thousands):

	2025	2024	Change
Other invested assets	\$ 49,354	\$ 27,566	\$ 21,788
Receivables	18,023	15,223	2,800
Electronic data processing equipment and software	39,398	48,001	(8,603)
Prepays and receivables for securities not collected	3,032	4,538	(1,506)
Total nonadmitted assets	\$ 109,807	\$ 95,328	\$ 14,479

- The reserve for losses and loss adjustment expenses (LAE) is reported net of reinsurance, while under US GAAP these amounts are reported gross. The impairment/credit loss model is different for statutory and US GAAP purposes.
- The surplus note is reported as a component of surplus, increasing policyholders’ surplus under NAIC SAP. Under US GAAP, the surplus note is recorded as long-term debt. The related interest expense may not be accrued under NAIC SAP until approved for payment by the commissioner of the state of domicile; while under US GAAP, the interest expense is recorded as incurred.
- The statutory statements of cash flow does not classify cash flow consistent with US GAAP, and a reconciliation of net income to net cash provided by operating activities is not provided.

The financial statements are prepared in accordance with statutory accounting practices; however, other political subdivisions of the State may be required to prepare financial statements in accordance with Governmental Accounting Standards Board (GASB) standards. The more significant differences between statutory accounting practices and GASB for postemployment and pension benefits are as follows:

- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires employers that are part of a cost-sharing multiple-employer pension fund to record their portion of the unfunded liability; while under NAIC SAP, the employer must only record the cost of the contribution and any liability for any contributions due and unpaid.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires employers that are part of a cost-sharing multiple-employer Other Postemployment Benefit (OPEB) plan to record their portion of the net OPEB liability; while under NAIC SAP, the employer must only record the cost of the contribution and any liability for any contributions due and unpaid.

The effect of the differences between statutory basis of accounting and generally accepted accounting principles, although not reasonably determinable, is presumed to be material. Pinnacol is a political subdivision of the State and as such would follow all applicable GASB pronouncements.

Adoption of Accounting Principle

The Company adopted the National Association of Insurance Commissioners (NAIC) Principles-Based Bond Definition (PBBDD) guidance, which revises Statements of Statutory Accounting Principles (SSAP) No. 26 – *Bonds*, SSAP No. 43 – *Asset-Backed Securities*, and SSAP No. 21 – *Other Admitted Assets*, on January 1, 2025. The guidance replaces the prior classification rules for bonds with a principles-based approach. The guidance requires the Company to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets based on their characteristics. The Company updated investment disclosures to comply with the guidance.

The Company adopted the guidance using the prospective approach. There was no material impact to the Company from adopting the guidance as of January 1, 2025.

Use of Estimates

The preparation of statutory financial statements in accordance with accounting practices prescribed by the Division requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates include the structured settlement liability, the reserves for unpaid losses and loss adjustment expenses, the earned but unbilled premiums asset, estimated fair value or net asset value of investments, as well as the contingency for uncollectible premiums, among others. Actual results could differ from those estimates and such differences could be significant.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Investments

Investments are recorded on the trade date. Bonds, including issuer credit obligations and asset-backed securities, and preferred stocks are stated at amortized value or fair value, based on their NAIC designation, and are adjusted for other than temporary declines in fair value. Mortgage loans on real estate are carried at the outstanding principal balance, less any allowances for credit losses. Common stocks, mutual funds, and common trust funds are carried at fair value. Other invested assets, including partnerships, are recorded at the underlying audited equity value. Due to Colorado Revised Statutes limitations, the balance of other invested assets may not exceed 5% of admitted assets. Any amount exceeding that threshold is treated as a nonadmitted asset. For those investments in which the audited financial statements are not available in a timely manner, the unaudited equity value is used. Unrealized capital gains or losses on common stocks, preferred stocks, mutual funds, and common trust funds are reported as a direct adjustment to policyholders' surplus. Common stocks and preferred stocks in an unrealized loss position for both years are recorded as other-than-temporary impairments (OTTI) and are recorded as a realized loss in the statutory statement of operations in the period in which they occur.

Bond premium or discount is recognized using the effective-interest method taking into consideration specified interest and principal provisions over the life of the bond. Bonds containing call provisions are amortized to the call or maturity value or date that produces the lowest asset value.

Federal Home Loan Bank (FHLB) of Topeka common stock shares are valued at par, which is presumed to be fair value as they are only redeemable at par and are not publicly traded.

Gains and losses on investments sold are realized in operations and are computed using the specific-identification method.

Prepayment assumptions for purposes of recognition of income and valuing of loan-backed bonds and structured securities were obtained from widely accepted models with inputs from major third-party data providers. Model assumptions are specific to asset class and collateral type and are regularly evaluated and adjusted where appropriate. The prospective-adjustment method is used to value all loan-backed securities.

Real estate includes land, the building on the land, and capitalized building improvements used in conducting the Company's business. Land is carried at cost. Building and capitalized building improvements are carried at cost less accumulated depreciation. Accumulated depreciation at December 31, 2025 and 2024 was \$26,889,000 and \$25,327,000, respectively. The cost of the building and capitalized improvements is depreciated over an estimated useful life of 30 years using the straight-line method. Depreciation expense was approximately \$1,562,000 and \$1,523,000 for the years ended December 31, 2025 and 2024, respectively, and is included in net investment income earned in the statutory statements of operations.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Investment in Subsidiary

EverPeak was incorporated on September 20, 2017 as a subsidiary of Pinnacol. Pinnacol purchased 2,000,000 voting shares of preferred stock in EverPeak on September 28, 2017. On January 3, 2023, Pinnacol converted its existing preferred shares to common shares. On January 4, 2023, Pinnacol purchased an additional 8,000,000 shares of common stock in EverPeak. Pinnacol's ownership percentage in EverPeak is 100%.

As disclosed above, Pinnacol does not consolidate its financial results with EverPeak. Pinnacol and EverPeak issue stand-alone financial statements.

Common stock of EverPeak is carried on the equity basis. Equity basis is calculated using audited US GAAP equity adjusted to a limited statutory basis of accounting. EverPeak common shares are not publicly priced.

As of December 31, 2025 and 2024, Pinnacol recorded \$(24,989,000) and \$(2,053,000), respectively, for the carrying value of its investment in EverPeak, which is included in common stock in the statutory statements of admitted assets, liabilities, and policyholders' surplus. Unrealized losses related to Pinnacol's investments in EverPeak totaled \$180,027,000 and \$87,090,000 as of December 31, 2025 and 2024, respectively.

Cash, Cash Equivalents, and Short-Term Investments

For purposes of the statement of cash flow, cash, cash equivalents, and short-term investments include cash on deposit, money market funds, and other investments with maturities of one year or less at the date of acquisition.

As of December 31, 2025, cash, cash equivalents, and short-term investments of approximately \$52,694,000 include \$2,180,000 of cash, \$50,415,000 of cash equivalents, and \$99,000 of short-term investments. As of December 31, 2024, cash, cash equivalents, and short-term investments of approximately \$219,889,000 include \$3,054,000 of cash, \$53,588,000 of cash equivalents, and \$163,247,000 of short-term investments.

Receivables for Securities Sold

As of December 31, 2025 and 2024, receivables for securities sold were approximately \$2,412,000 and \$84,000, respectively. Receivables for securities arise when sales of securities are recorded as of the trade date. A receivable due from the custodian is established when a security has been sold, but the proceeds from the sale have not yet been received. Receivables for securities not received within 15 days from the stated settlement date are nonadmitted. Nonadmitted receivables for securities sold totaled \$0 and \$47,000 in 2025 and 2024, respectively.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Risk and Uncertainties

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risk. Due to the level of the risk associated with certain investment securities, it is at least reasonably possible that changes in the fair values of investment securities may occur in the near term and those changes could materially affect the amounts disclosed or reported on the statutory statements of admitted assets, liabilities and policyholders' surplus.

Uncollected Premiums

Uncollected premiums are reported net of loss contingencies for uncollectible and nonadmitted balances. Certain receivables are not admissible for statutory accounting purposes.

All receivables for canceled policies and billed receivables that relate to balances outstanding for a period exceeding 90 days are not admissible according to the Manual. As of December 31, 2025 and 2024, nonadmitted uncollected premiums were \$14,777,000 and \$12,173,000, respectively.

Pinnacol independently estimates the realizable amounts of premiums receivable and records a loss contingency for any uncollectible balances that were not already nonadmitted. During 2025 and 2024, Pinnacol recorded a provision of approximately \$2,078,000 and \$5,523,000, respectively, for premiums receivable due to the unlikelihood of ultimate collection thereof. These amounts are reflected as provision for uncollectible premiums in the accompanying statutory statements of operations.

A significant portion of Pinnacol's premium receivable balances at December 31, 2025 and 2024 were from companies operating in the construction and services industries in Colorado. The construction industry represents approximately 39% of premiums earned as of both December 31, 2025 and 2024. The services industry represents approximately 36% and 37%, respectively, of active policy premiums as of December 31, 2025 and 2024, with all other individual industries constituting the remainder of premiums receivable balances.

Earned But Unbilled Premiums

Earned but unbilled premiums represent a receivable or liability for changes in earned premium and audit premiums, which are amounts due from or to policyholders after the respective policy period has expired based on payroll audits performed by Pinnacol. Such amounts are estimated by Pinnacol based upon internal calculations using historical premium data. Pinnacol recorded a net estimated earned but unbilled premium receivable in 2025 and 2024 of approximately \$31,476,000 and \$27,145,000, respectively.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Credit Balances Due to Policyholders

Credit balances due to policyholders represent excess premiums or are amounts due to policyholders. Generally, credit balances due to policyholders are applied to future premium obligations of policyholders. For 2025 and 2024, such amounts are approximately \$10,965,000 and \$8,062,000, respectively.

Electronic Data Processing Equipment and Software

Electronic data processing (EDP) equipment is recorded at cost, less accumulated depreciation, and depreciated on a straight-line basis over an estimated useful life of three years. Accumulated depreciation at December 31, 2025 and 2024, respectively, was \$2,060,000 and \$2,360,000. Net book value of electronic data processing equipment at December 31, 2025 and 2024, respectively, was approximately \$414,000 and \$812,000. Operating software is recorded at cost, less accumulated depreciation, and depreciated on a straight-line basis over an estimated useful life of three years. Nonoperating software is recorded at cost, less accumulated depreciation, and depreciated on a straight-line basis over an estimated useful life of five years and nonadmitted. Net book value of nonadmitted EDP and software at December 31, 2025 and 2024, respectively, was approximately \$39,364,000 and \$47,943,000. Related depreciation expense of approximately \$5,774,000 and \$678,000 was incurred during 2025 and 2024, respectively, and is included in LAE and other underwriting expenses incurred in the statutory statements of operations.

Office Equipment, Furniture, Art, and Leasehold Improvements

Office equipment, furniture, art, and leasehold improvements are recorded at cost and depreciated on a straight-line basis. Office equipment, furniture, and art are depreciated over an estimated useful life of five years. Leasehold improvements are depreciated over the shorter of the term of the lease or the useful life. In accordance with the Manual, these are nonadmitted assets. The net book value of these assets at December 31, 2025 and 2024 was approximately \$33,000 and \$62,000, respectively. Related depreciation expense of approximately \$32,000 and \$58,000 was incurred in 2025 and 2024, respectively, and is included in LAE and other underwriting expenses incurred in the statutory statements of operations.

Safety Group Dividend Program

Pinnacol has a safety group program whereby policyholders who are members of the program are entitled to a dividend based on established criteria. Pinnacol paid out safety group dividends of \$1,099,000 and \$540,000 in 2025 and 2024, respectively. As of December 31, 2025 and 2024, safety group dividends payable of \$1,396,000 and \$1,515,000, respectively, are included in dividends payable to policyholders in the statutory statements of admitted assets, liabilities, and policyholders' surplus. These dividends are not declared from surplus nor are they recorded as a direct reduction to policyholders' surplus. The dividends are recorded as dividends to policyholders in the statutory statements of operations.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Individual Loss Control Dividend Program

Pinnacol has an individual loss control dividend (ILCD) program that is designed for policyholders who are committed to effective loss control in their business operations. If the policyholder meets the minimum premium requirements and pays an additional 5% premium charge as a buy in to the plan, the policyholder may receive a reduction of premium based on the policy premium and the loss ratio. Pinnacol paid out ILCDs of \$17,590,000 and \$18,157,000 in 2025 and 2024, respectively. As of December 31, 2025 and 2024, ILCDs payable of \$19,117,000 and \$24,051,000, respectively, are included as dividends payable to policyholders in the statutory statements of admitted assets, liabilities, and policyholders' surplus. The dividends are recorded as a reduction of net premiums earned in the statutory statements of operations.

General Policyholder Dividends

The board of directors, at its discretion, determines the amount of general policyholder dividends to be declared, based on Pinnacol's overall experience and financial condition. Pinnacol has declared policyholder dividends to its policyholders in good standing of approximately \$15,000,000 in 2025 and 2024. These are included in dividends to policyholders. General policyholder dividends are accrued when declared by the board of directors. \$15,291,000 and \$15,362,000 of the declared dividends were unpaid and included as dividends payable to policyholders in the statutory statements of admitted assets, liabilities, and policyholders' surplus as of December 31, 2025 and 2024, respectively. On November 6, 2024, the board of directors declared a general policyholder dividend based on 2024 projected results to be paid in March 2025 of \$15,000,000. On December 10, 2025, the board of directors declared a general policyholder dividend based on 2025 projected results to be paid in March 2026 of \$15,000,000. On February 25, 2026, the board of directors determined the final general policyholder dividend based on 2025 results of \$15,000,000 to be paid no later than March 2026. The dividends are recorded as dividends to policyholders in the statutory statements of operations.

Reserve for Unpaid Losses, Reserve for Unpaid Loss Adjustment Expenses and Structured Settlement Liability

The reserve for unpaid losses and loss adjustment expenses represents management's best estimate of ultimate net cost of all reported and unreported losses incurred through December 31, 2025 and 2024. The reserve for unpaid losses and loss adjustment expenses is estimated by management, which uses an independent third-party actuary to provide estimates based on individual case basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserve for unpaid losses and loss adjustment expenses is adequate. These estimates are continually reviewed and adjusted, as necessary, as experience develops, or new information becomes known. Such adjustments are included in losses incurred or loss adjustment expenses incurred within the statutory statements of operations in the period such information becomes known. Subrogation claims (claims against third parties) are recognized as a reduction of losses incurred when collections are received.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Internal structured settlement liabilities represent obligations to claimants and dependents on cases that have been closed by contract. The discounted reserve for internal structured settlements is estimated by management, which uses an independent third-party actuary to provide estimates based on these obligations. Estimates are reported on the Statutory Statements of Operations as a component of other income.

Reinsurance

Ceded reinsurance transactions are accounted for based on estimates of their ultimate cost. Losses incurred, loss adjustment expenses incurred, and the reserve for loss adjustment expenses are reported net of reinsured amounts in accordance with the Manual. Premiums earned are reported net of reinsurance (Note 6).

Commissions Payable

Pinnacol pays three types of commission to its brokers: regular or standard commissions, profit sharing commissions, and incentive bonuses. Base commissions are calculated monthly and unpaid amounts are accrued as of the end of the period. All other types are calculated and accrued quarterly.

Revenue Recognition and Unearned Premiums

For certain policies, earned premium is recorded on an installment basis to match the billing frequency stated in the policyholder contract with a provision for amounts earned but unbilled. Earned premium for all other contracts is recognized using the daily pro rata method over the period the policy is effective.

Unearned premiums represent amounts either collected or billed and due from policyholders at December 31, 2025 and 2024, but unearned at those dates as they pertain to subsequent policy periods. Unearned premiums billed, which relate to policy effective dates subsequent to December 31, 2025 and 2024, are not included in the unearned premiums balance but are included as advance premium if the related cash is collected. Unearned premiums are computed on a daily pro rata basis over the effective period of the policies.

Premium Deficiency Reserve

A premium deficiency reserve is recognized by recording an additional liability for the deficiency, which results when anticipated future loss, loss adjustment expense, commissions, other acquisition costs, and maintenance costs exceed the recorded unearned premium reserve, any future installment premiums on existing policies, and anticipated investment income. The change in this reserve is recorded as a component of other underwriting expenses.

Pinnacol recorded a premium deficiency reserve of \$0 at December 31, 2025 and 2024. Pinnacol considered anticipated investment income at 3.5% when evaluating the premium deficiency reserve for 2025 and 2024.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Multiemployer Pension Plans and Other Postretirement Benefits

Pinnacol participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined-benefit pension and healthcare trust fund plan administered by the Public Employees' Retirement Association (PERA). SDTF provides retirement, disability, and survivor benefits. All employees of Pinnacol are members of the SDTF.

Pinnacol participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined-benefit OPEB plan administered by PERA. The HCTF provides a healthcare premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA healthcare plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s).

As a participant in a multiple-employer pension plan and HCTF, Pinnacol recognizes as net pension cost and net postretirement benefit cost the required contribution for the period and as a liability any contributions due and unpaid.

Taxes

As a political subdivision of the State of Colorado, Pinnacol is generally not subject to federal or state income taxes under a specific exemption granted under Section 501(c) of the Internal Revenue Code; nor is Pinnacol subject to property tax or sales and use taxes. However, Pinnacol is subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purposes for which it was granted exemption.

The Inflation Reduction Act (the Act) was enacted in 2022. Pinnacol has determined that it is not liable for the Corporate Alternative Minimum Tax (CAMT) in 2025 or 2024.

Pinnacol recognized a \$88,000 and \$89,000 of federal tax benefit that is attributable to investment income that is considered unrelated business income in 2025 and 2024, respectively. Pinnacol recorded an estimated federal tax recoverable of \$182,000 and a federal tax liability of approximately \$0 at December 31, 2025 and 2024, respectively. Pinnacol is not aware of any uncertain tax positions.

Pinnacol is not subject to a premium tax pursuant to Section 8-45-117(3), C.R.S. However, Pinnacol is subject to a surcharge on premiums pursuant to Section 8-44-112(1)(a), C.R.S. The surcharge is based on a rate established by the Colorado Department of Labor and Employment Division of Workers' Compensation annually, approximately 1.43% at December 31, 2025 and 2024. Such amounts are included in other underwriting expenses incurred.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Surplus Note

Pinnacol issued a \$100,000,000 surplus note on June 25, 2014 with a maturity date of June 25, 2034. Before issuing this debt, the Company obtained approval from the Commissioner of the Division for the transaction and approval to classify the debt as a component of policyholders' surplus. Prior to January 1, 2023, Pinnacol repurchased \$55,000,000 of the outstanding notes. Pinnacol did not repurchase any of its outstanding surplus note during the years ended December 31, 2025 and 2024.

Special Surplus Fund for Unfunded Pension Benefits and OPEB Benefits

Pinnacol participates in a cost-sharing multiple-employer defined-benefit pension plan administered by PERA. PERA has a net pension liability, which represents the unfunded pension benefits. Statutory accounting does not allow Pinnacol's portion of the net pension liability to be recorded as a liability but allows a company to establish a special surplus fund to provide for contingencies. Pinnacol has identified its portion of the PERA net pension liability within this special surplus fund. PERA provides Pinnacol with the audited schedule of employers' allocations and net pension liability. The total pension liability used to calculate the net pension liability is determined by an actuarial valuation as of December 31, 2023. PERA uses standard update procedures to roll forward the total pension liability to December 31, 2024. A discount rate of 7.25% is being used. PERA also provides the employer allocation percentage for purposes of calculating Pinnacol's proportionate share of the collective net pension liability.

Pinnacol participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined-benefit Other Postemployment Benefit (OPEB) plan administered by PERA. Although not required under statutory accounting to record its share of the HCTF liability, the Company has also identified its portion of the HCTF liability within the same special surplus fund established for unfunded pension benefits.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

Note 2 - Unpaid Losses and Loss Adjustment Expenses

Unpaid losses and LAE (both allocated and unallocated) represent management's best estimate of the ultimate medical and indemnity net cost of all losses and loss adjustment expenses that are incurred but unpaid at year-end. Such estimates are based on individual case estimates for reported claims and actuarial estimates for losses that have been incurred but not reported. Any change in probable ultimate liabilities is reflected in losses incurred or loss adjustment expenses incurred within the statutory statements of operations and changes in policyholders' surplus in the period such determination is made.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 2 - Unpaid Losses and Loss Adjustment Expenses (Continued)

The estimated ultimate cost of losses is based on historical patterns and the expected impact of current socioeconomic trends. The ultimate settlement of claims will not be known in many cases for years after the time a policy expires. Court decisions and federal and state legislation between the time a policy is written, and the time associated claims are ultimately settled, among other factors, may dramatically impact the ultimate cost. Due to these factors, among others, the process to estimate loss and loss adjustment reserves at a point in time cannot provide an exact forecast of future payments. Rather, it produces a best estimate of liability as of a certain date. Management believes the currently estimated reserves to be adequate.

Activity in the liability for unpaid losses and LAE for the years ended December 31, 2025 and 2024 is summarized as follows (in thousands):

	2025	2024
Balance as of January 1	\$ 852,130	\$ 873,821
Additional amounts incurred related to:		
Current year	414,183	427,467
Prior years	(43,307)	(39,676)
Total incurred	370,876	387,791
Reductions relating to payments for:		
Current year	129,014	130,470
Prior years	265,721	279,012
Total paid	394,735	409,482
Balance at December 31	\$ 828,271	\$ 852,130

The estimated liability related to prior years decreased by \$43,307,000 and \$39,676,000 in 2025 and 2024, respectively. The decrease during both years is generally the result of ongoing analysis of recent loss development trends and better than expected development. Pinnacol's claims continue the trend of favorable development that has been evident for a number of calendar years. When the actual selected ultimate cost of an accident year's claims is less than the original estimate, favorable development is recorded. This favorable development resulted from initiatives to improve claims handling practices and reduce claims handling expenses when prudent and a reduction of ultimate claim frequency in Colorado. Pinnacol management continually evaluates the estimated ultimate cost of all accident years and on a calendar year basis adjusts to the best estimate available, favorable or unfavorable, in the current period. The amount of reserve credit recorded for high deductibles on unpaid losses was \$6,051,000 and \$6,704,000 as of December 31, 2025 and 2024, respectively. Such reduction is collateralized generally with letters of credit, surety bonds, or loss deposit security agreements for the benefit of Pinnacol. Pinnacol received \$7,235,000 and \$8,008,000 in subrogation as of December 31, 2025 and 2024, respectively. There were no significant changes in methodologies or assumptions used in calculating the reserves.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 3 - Internal Structured Settlements

Pinnacol has an internal structured settlement program in which it retains the liability for settlements to claimants rather than purchasing annuities from third parties. This liability has mortality risk and is discounted using a market rate. The internal structured settlement liability is actuarially valued. The internal structured settlement liability is reported as a financing liability separate from unpaid losses and loss adjustment expenses on the statutory statements of admitted assets, liabilities, and policyholders' surplus.

Activity in the liability for internal structured settlements for the years ended December 31, 2025 and 2024 is summarized as follows (in thousands):

	2025	2024
Beginning balance	\$ 408,961	\$ 401,000
Amounts incurred:		
Change in valuation	(3,854)	14,334
Amounts paid	(31,399)	(30,361)
New internal structured settlements	17,071	23,988
Ending balance	\$ 390,779	\$ 408,961

Pinnacol uses an annuity quote that is based upon an estimated discount rate as a basis for the paid claim amount. As such, the liability should be discounted at a long-term market rate. The discount rate applied to internal structured settlement liabilities is 2.75% and 2.5% at December 31, 2025 and 2024, respectively.

The amount of the discount for unpaid internal structured settlements as of December 31, 2025 and 2024 is approximately \$148,634,000 and \$143,604,000, respectively. The discount amounts for internal structured settlement reserves at December 31, 2025 and 2024 are distributed over the years in which the losses were incurred as follows (in thousands):

2025		2024	
Loss Year	Discount	Loss Year	Discount
Prior	\$ 97,689	Prior	\$ 92,127
2015	5,146	2014	7,175
2016	8,862	2015	4,940
2017	5,298	2016	8,705
2018	4,311	2017	5,412
2019	4,957	2018	4,276
2020	3,906	2019	4,262
2021	6,561	2020	2,477
2022	6,271	2021	7,447
2023	3,183	2022	4,139
2024	1,591	2023	1,464
2025	859	2024	1,180
Total	\$ 148,634	Total	\$ 143,604

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments

Estimated fair value of investments in bonds and equities is based on quotations provided by widely accepted third-party data providers. In 2025 and 2024, Reuters (Refinitiv), and Interactive Data Corporation (IDC) were used to obtain fair market values. Prior month price is used only when information is limited or unavailable.

Bonds

The NAIC's Securities Valuation Office (SVO) assigns designations of bonds from 1 to 6. Bonds with designations of 1–2 are stated at amortized value using the interest method. Bonds with designations of 3–6 require the bond to be carried at the lower of amortized value or fair value, with any related unrealized loss reported in policyholders' surplus.

During 2025 and 2024, Pinnacol had investments in long-term bonds, which the NAIC's SVO assigned a 3 or higher designation. Carrying values are equal to the lower of amortized value or fair value for these bonds.

Asset-Backed and Structured Securities

Asset-backed securities are stated at amortized value or fair value based on their NAIC designation. The prospective method is used to value mortgage-backed securities. Prepayment assumptions for single class and multiclass mortgage-backed/asset-backed securities were obtained from widely accepted models with inputs from major third-party data providers. Any asset-backed and structured securities in an unrealized loss position were reviewed to determine whether an other-than temporary impairment (OTTI) should be recognized at year-end.

There was no new recognized OTTI for asset-backed securities in 2025 or 2024.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

The carrying value and the fair value of investments in long-term bonds in 2025 and 2024 are summarized as follows (in thousands). The carrying value includes investment grade bonds that are reported at amortized value and low rated bonds that are reported at the lower of cost or fair value.

<u>2025</u>	<u>Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Bonds				
Issuer credit obligations:				
U.S. Government obligations	\$ 70,110	\$ 154	\$ (2,784)	\$ 67,480
Non U.S. Sovereign jurisdiction securities	20,103	196	(2,302)	17,997
Municipal bonds – general obligations (direct & guaranteed)	6,760	-	(797)	5,963
Municipal bonds – special revenue	54,521	68	(4,795)	49,794
Corporate bonds (unaffiliated)	1,315,388	17,327	(76,368)	1,256,347
Bonds issued by funds representing operating entities (unaffiliated)	<u>60,777</u>	<u>242</u>	<u>(2,701)</u>	<u>58,318</u>
Total issuer credit obligations	1,527,659	17,987	(89,747)	1,455,899
Asset-backed securities:				
Agency residential mortgage-backed securities – guaranteed	\$ 501	\$ 10	\$ -	\$ 511
Agency residential mortgage-backed securities – not/partially guaranteed	242,746	617	(26,848)	216,515
Agency commercial mortgage-backed securities – not/partially guaranteed	8,588	-	(102)	8,486
Non agency residential mortgage-backed securities (unaffiliated)	195,039	718	(10,185)	185,572
Non agency commercial mortgage-backed securities (unaffiliated)	74,901	235	(4,652)	70,484
Non agency – CLOs/CBOs/CDOs (unaffiliated)	243,829	978	(93)	244,714
Other financial asset-backed securities – self liquidating (unaffiliated)	33,522	1,113	(209)	34,426
Lease-backed securities – practical expedient (unaffiliated)	78,034	383	(2,314)	76,103
Other non financial asset-backed securities – practical expedient (unaffiliated)	<u>17,603</u>	<u>420</u>	<u>(45)</u>	<u>17,978</u>
Total Asset-Backed Securities	<u>894,763</u>	<u>4,474</u>	<u>(44,448)</u>	<u>854,789</u>
Total Bonds	<u>\$ 2,422,422</u>	<u>\$ 22,461</u>	<u>\$ (134,195)</u>	<u>\$ 2,310,688</u>

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

<u>2024</u>	<u>Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Government obligations:				
Nonloan-backed bonds	\$ 90,140	\$ 2	\$ (8,860)	\$ 81,282
Loan-backed bonds	603	3	-	606
U.S. political subdivision:				
Nonloan-backed bonds	14,093	-	(1,089)	13,004
U.S. special revenue:				
Nonloan-backed bonds	58,671	-	(6,886)	51,785
Loan-backed bonds	231,415	10	(37,218)	194,207
Industrial and miscellaneous:				
Nonloan-backed bonds	1,277,671	7,777	(99,501)	1,185,947
Loan-backed bonds	544,532	3,605	(23,334)	524,803
Hybrid securities:				
Nonloan-backed bonds	<u>6,002</u>	<u>90</u>	<u>(39)</u>	<u>6,053</u>
Total	<u>\$ 2,223,127</u>	<u>\$ 11,487</u>	<u>\$ (176,927)</u>	<u>\$ 2,057,687</u>

The carrying value and estimated fair value of investments in long-term bonds including short-term investments, at December 31, 2025, by contractual maturity, are shown in the following table (in thousands). Contractual maturities for investments such as mortgage-backed securities may differ from actual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Carrying Value</u>	<u>Fair Value</u>
Years to maturity:		
Due in one year or less	\$ 52,967	\$ 52,972
Due after one year through five years	400,430	400,316
Due after five years through ten years	335,772	337,338
Due after ten years through twenty years	223,254	207,410
Thereafter	515,236	457,863
Asset-backed securities	<u>894,763</u>	<u>854,789</u>
Total	<u>\$ 2,422,422</u>	<u>\$ 2,310,688</u>

Proceeds from sales of investments in long-term bonds during 2025 and 2024 were approximately \$408,777,000 and \$501,161,000, respectively. Realized gains on long-term bonds of approximately \$2,582,000 and \$2,042,000 and realized losses of approximately \$(3,456,000) and \$(23,719,000) were recognized during 2025 and 2024, respectively.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

The following table provides the length of impairment for those investments in long-term bonds with an unrealized loss as of December 31, 2025 (in thousands):

	Less than twelve months		Twelve months or greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2025						
Issuer credit obligations	\$ 287,059	\$ (4,467)	\$ 612,530	\$ (85,280)	\$ 899,589	\$ (89,747)
Asset-backed securities	120,434	(597)	282,752	(43,851)	403,186	(44,448)
Total	<u>\$ 407,493</u>	<u>\$ (5,064)</u>	<u>\$ 895,282</u>	<u>\$ (129,131)</u>	<u>\$ 1,302,775</u>	<u>\$ (134,195)</u>

The following table provides the length of impairment for those investments in long-term bonds with an unrealized loss as of December 31, 2024 (in thousands):

	Less than twelve months		Twelve months or greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2024						
Issuer credit obligations	\$ 507,241	\$ (18,357)	\$ 646,441	\$ (98,018)	\$ 1,153,682	\$ (116,375)
Asset-backed securities	59,193	(570)	322,395	(59,982)	381,588	(60,552)
Total	<u>\$ 566,434</u>	<u>\$ (18,927)</u>	<u>\$ 968,836</u>	<u>\$ (158,000)</u>	<u>\$ 1,535,270</u>	<u>\$ (176,927)</u>

Equities

Unrealized (losses) gains on investments in common stocks and mutual funds are reported as a component of policyholders' surplus. For any decline in the fair value of equities, which is determined to be other than temporary, the resulting OTTI loss is recognized in the statement of operations. OTTI of common stocks and mutual funds result in the establishment of a new, adjusted cost basis for such investments. The Company's investment in EverPeak is included in common stock for the year ended December 31, 2025 and 2024 within the statutory statements of admitted assets, liabilities and policyholders' surplus (see Note 1 for details). The original cost, adjusted cost, net unrealized (losses) gains (measured against adjusted cost), and fair value of common stocks and mutual funds are summarized as follows (in thousands):

	Original cost	Adjusted cost	Net unrealized	
			losses	Fair value
December 31, 2025	\$ 464,454	\$ 456,414	\$ (65,748)	\$ 390,666
December 31, 2024	\$ 392,269	\$ 384,282	\$ (2,195)	\$ 382,087

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

The Company is a member of the Federal Home Loan Bank (FHLB) of Topeka. Through its membership, the Company conducted business activity (borrowings) with the FHLB by utilizing the overnight line of credit. The Company used these funds to retire surplus notes. The Company has determined the borrowing capacity as approximately \$109,905,000 based on current securities pledged. The Company was provided this amount by the FHLB as of December 31, 2025. As a requirement of the membership and conducting business activities with FHLB, Pinnacol owns FHLB Class A and Class B Capital Stock. In 2025, these assets totaled \$600,000 and \$1,986,000, respectively. In 2024, these assets totaled \$600,000 and \$1,989,000, respectively.

Mortgage Loans on Real Estate

The Company held approximately \$61,557,000 and \$64,740,000 of commercial mortgage loans at December 31, 2025 and 2024, respectively. Mortgage loans on real estate consist entirely of domestic commercial collateralized loans and are carried at their unpaid principal balances adjusted for any unamortized premiums or discounts, origination fees, provision allowances, and foreign currency translations. Interest income is accrued on the unpaid principal balance for all loans, except for loans on nonaccrual status. Premiums, discounts, and origination fees are amortized to net investment income using the effective-interest method.

The maximum and minimum lending rates for mortgage loans issued during the year ended December 31, 2025 were 9.35% and 6.25%, respectively. The maximum and minimum lending rates for mortgage loans issued during the year ended December 31, 2024 were 10.08% and 7.88%, respectively. The maximum percentage of any one loan to the value of security at the time of the loan was 69.57% and 67.71% during the years ended December 31, 2025 and 2024, respectively.

A third-party manager actively manages the Company's mortgage loan portfolio by completing ongoing comprehensive analysis of factors, such as debt service coverage ratios, loan-to-value ratios, payment status, default or legal status, collateral property evaluations, and general market conditions. On a quarterly basis, the Company reviews any provided credit quality risk indicators in its internal assessment of loan impairment and credit loss.

Management's periodic evaluation and assessment for mortgage impairments is based on delinquency status, internally derived fair value, as well as credit concern status based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the fair value of the underlying collateral, composition of the loan portfolio, current economic conditions, loss experience, and other relevant factors. Risk is mitigated primarily through first lien collateralization, guarantees, loan covenants, and borrower reporting requirements. Since the Company does not hold uncollateralized mortgages, loans are generally deemed to be collectible. Any remaining unrecoverable amounts are written off during the final stage of the foreclosure process.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

Loan balances are considered delinquent when payment has not been received based on contractually agreed-upon terms. The accrual of interest is discontinued when concerns exist regarding the realization of loan principal or interest. The Company resumes interest accrual on loans when a loan returns to current status or under new terms when loans are restructured or modified.

At December 31, 2025 and 2024, the Company did not have any troubled, impaired, or delinquent mortgage loans, or any reason to believe payments would be uncollectible on any existing loans.

Other Invested Assets

Investments in partnerships are stated at the underlying audited equity value. For those investments in which the audited financial statements were not available by the March 1 statutory annual statement filing deadline, the unaudited equity value was used. Other invested assets total approximately \$201,071,000 and \$185,463,000 in 2025 and 2024, respectively, with \$169,942,000 and \$181,970,000 relating to investments in partnerships. Due to Colorado Revised Statutes limitations, the balance of other invested assets may not exceed 5% of admitted assets. At December 31, 2025 and 2024, approximately \$49,354,000 and \$27,566,000 was nonadmitted due to this requirement, respectively. The Company has contributed \$120,258,000 in net capital (capital contributions, less capital distributions) since investing in partnerships and is responsible for up to an additional \$73,530,000 as of December 31, 2025. The terms of these investment vehicles place certain limitations on redemption of the holdings, which can include but are not limited to: requiring General Partner approval prior to the Company being able to redeem its interests; limits on the timing of when the redemptions can be made; and the Company being able to locate an eligible buyer as the investments are not all redeemable directly with the investment fund. Due to these factors and penalties that may be imposed by the investment vehicle for early withdrawal, the Company may not be able to redeem its interests in the funds at its share of the US GAAP basis equity as reported in the financial statements. The Company does not anticipate a need for early withdrawal.

Impairment of Investments

The Company writes securities down to fair value that it deems to be OTTI in the period the securities are deemed to be so impaired. The Company records write-downs as realized capital losses and adjusts the cost basis of the securities, accordingly. The Company does not adjust the revised cost basis for subsequent recoveries in value.

The assessment of whether an OTTI occurred is based upon management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management considers a wide range of factors, as described below, regarding the security issuer and uses its best judgment in evaluating the cause of the decline in its estimated fair value and in assessing the prospects for near term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations and future earnings potential of the issuer.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

Considerations used by the Company in the impairment evaluation process include, but are not limited to, the following:

- Fair value is significantly below cost.
- The decline in fair value is attributable to specific adverse conditions affecting a particular instrument, its issuer, an industry, or geographic area.
- The decline in fair value has existed for an extended period of time.
- A debt security has been downgraded by a credit rating agency.
- The financial condition of the issuer has deteriorated.
- A change in future expected cash flows has occurred.
- Dividends have been reduced or eliminated or scheduled interest payments have not been made.
- The ability and intent to hold investments until recovery, including consideration of the investment manager's discretion to sell securities.
- The present value of projected cash flows expected to be collected is less than amortized value of loan-backed and structured securities.

While all available information is taken into account, it is difficult to predict the ultimate recoverable amount from a distressed or impaired security.

At December 31, 2025 and 2024, 5.49% and 5.50% of long-term bonds held by the Company were rated non-investment grade, respectively. At December 31, 2025 and 2024, the Company had approximately \$135,462,000 and \$179,644,000, respectively, of unrealized losses related to its long-term bonds. The unrealized losses on securities are primarily attributable to fluctuations in market interest rates and changes in credit spreads since the securities were acquired.

Other-Than-Temporary Impairment

During 2025 and 2024, the Company recognized approximately \$1,607,000 and \$1,538,000, respectively, in OTTI on long-term bonds, and \$136,000 and \$274,000, respectively, in OTTI on common stocks and preferred stocks. The Company also recognized OTTI on other invested assets of approximately \$3,000 and \$0 in 2025 and 2024, respectively.

Fair Value Measurements

The Company has categorized its assets and liabilities that are reported on the statutory statements of admitted assets, liabilities, and policyholders' surplus at fair value into the three-level fair value hierarchy. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows.

- Level 1 – Quoted prices in active markets for identical assets and liabilities: This category, for items measured at fair value on a recurring basis includes common stocks, preferred stocks, and money market mutual funds. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Pinnacle Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

- Level 2 – Significant other observable inputs: This category for items measured at fair value on a recurring basis includes bonds and common stocks, which are not exchange traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets, which were not considered actively traded.
- Level 3 – Significant unobservable inputs: This category for items measured at fair value includes common stocks, common stock warrants, preferred stocks, and bonds. The estimated fair value of these items was determined by internal ratings in the absence of observable inputs.

The following table represents (in thousands) information about the Company's financial assets measured at fair value in Level 3 as of December 31, 2025.

		Fair value measurements - Level 3					
		December 31, 2025					
Assets	Beginning balance, January 1, 2025	Amortization accretion	Current realized net income (loss)	Change in unrealized surplus	Purchases/ transfers into Level 3	Sales/ settlements/ transfers out of Level 3	Ending balance December 31, 2025
Bonds	\$ 529	\$ -	\$ (15)	\$ 1	\$ 2,102	\$ (545)	\$ 2,072
Common stocks - industrial and miscellaneous	3,823	-	(739)	75	273	(349)	3,083
Preferred stocks	5	-	1	3	-	(2)	7
Total assets	\$ 4,357	\$ -	\$ (753)	\$ 79	\$ 2,375	\$ (896)	\$ 5,162

The following table represents (in thousands) information about the Company's financial assets measured at fair value in Level 3 as of December 31, 2024.

		Fair value measurements - Level 3					
		December 31, 2024					
Assets	Beginning balance, January 1, 2024	Amortization accretion	Current realized net income (loss)	Change in unrealized surplus	Purchases/ transfers into Level 3	Sales/ settlements/ transfers out of Level 3	Ending balance December 31, 2024
Bonds	\$ 1,667	\$ -	\$ (326)	\$ (335)	\$ 298	\$ (775)	\$ 529
Common stocks - industrial and miscellaneous	3,799	-	(189)	(22)	701	(466)	3,823
Preferred stocks	-	-	57	1	15	(68)	5
Total assets	\$ 5,466	\$ -	\$ (458)	\$ (356)	\$ 1,014	\$ (1,309)	\$ 4,357

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

The following tables present (in thousands) information about the Company's financial assets measured at fair value on a recurring basis for accounting purposes as of December 31, 2025 and 2024, respectively, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value, excluding the \$(24,989,000) and \$(2,053,000) investment in EverPeak in 2025 and 2024, respectively, as it is accounted for under the equity method:

Fair value measurement - recurring basis December 31, 2025				
Assets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common stocks:				
Industrial and miscellaneous	\$ 82,770	\$ -	\$ 3,083	\$ 85,853
Mutual funds	<u>329,802</u>	<u>-</u>	<u>-</u>	<u>329,802</u>
Total common stocks	412,572	-	3,083	415,655
Perpetual preferred stocks	1,200	-	-	1,200
Money market mutual funds	<u>50,415</u>	<u>-</u>	<u>-</u>	<u>50,415</u>
Total assets	<u>\$ 464,187</u>	<u>\$ -</u>	<u>\$ 3,083</u>	<u>\$ 467,270</u>

Fair value measurement - recurring basis December 31, 2024				
Assets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common stocks:				
Industrial and miscellaneous	\$ 71,585	\$ -	\$ 3,823	\$ 75,408
Mutual funds	<u>308,732</u>	<u>-</u>	<u>-</u>	<u>308,732</u>
Total common stocks	380,317	-	3,823	384,140
Perpetual preferred stocks	935	-	-	935
Money market mutual funds	<u>34,084</u>	<u>-</u>	<u>-</u>	<u>34,084</u>
Total assets	<u>\$ 415,336</u>	<u>\$ -</u>	<u>\$ 3,823</u>	<u>\$ 419,159</u>

Certain assets are measured at fair value on a nonrecurring basis quarterly or more frequently if events dictate that the carrying value of the asset may not be recovered. These assets include bonds held at fair value with an NAIC designation of 3-6 and redeemable preferred stocks held at fair value with an NAIC designation of RP3-RP6. There were bonds with these designations where the fair value was less than amortized value, which resulted in an unrealized loss of \$1,267,000 at December 31, 2025 and \$2,716,000 at December 31, 2024.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

The following tables reflect (in thousands) the fair values and admitted values of all admitted assets and liabilities that are financial instruments, excluding those accounted for under the equity method as of December 31, 2025 and 2024, respectively. The \$(24,989,000) and \$(2,053,000) investment in EverPeak in 2025 and 2024, respectively, is accounted for under the equity method and therefore excluded. The fair values are also categorized into the three-level fair value hierarchy as described above.

December 31, 2025					
Class of Security	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Long-term bonds	\$ 2,422,422	\$ -	\$ 2,045,366	\$ 265,322	\$ 2,310,688
Preferred stocks:					
Perpetual preferred	1,200	1,200	-	-	1,200
Redeemable preferred	6,718	-	-	6,842	6,842
Total preferred stocks	7,918	1,200	-	6,842	8,042
Common stocks					
Industrial and miscellaneous	85,853	82,770	-	3,083	85,853
Mutual funds	329,802	329,802	-	-	329,802
Total common stocks	415,655	412,572	-	3,083	415,655
Mortgage loans	61,557	-	-	61,371	61,371
Cash, cash equivalents, and short-term investments	52,694	52,595	99	-	52,694
Total assets	<u>\$ 2,960,246</u>	<u>\$ 466,367</u>	<u>\$ 2,045,465</u>	<u>\$ 336,618</u>	<u>\$ 2,848,450</u>

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

December 31, 2024					
Class of Security	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Long-term bonds	\$ 2,223,127	\$ -	\$ 1,785,972	\$ 271,715	\$ 2,057,687
Preferred stocks:					
Perpetual preferred	935	935	-	-	935
Redeemable preferred	6,682	-	-	6,723	6,723
Total preferred stocks	7,617	935	-	6,723	7,658
Common stocks					
Industrial and miscellaneous	75,408	71,585	-	3,823	75,408
Mutual funds	308,732	308,732	-	-	308,732
Total common stocks	384,140	380,317	-	3,823	384,140
Mortgage loans	64,740	-	-	64,575	64,575
Cash, cash equivalents, and short-term investments	219,889	56,643	163,243	15	219,901
Total assets	<u>\$ 2,899,513</u>	<u>\$ 437,895</u>	<u>\$ 1,949,215</u>	<u>\$ 346,851</u>	<u>\$ 2,733,961</u>

Pinnacle Assurance

Notes to Statutory Financial Statements (Continued)

Note 4 - Investments (Continued)

Investment Income

Major categories of net investment income (expense) for the years ended December 31, 2025 and 2024 are summarized as follows (in thousands):

	2025	2024
Investment income (expense):		
Corporate and miscellaneous bonds	\$ 110,347	\$ 99,105
U.S. government bonds	1,772	1,730
Cash and other investments	6,660	12,422
Real estate	5,513	5,513
Other invested assets	13,170	15,090
Mortgage loans	5,160	5,718
Equity securities	13,386	16,128
Surplus note and FHLB interest expense	(6,265)	(6,759)
Investment expenses	(12,330)	(10,903)
Net investment income earned	137,413	138,044
Net realized capital gains (losses):		
Corporate and miscellaneous bonds	(2,481)	(23,103)
U.S. government bonds	-	(581)
Cash and other investments	1	7
Equity securities	37,921	20,570
Other invested assets	(3)	7
Net realized capital gains (losses)	35,438	(3,100)
Net investment income	\$ 172,851	\$ 134,944

Interest income due and accrued was \$25,088,000 and \$23,172,000 as of December 31, 2025 and 2024, respectively, and is included in accrued investment income on the statements of admitted assets, liabilities, and policyholders' surplus. No amounts were nonadmitted.

There was \$10,000 and \$38,000 of aggregate deferred interest or paid-in-kind (PIK) interest as of December 31, 2025 and 2024, respectively.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 5 - Borrowings

Pinnacol is a member of the Federal Home Loan Bank (FHLB) of Topeka. Through its membership, the Company has conducted business activity (borrowings) with the FHLB by utilizing the Overnight Line of Credit advance. The Company must deliver qualifying collateral to FHLB in an amount that provides a collateral coverage level sufficient to cover its extensions of credit. FHLB assigns the appropriate borrowing capacity to each security according to the security type and then determines the total borrowing capacity as a percentage of the market value of the securities pledged.

The following table summarizes the FHLB pledge and borrowing (in thousands):

	2025	2024
Borrowing capacity as of reporting date	\$ 109,905	\$ 94,848
Collateral amount pledged:		
Fair value	120,020	105,338
Carrying value	139,047	130,105
Borrowing	53,000	53,000
Accrued interest	181	215
Total	\$ 53,181	\$ 53,215

The Company drew on the FHLB line of credit beginning on November 18, 2022. Overnight Line of Credit advances mature daily, with automatic daily renewals of the outstanding balance subject to FHLB's discretion not to renew. Members can adjust their outstanding balance daily; however, Overnight Line of Credit advances are not prepayable on the date of the draw. As of December 31, 2025 and 2024, the Face Value/Carrying Value of the Overnight Line of Credit advance was \$53,000,000. Interest is payable at a rate that is adjusted and reset by FHLB on a daily basis. As of December 31, 2025, the interest rate was set at 3.89% with year-to-date interest paid of \$2,384,000 and interest accrued of \$181,000. As of December 31, 2024, the interest rate was set at 4.57% with year-to-date interest paid of \$2,662,000 and interest accrued of \$215,000.

The Company is subject to compliance with the terms of the FHLB membership program including providing reports as FHLB may require and notices for specified events such as defaults, mergers, and changes in charter. As of December 31, 2025, the Company is in compliance with all FHLB membership terms.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 6 - Reinsurance

Ceded Reinsurance

Pinnacol purchases excess of loss reinsurance with two layers and terrorism coverage. The reinsurance coverage for individual workers' compensation accidents was as follows:

- Layer 1 – Limit of \$20,000,000 in excess of retention of \$20,000,000 per occurrence
- Layer 2 – Limit of \$40,000,000 in excess of retention of \$40,000,000 per occurrence
- Terrorism Only – Limit of \$50,000,000 in excess of retention of \$80,000,000 per occurrence

Management is not aware of any loss nor did the Company record any loss great enough to attach to these layers during any of the prior policy periods. Therefore, no provision for reinsurance has been recorded as of December 31, 2025 and 2024.

Reinsurance contracts do not relieve Pinnacol of its obligations, and a failure of the reinsurer to honor its obligations could result in losses unreimbursed to Pinnacol. Pinnacol evaluates and monitors the financial condition of its reinsurers to minimize its exposure to loss from reinsurer insolvency. Management of Pinnacol believes its reinsurers are financially sound and will continue to meet their contractual obligations.

Pinnacol uses Lloyd's Syndicates as part of its ceded reinsurer program. The Syndicates are given an "A+" rating by AM Best. The remaining reinsurers had the following AM Best ratings at December 31, 2025:

Reinsurer	AM Best Rating
Allied World Assurance Company, Limited	A+
Arch Reinsurance Company	A+
Markel Bermuda Limited	A
Convex Insurance UK Limited	A
Munich Reinsurance America	A+
Sompo International Re	A+
Houston Casualty Company UK Limited	A++

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 6 - Reinsurance (Continued)

Assumed Reinsurance

Pinnacol has entered into assumed reinsurance contracts that allow the Company to provide insurance coverage under the workers' compensation provisions of other states for the employees of Colorado companies who work outside of Colorado (Multi State Coverage). Effective March 1, 2004, Pinnacol executed a reinsurance contract with Argonaut Insurance Company for Multi State Coverage. The contract was canceled in 2010; however, Pinnacol will continue to pay existing claims in accordance with this reinsurance agreement until these claims are closed or these risks are transferred. As the Company entered into a reinsurance agreement in 2010 with Zurich American Insurance Company, there were no gaps in coverage. This agreement was still in effect as of December 31, 2025 and now covers Zurich Insurance Group, which includes Zurich American Insurance company, American Zurich Insurance Company, and Zurich American Insurance Company of Illinois. The Multi State Coverage contracts are designed as 100% quota share arrangements with Pinnacol acting as the assuming company. Premium revenue is recognized pro rata over the period the policy is effective.

Funds have been placed on deposit as collateral with Argonaut Insurance Company and Zurich American Insurance Company of Illinois in the amount of \$6,391,000 and \$7,391,000 in 2025 and 2024, respectively.

A Letter of Credit has been posted to Argonaut Insurance Company in the amount of \$3,350,000 in 2025 and 2024, along with \$10,589,000 in pledged assets.

Assets have been pledged in a trust to Zurich American Insurance Company in the amount of \$60,069,000 and \$61,642,000 in 2025 and 2024, respectively. Additionally, assets have been pledged in a trust to American Zurich Insurance Company in the amount of \$6,000,000 and \$0 in 2025 and 2024, respectively.

Pinnacol held unearned premium reserves related to assumed business of \$5,706,000 and \$1,784,000 for the years ended December 31, 2025 and 2024, respectively. Pinnacol had loss and loss adjustment expense reserves related to assumed business of \$28,834,000 and \$30,206,000 for the years ended December 31, 2025 and 2024, respectively.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 6 - Reinsurance (Continued)

The following reinsurance activity has been recorded in the accompanying statutory financial statements (in thousands):

	<u>2025</u>	<u>2024</u>
Direct premiums written	\$ 529,118	\$ 535,310
Premiums ceded	(1,337)	(1,351)
Premiums assumed	<u>22,677</u>	<u>22,928</u>
Net premiums written	<u>\$ 550,458</u>	<u>\$ 556,887</u>
Direct premiums earned	\$ 532,301	\$ 533,569
Premiums ceded	(1,337)	(1,351)
Premiums assumed	<u>18,755</u>	<u>22,709</u>
Net premiums earned	<u>\$ 549,719</u>	<u>\$ 554,927</u>
Direct losses incurred	\$ 269,217	\$ 284,126
Losses ceded	-	-
Losses assumed	<u>8,946</u>	<u>15,293</u>
Net losses incurred	<u>\$ 278,163</u>	<u>\$ 299,419</u>
Direct loss adjustment expenses incurred	\$ 89,188	\$ 85,595
Loss adjustment expenses assumed	<u>3,525</u>	<u>2,777</u>
Net loss adjustment expenses incurred	<u>\$ 92,713</u>	<u>\$ 88,372</u>

Note 7 - Employee Benefits

Defined-Benefit Pension Plan through the State of Colorado

Pensions – Pinnacol participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined-benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by the SDTF are reported at fair value.

Pinnacle Assurance

Notes to Statutory Financial Statements (Continued)

Note 7 - Employee Benefits (Continued)

Plan description – All Pinnacle employees are provided with pensions through the SDTF – a cost-sharing multiple-employer defined-benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at <https://www.copera.org/formsresources/financial-reports-and-studies>.

Benefits provided – PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- Value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained, and the benefit structure under which contributions were made.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 7 - Employee Benefits (Continued)

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 7 - Employee Benefits (Continued)

Contributions – Eligible employees of Pinnacol and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees were required to contribute 10.50% of their PERA-includable salary until June 30, 2022; thereafter, the contribution increased to 11.00% of PERA-includable salary. The employer contribution requirements for Pinnacol are summarized in the table below:

	For the year ended December 31		
	2025	2024	2023
Employer contribution rate (includes 1.02% allocation to the Health Care Trust Fund) ¹	11.40 %	11.40 %	11.40 %
Amortization equalization Disbursement (AED) as specified in C.R.S. §24-51-411 ¹	5.00	5.00	5.00
Supplemental amortization Equalization disbursement (SAED) as specified in C.R.S., §24-51-411 ¹	5.00	5.00	5.00
Defined Contribution Supplement as specified in C.R.S. §24-51-415	0.23	0.21	0.17
Total employer contribution rate ¹	<u>21.63 %</u>	<u>21.61 %</u>	<u>21.57 %</u>

¹ Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and Pinnacol is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from Pinnacol were \$17,089,000 and \$17,415,000, for the years ended December 31, 2025 and 2024, respectively. These contributions met the contribution requirement for each year.

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225,000,000 each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools (DPS) Division Trust Fund. The State distributed \$225,000,000 to PERA on July 1, 2025 and 2024. On July 1, 2025, the State distributed an additional \$500,000,000 in a lump-sum payment to PERA.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 7 - Employee Benefits (Continued)

Voluntary Tax Deferred Retirement Plans

Plan description – Employees of Pinnacol that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), an Internal Revenue Code Section 401(k) defined-contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

Funding policy – The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, Pinnacol has agreed to match employee's elective contributions into the PERA 401(k) Plan at 50% up to the first 6% of employees' elected deferrals. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. For the years ended December 31, 2025 and 2024, Pinnacol contributed approximately \$1,880,000 and \$2,046,000, respectively, in matching contributions to the PERA 401(k) Plan. Pinnacol also offers a 457 deferred compensation plan.

Defined-Benefit Other Postemployment Benefit (OPEB) Plan

OPEB plan – Pinnacol participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined-benefit OPEB plan administered by PERA.

Plan description – The HCTF is established under Title 24, Article 51, Part 12 of the C.R.S., as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available ACFR that can be obtained at <https://www.copera.org/formsresources/financial-reports-and-studies>.

Benefits provided – The HCTF provides a healthcare premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA healthcare plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The healthcare premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division, as it relates to the total member contribution account balance from which the retirement benefit is paid.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 7 - Employee Benefits (Continued)

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the healthcare plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a healthcare plan under PERACare.

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA benefit structure – The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions – Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF. Pinnacol's contribution is included in the total employer contribution rate of 21.63% and 21.61% as of December 31, 2025 and 2024, respectively. No member contributions are required to the HCTF. The contribution requirements for Pinnacol are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. For the years ended December 31, 2025 and 2024, Pinnacol contributions to the HCTF were approximately \$806,000 and \$822,000, respectively, equal to the required contributions for each year.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 7 - Employee Benefits (Continued)

Other

Health and Welfare Trust – Effective January 1, 2010, Pinnacol entered into certain self-funded benefit programs with its vendors for healthcare, dental care, and vision care and established a separate legal trust for administrative purposes. In 2019, Pinnacol also entered into a guaranteed cost program with one of its two healthcare vendors. Pinnacol withholds monthly premium from its employee participants' payroll checks and uses these premiums and the employer contribution amounts to fund the trust account. These premiums are used to reimburse medical claims paid by the third-party vendors for the self-funded programs or pay premiums to the healthcare vendor for the guaranteed cost program. Employer contributions in 2025 and 2024 were \$8,967,000 and \$9,122,000, respectively.

Accrued Paid Leave – Pinnacol employees may accrue paid time off based on their length of service subject to certain limitations on the amount that will be paid upon termination or taken in future periods. Paid time off is recorded as an expense and a liability at the time the paid time off is earned. The estimated liability for cumulative accrued paid time off of approximately \$5,217,000 and \$5,034,000 at December 31, 2025 and 2024, respectively, is included in other liabilities in the statutory statements of admitted assets, liabilities, and policyholders' surplus.

Note 8 - Policyholders' Surplus

On November 6, 2024, the board of directors declared a general policyholder dividend of \$15,000,000 which was paid in March 2025 to policyholders in good standing. On December 10, 2025, the board of directors declared a general policyholder dividend of approximately \$15,000,000 to be paid in 2026 and on February 25, 2026, the board of directors determined the final amount of the general policyholder dividend to be paid no later than March 2026 to be \$15,000,000 based on year-end 2025 financial results.

The Division monitors a company's "risk-based capital" in assessing the financial strength of an insurance company. Pinnacol's level of surplus exceeds the "company action level" of risk-based capital, which is approximately \$195,434,000 for the year ended December 31, 2025, and \$197,537,000 for the year ended December 31, 2024.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 8 - Policyholders' Surplus (Continued)

A surplus note in the amount of \$100,000,000 was issued on June 25, 2014 with a maturity date of June 25, 2034, to an unaffiliated third party in exchange for cash. Each payment of principal and interest on the surplus note may be made only with the prior approval of the Division and only to the extent Pinnacol has sufficient policyholders' surplus to make such payment. The interest on the unpaid principal amount of this note will be paid in semiannual installments at the rate of 8.625% per annum. Prior to January 1, 2023, Pinnacol repurchased \$55,000,000 of the outstanding notes. In 2025 and 2024, \$3,881,000 of interest was paid on the note and recorded as investment expense. The note, which is subordinate to the prior payment of all other liabilities of the Company, will be due and payable twenty years from the issuance date, with an optional prepayment date in whole or part in fifteen years with no penalty. The surplus note was issued to partially cover Pinnacol's estimated proportionate share of PERA's unfunded liability for vested service of Pinnacol employees and retirees. This liability is not required to be recorded in the statutory financial statements as of December 31, 2025 and 2024, but is reported as a component of surplus in the amount of \$45,000,000, and reduces the capital adequacy assessments of outside rating agencies, such as A.M. Best. In accordance with the note agreement, Pinnacol may apply the proceeds for general corporate purposes.

The surplus note agreement contains customary affirmative and negative covenants and requires that Pinnacol maintain certain specified ratios and thresholds. Among others, these covenants include maintaining a maximum writing ratio, debt to capitalization ratio, and interest coverage ratio. Management believes that Pinnacol is in compliance with such covenants, ratios, and thresholds at 2025 and 2024.

As discussed in Note 1, the Company participates in the SDTF, a cost-sharing multiple-employer defined-benefit pension fund administered by PERA. The funded portion of the SDTF's total pension liability as of December 31, 2024 is 66%. The Company has a special surplus fund to identify its portion of the unfunded pension benefits. The discount rate is 7.25%. Based on information provided by PERA on July 14, 2025, the Company's special surplus fund for the unfunded pension benefits has decreased by \$33,511,000 from \$202,287,000 in 2024 to a new balance of \$168,776,000 for 2025. There are no limitations for using the special surplus fund for policyholders, injured workers, or other creditors.

As discussed in Note 1, the Company participates in the Health Care Trust Fund (HCTF) administered by PERA. The Company has identified its portion of the HCTF liability in a special surplus fund in the same manner as the PERA net pension liability obligation. The HCTF liability has decreased by \$1,868,000 from \$5,061,000 in 2024 to a new balance of \$3,193,000 for 2025.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 9 - Commitments and Contingencies

Pinnacol has made the following commitments:

<u>Total Contingent Liabilities</u>	<u>2025</u>
Pinnacol has committed to fund partnership investments	\$ 73,529,840
Pinnacol has committed to rated note investments	91,617,261
Pinnacol has committed to mortgage loan investments	<u>2,839,284</u>
Total	<u>\$ 167,986,385</u>

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company.

At December 31, 2025 and 2024, Pinnacol had a letter of credit for the benefit of Argonaut Insurance Company under an assumed reinsurance agreement for approximately \$3,350,000. This reinsurance agreement allows Argonaut Insurance Company to draw upon the letter of credit, which is 100% collateralized, at any time to secure any of Pinnacol's obligations under the agreement. Included in long-term bonds and money market securities are amounts held as collateral for the letter of credit of approximately \$10,589,000 and \$10,321,000, compared to a requirement of \$3,350,000, as of December 31, 2025 and 2024.

At December 31, 2025 and 2024, Pinnacol had a trust for the benefit of Zurich American Insurance Company under an assumed reinsurance agreement. This reinsurance agreement allows Zurich American Insurance Company, the beneficiary, to claim the trust assets at any time to secure any of Pinnacol's obligations under the agreement. Included in long-term bonds and cash are amounts held in the trust of approximately \$60,069,000 and \$61,642,000 as of December 31, 2025 and 2024. These bonds and the cash held in trust had a total market value of approximately \$57,757,000 and \$57,171,000 as of December 31, 2025 and 2024, respectively, which Zurich American Insurance Company deemed sufficient to secure Pinnacol's obligations under the agreement.

At December 31, 2025 and 2024, Pinnacol had a trust for the benefit of American Zurich Insurance Company under an assumed reinsurance agreement. This reinsurance agreement allows American Zurich Insurance Company, the beneficiary, to claim the trust assets at any time to secure any of Pinnacol's obligations under the agreement. Included in long-term bonds and cash are amounts held in the trust of approximately \$6,000,000 and \$0 as of December 31, 2025 and 2024. These bonds and the cash held in trust had a total market value of approximately \$6,046,000 and \$0 as of December 31, 2025 and 2024, respectively, which American Zurich Insurance Company deemed sufficient to secure Pinnacol's obligations under the agreement.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 9 - Commitments and Contingencies (Continued)

As of December 31, 2025, Pinnacol is contingently liable for approximately \$24,006,000 of claims closed by the purchase of annuities from life insurers for structured settlements. Pinnacol has not purchased annuities from life insurers under which the Company is payee, and therefore, no balances are due from such annuity insurers.

Pinnacol is aware of an unfunded net pension liability. If Pinnacol were to partially or fully leave the PERA program, the unfunded net pension liability for the vested service of Pinnacol employees and retirees would become immediately due to PERA. Title 24, Article 51, Section 316 of the C.R.S. requires a company to calculate the reserve transfer necessary when an employer disaffiliates from PERA. The formula to calculate the termination liability differs significantly from the formula used to calculate Pinnacol's share of the unfunded pension obligation under GASB Statement No. 68. Therefore, the amount of a possible future termination liability is unknown but is expected to exceed \$200,000,000. Currently, the possibility of the Company partially or fully leaving the PERA program is remote and would require legislative action.

Note 10 - Related-Party Transactions

Pinnacol purchased preferred stock in a non-insurance subsidiary, EverPeak, on September 28, 2017. On January 3, 2023, Pinnacol converted its existing preferred shares to common shares. On January 4, 2023, Pinnacol purchased an additional 8,000,000 shares of common stock in EverPeak. On January 4, 2023, EverPeak acquired an existing digital insurance agent, Attune, as a wholly-owned subsidiary. On August 25, 2025, EverPeak acquired OccuSystems, Inc., along with its wholly-owned subsidiaries including Method Insurance Services, LLC, which is a workers' compensation insurance agency operating in all 50 states. In this capacity, Method acts as an agent, placing insurance business with unaffiliated third-party insurance carriers. As of December 31, 2025 and 2024, Pinnacol recognizes their investment in EverPeak under the equity basis, using audited US GAAP equity adjusted to a limited statutory basis of accounting. During the years ended December 31, 2025 and 2024, changes in valuation are recognized as unrealized gains (losses) within the statement of changes in policyholders' surplus. Losses reported by EverPeak do not have an impact on Pinnacol's other investments. The losses are summarized in the table below:

2025					
Entity	Pinnacol's share of net income (loss)	Accumulated share of net income (losses)	Pinnacol's share of equity, including negative equity	Guaranteed obligation commitment for financial support (yes/no)	Reported value
EverPeak	\$(103,992,000)	\$(103,992,000)	\$ (24,989,000)	Yes	\$ (24,989,000)

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 10 - Related Party Transactions (Continued)

2024					
Entity	Pinnacol's share of net income (loss)	Accumulated share of net income (losses)	Pinnacol's share of equity, including negative equity	Guaranteed obligation commitment for financial support (yes/no)	Reported value
EverPeak	\$ (81,501,000)	\$ (81,501,111)	\$ (2,053,000)	Yes	\$ (2,053,000)

Under a program administrator agreement approved by the Division, EverPeak writes policies for Pinnacol through its digital platform that potential policyholders can utilize to receive a quote and bind a policy. Pinnacol pays EverPeak program administration fees on premium that EverPeak generates with Pinnacol and makes payments to EverPeak monthly as policies are generated. During 2025 and 2024, Pinnacol incurred \$267,000 and \$557,000 in program administrator fees, respectively.

Under a management service agreement approved by the Division, Pinnacol provides certain personnel services to its subsidiary for a variable monthly fee and receives reimbursement for costs EverPeak incurred. During 2025 and 2024, Pinnacol received \$4,674,000 and \$2,967,000, respectively, in management fees and reimbursed costs from its subsidiary. The management fees offset various expenses in the income statement.

In 2023, EverPeak acquired an existing digital insurance agent, Attune, with a technology platform, to connect policyholders with other carriers that operate in multiple states. Attune is a licensed property casualty insurance producer and principally acts as an agent for insurance companies. Under a management service agreement approved by the Division, EverPeak provides certain personnel services including management, operating, marketing, cyber and technology, and risk and vendor management, to its subsidiary Attune and receives reimbursement for costs Attune incurred.

At December 31, 2025 and 2024, respectively, Pinnacol reported \$25,000 and \$57,000 due to subsidiary for commissions due to EverPeak as an agent. Pinnacol also reported \$299,000 and \$1,231,000, respectively, due from subsidiary for management fees and reimbursable expenses under the management service agreement.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 10 - Related Party Transactions (Continued)

On May 17, 2023, the Company made a guarantee to provide up to \$90,000,000 in funding to support EverPeak's strategic initiatives through 2025. As of December 31, 2024, \$35,037,000 of the capital contributions were provided from this guarantee. On May 21, 2025, this guarantee was terminated. Effective January 1, 2025, Pinnacol entered into a credit facility loan agreement with EverPeak in the amount of \$75,000,000. The loan bears no interest on the outstanding principal, and no payments are required until the maturity date of January 1, 2035. EverPeak may prepay the loan in whole or in part without penalty. At December 31, 2025, \$17,938,000 in funding has been provided under the loan agreement. This loan is reported with Other Invested Assets on Schedule BA and is fully non-admitted. In 2025, Pinnacol provided a \$70,000,000 capital contribution to EverPeak to facilitate the acquisition of OccuSystems, Inc.

Pinnacol purchased Attune's internally developed software in 2024 for \$25,000,000, which is recorded as a nonadmitted asset with a value of \$17,083,000 and \$22,085,000 as of December 31, 2025 and 2024, respectively.

There were no transactions with affiliates in amounts that exceeded 0.5% of the total admitted assets of Pinnacol outside of those transactions noted above.

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 11 - Other Underwriting Expenses

The significant components of other underwriting expenses, net during 2025 and 2024 were as follows (in thousands):

	2025	2024
Commission and brokerage	\$ 76,000	\$ 82,090
Allowances to managers and agents	-	200
Advertising	1,184	1,361
Boards, bureaus and associations	1,740	1,764
Audit of assureds' records	552	566
Salaries and related items	55,409	49,947
Employee relations and welfare	6,399	6,285
Insurance	202	208
Directors' fees	33	32
Travel and travel items	651	803
Rent and rent items	2,868	2,867
Equipment	376	416
Cost or depreciation of EDP equipment and software	10,266	4,871
Printing and stationery	72	65
Postage, telephone, exchange and express	507	502
Legal and auditing	6,664	6,626
Taxes, licenses and fees	7,848	7,907
Other	5,746	3,939
Total other underwriting expenses, net	\$ 176,517	\$ 170,449

Note 12 - Restricted Assets

The following table discloses quantitative information about the Company's restricted assets by category of restricted asset for the year ended December 31, 2025 (in thousands). Because the Company is a property and casualty insurance company, it does not hold assets that would be required to be held in a separate account. Accordingly, no distinction is made between general account and separate account restricted assets in the following tables.

<u>Restricted Asset Category</u>	<u>Total Current Year Admitted Asset</u>	<u>Total Prior Year Admitted Asset</u>	<u>Increase/ (Decrease)</u>	<u>Restricted to Total Assets</u>	<u>Restricted to Total Admitted Assets</u>
FHLB capital stock (Notes 4 and 5)	\$ 2,586	\$ 2,589	\$ (3)	0 %	0 %
Pledged as collateral to FHLB (Notes 4 and 5)	139,047	130,105	8,942	4 %	4 %
Pledged as collateral not captured in other categories (Note 6)	76,659	71,964	4,695	2 %	2 %
Total restricted assets	\$ 218,292	\$ 204,658	\$ 13,634	6 %	6 %

Pinnacol Assurance

Notes to Statutory Financial Statements (Continued)

Note 13 - Subsequent Events

Effective January 1, 2026, the Company transitioned its valuation of EverPeak from SSAP No. 97, 8.b.ii to 8.b.iii, following the attainment of the three-year revenue threshold. This change, recognized in the first quarter of 2026, resulted in an unaudited \$82,906,000 increase in the carrying value of EverPeak's from (\$24,989,000) at December 31, 2025, to \$57,916,000 at March 31, 2026. This adjustment reflects the move to a GAAP equity-based value and the admission of previously non-admitted intangible assets and goodwill.

Subsequent events have been evaluated through May 20, 2026, the date these statutory financial statements were issued.

Supplementary Information

PINNACOL ASSURANCE
Supplemental Schedule of Investment Information
Investment Risks Interrogatories
Year ended December 31, 2025
(In thousands)

1. Pinnacol's total admitted assets as reported on page 2 of its annual statement are: \$ 3,189,462
2. The following are the ten largest exposures to a single issuer/borrower/investment by investment category, excluding: (i) U.S. government securities, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* as exempt, (ii) property occupied by Pinnacol, (iii) policy loans, and (iv) all SEC and foreign registered funds (open-end, closed-end, UIT and ETFs) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940 (Section 5(b) (1)).

Issuer	Description of exposure	Amount	Percentage of total admitted assets
2.01 Federal National Mortgage Association	MBS	\$ 171,553	5.379%
2.02 NB Pinnacol Assurance Fund LP	Other Invested Assets	105,758	3.316
2.03 Federal Home Loan Mortgage Corporation	CMO, MBS	79,781	2.501
2.04 Deerpath Newbury Partners LLC	ABS, Other Invested Assets	24,512	0.769
2.05 First Eagle DI V-A Funding Llc	Bonds, Other Invested Assets	14,773	0.463
2.06 Lending Ark Asia Secured Private Debt	Bonds, Other Invested Assets	14,392	0.451
2.07 Ares Management LLC	Bonds, Other Invested Assets	13,263	0.416
2.08 Provident Funding Mortgage Trust 2025-4	MBS	11,772	0.369
2.09 Sequoia Mortgage Trust 2025-11	MBS	11,528	0.361
2.10 Union Pacific Corporation	Bonds	10,031	0.315

3. Pinnacol's total admitted assets held in bonds and preferred stocks by NAIC designation are:

NAIC Designation	Amount	Percentage of total admitted assets
Bonds:		
NAIC-1	\$ 1,596,200	50.046%
NAIC-2	693,120	21.732
NAIC-3	70,528	2.211
NAIC-4	42,772	1.341
NAIC-5	17,680	0.554
NAIC-6	2,221	0.070
Preferred stocks:		
P/RP-1	6,711	0.210
P/RP-2	0	—
P/RP-3	1,200	0.038
P/RP-4	0	—
P/RP-5	0	—
P/RP-6	6	—
	<u>\$ 2,430,438</u>	

4. Assets held in foreign investments are \$453,278 and assets held in foreign-currency-denominated investments are \$0, which is approximately 14.2% and 0% of Pinnacol's total admitted assets, respectively.

5. The following represents aggregate foreign investment exposure categorized by NAIC sovereign designation:

Foreign Investment assets		Amount	Percentage of total admitted assets
NAIC Designation			
Countries designated NAIC-1		\$ 420,842	13.195%
Countries designated NAIC-2		27,335	0.857
Countries designated NAIC-3 or below		5,100	0.160
		<u>\$ 453,277</u>	

PINNACOL ASSURANCE
Supplemental Schedule of Investment Information
Investment Risks Interrogatories
Year ended December 31, 2025
(In thousands)

6. The following represents the largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

Foreign investment assets			
NAIC Designation	Country	Amount	Percentage of total admitted assets
Countries designated NAIC-1:			
Country 1:	Cayman Islands	\$ 186,438	5.845%
Country 2:	United Kingdom	61,751	1.936
Countries designated NAIC-2:			
Country 1:	Mexico	15,782	0.495
Country 2:	Philippines	7,000	0.219
Countries designated NAIC-3 or below:			
Country 1:	Guatemala	3,500	0.110
Country 2:	Jamaica	1,600	0.050
		<u>\$ 276,071</u>	

7. Aggregate unhedged foreign currency exposure is \$0, which is approximately 0% of Pinnacol's total admitted assets.

8. The following represents aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

Foreign-currency-denominated investment assets			
NAIC Designation	Amount	Percentage of total admitted assets	
Countries designated NAIC-1	\$ 0	—%	
Countries designated NAIC-2	0	—	
Countries designated NAIC-3 or below	0	—	
	<u>\$ 0</u>		

9. The following represents the largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Foreign-currency-denominated investment assets			
NAIC Designation	Country	Amount	Percentage of total admitted assets
Countries designated NAIC-1:			
Country 1:		\$ —	—%
Country 2:		—	—
Countries designated NAIC-2:			
Country 1:		—	—
Country 2:		—	—
Countries designated NAIC-3 or below:			
Country 1:		—	—
Country 2:		—	—
		<u>\$ 0</u>	

10. The following represents the ten largest nonsovereign (i.e., nongovernmental) foreign issues:

Issuer	NAIC Designation	Amount	Percentage of total admitted assets
10.01 Lending Ark Asia Secured Private Debt	1PL, Other Invested Assets	\$ 14,392	0.451%
10.02 HSBC Holdings plc	1FE, 2FE	9,982	0.313
10.03 Macquarie Group Limited	1FE	8,500	0.267
10.04 BAE Systems plc	1FE	7,968	0.250
10.05 Saudi Arabian Oil Company	1FE	7,003	0.220
10.06 UBS Group AG	1FE	7,000	0.219
10.07 Barclays PLC	2FE, 3FE	6,099	0.191
10.08 Mitsubishi UFJ Financial Group, Inc.	1FE	6,000	0.188
10.09 Honda Motor Co., Ltd.	1FE	6,000	0.188
10.10 Lloyds Banking Group plc	1FE	6,000	0.188

PINNACOL ASSURANCE
Supplemental Schedule of Investment Information
Investment Risks Interrogatories
Year ended December 31, 2025
(In thousands)

11. Assets held in Canadian investments are less than 2.5% of Pinnacol's total admitted assets.
12. Amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:
- 12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [] No [X]
- 12.02 Aggregate statement value of investments held in investments with contractual sales restrictions \$ 151,975 4.765%
- Largest three investments held in investments with contractual sales restrictions:
- 12.03 NB Pinnacol Assurance Fund LP \$ 105,758 3.316%
- 12.04 First Eagle DL V-A Funding LLC 14,773 0.463
- 12.05 Lending Ark Asia Secured Private Debt Fund I, LP 14,392 0.451
13. The following are the ten largest equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities and excluding money market and bond mutual funds listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* as exempt or NAIC Class 1):

Issuer	Amount	Percentage of total admitted assets	
13.02 Fidelity 500 Index Fund	\$ 136,210	4.271%	
13.03 NB Pinnacol Assurance Fund LP	105,758	3.316	
13.04 T. Rowe Price U.S. Equity Research Fund	70,622	2.214	
13.05 Vanguard International High Dividend Yield ETF	53,458	1.676	
13.06 Vanguard International Core Stock Fund	49,163	1.541	
13.07 MFS International Growth Fund	49,033	1.537	
13.08 Vanguard High Dividend Yield ETF	29,280	0.918	
13.09 T. Rowe Price Institutional Small-Cap Stock Fund	24,774	0.777	
13.10 Entrust Special Opportunities Fund IV Ltd	9,404	0.295	
13.11 NB Strategic Co-Investment Partners III LLP	8,609	0.270	

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities —%

Largest three investments held in nonaffiliated, privately placed equities:

14.03 —%

14.04 —%

14.05 —%

<u>Ten Largest Fund Managers</u>	<u>Total Invested</u>	<u>Diversified</u>	<u>Nondiversified</u>
14.06 Fidelity 500 Index Fund	136,210	136,210	—
14.07 Vanguard Funds	131,901	131,901	—
14.08 T. Rowe Price Equity Funds	95,396	95,396	—
14.09 MFS International Growth Fund	49,033	49,033	—
14.10 State Street Institutional Investment Trust - State Street Institutional Treasury Plus Money Market Fund	31,733	31,733	—
14.11 Wells Fargo Funds Trust - Treasury Plus Money Market Fund	18,683	18,683	—
14.12			—
14.13			—
14.14			—
14.15			—

Items 15 through 19 are not applicable.

See accompanying independent auditors' report.

Summary Investment Schedule

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 14	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 14
1. Issuer credit obligations (Schedule D, Part 1, Section 1):						
1.01 U.S. government obligations.....	70,108,403	2.226	70,108,403		70,108,403	2.262
1.02 Other U.S. government obligations		0.000				0.000
1.03 Non-U.S. sovereign jurisdiction securities.....	20,103,414	0.638	20,103,414		20,103,414	0.649
1.04 Municipal bonds – general obligations (direct & guaranteed)	6,759,823	0.215	6,759,823		6,759,823	0.218
1.05 Municipal bonds – special revenue.....	54,521,276	1.731	54,521,276		54,521,276	1.759
1.06 Project finance bonds issued by operating entities		0.000				0.000
1.07 Corporate bonds	1,315,388,392	41.774	1,315,388,392		1,315,388,392	42.439
1.08 Mandatory convertible bonds		0.000				0.000
1.09 Single entity backed obligations		0.000				0.000
1.10 SVO-Identified bond exchange traded funds – fair value		0.000				0.000
1.11 SVO-Identified bond exchange traded funds – systematic value		0.000				0.000
1.12 Bonds issued by funds representing operating entities.....	60,777,375	1.930	60,777,375		60,777,375	1.961
1.13 Bank loans - issued.....		0.000				0.000
1.14 Bank loans - acquired.....		0.000				0.000
1.15 Mortgages loans that qualify as SVO-Identified credit tenant loans.....		0.000				0.000
1.16 Certificates of deposit.....		0.000				0.000
1.17 Other issuer credit obligations.....		0.000				0.000
1.18 Total issuer credit obligations.....	1,527,658,684	48.515	1,527,658,684		1,527,658,684	49.287
2. Asset-backed securities (Schedule D, Part 1, Section 2):						
2.01 Financial asset-backed securities – self-liquidating	799,125,163	25.378	799,125,163		799,125,163	25.782
2.02 Financial asset-backed securities – not self-liquidating		0.000				0.000
2.03 Non-financial asset-backed securities	95,638,257	3.037	95,638,257		95,638,257	3.086
2.04 Total asset-backed securities.....	894,763,420	28.416	894,763,420		894,763,420	28.868
3. Preferred stocks (Schedule D, Part 2, Section 1):						
3.01 Industrial and miscellaneous (unaffiliated).....	7,917,767	0.251	7,917,767		7,917,767	0.255
3.02 Parent, subsidiaries and affiliates.....		0.000				0.000
3.03 Total preferred stocks.....	7,917,767	0.251	7,917,767		7,917,767	0.255
4. Common stocks (Schedule D, Part 2, Section 2):						
4.01 Industrial and miscellaneous - publicly traded (unaffiliated)	527,167	0.017	527,167		527,167	0.017
4.02 Industrial and miscellaneous - other (unaffiliated)	2,588,347	0.082	2,588,347		2,588,347	0.084
4.03 Parent, subsidiaries and affiliates - publicly traded		0.000				0.000
4.04 Parent, subsidiaries and affiliates - other	(24,989,216)	(0.794)	(24,989,216)		(24,989,216)	(0.806)
4.05 Mutual funds	329,801,721	10.474	329,801,721		329,801,721	10.640
4.06 Unit investment trusts		0.000				0.000
4.07 Closed-end funds		0.000				0.000
4.08 Exchange traded funds	82,737,715	2.628	82,737,715		82,737,715	2.669
4.09 Total common stocks	390,665,734	12.407	390,665,734		390,665,734	12.604
5. Mortgage loans (Schedule B):						
5.01 Farm mortgages		0.000				0.000
5.02 Residential mortgages		0.000				0.000
5.03 Commercial mortgages	61,557,463	1.955	61,557,463		61,557,463	1.986
5.04 Mezzanine real estate loans		0.000				0.000
5.05 Total valuation allowance		0.000				0.000
5.06 Total mortgage loans	61,557,463	1.955	61,557,463		61,557,463	1.986
6. Real estate (Schedule A):						
6.01 Properties occupied by company	10,109,835	0.321	10,109,835		10,109,835	0.326
6.02 Properties held for production of income		0.000				0.000
6.03 Properties held for sale		0.000				0.000
6.04 Total real estate	10,109,835	0.321	10,109,835		10,109,835	0.326
7. Cash, cash equivalents and short-term investments:						
7.01 Cash (Schedule E, Part 1)	2,180,155	0.069	2,180,155		2,180,155	0.070
7.02 Cash equivalents (Schedule E, Part 2)	50,415,409	1.601	50,415,409		50,415,409	1.627
7.03 Short-term investments (Schedule DA)	99,000	0.003	99,000		99,000	0.003
7.04 Total cash, cash equivalents and short-term investments	52,694,564	1.673	52,694,564		52,694,564	1.700
8. Contract loans		0.000				0.000
9. Derivatives (Schedule DB)		0.000				0.000
10. Other invested assets (Schedule BA)	201,071,408	6.386	151,717,030		151,717,030	4.895
11. Receivables for securities	2,411,803	0.077	2,411,803		2,411,803	0.078
12. Securities Lending (Schedule DL, Part 1).....		0.000		XXX	XXX	XXX
13. Other invested assets (Page 2, Line 11)		0.000				0.000
14. Total invested assets	3,148,850,678	100.000	3,099,496,300		3,099,496,300	100.000

Pinnacol Assurance

Reinsurance Summary Supplemental Filing

December 31, 2025

As of December 31, 2025, the Company's reinsurance program does not include any contracts with risk limiting features identified in paragraphs 114 through 119 of Statement of Statutory Accounting Principles No. 62, *Property and Casualty Reinsurance*.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Members of the Legislative Audit Committee and
Pinnacol Assurance Board of Directors

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pinnacol Assurance (the Company), which comprise the statutory statement of admitted assets, liabilities, and policyholders' surplus as of December 31, 2025, and the related statutory statements of operations, changes in policyholders' surplus, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2026. Our report on the financial statements includes an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared using statutory accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, which is a basis of accounting other than U.S. generally accepted accounting principles. Our report on the financial statements also includes an unmodified opinion on the financial statements in accordance with statutory accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, which is a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
May 20, 2026



Pinnacol Assurance

2025 Audit

Required Communications

May 20, 2026

We have audited the financial statements Pinnacol Assurance (Pinnacol or the Company) as of and for the year ended December 31, 2025 and have issued our report thereon dated May 20, 2026.

We are pleased to present this report related to our audit. This report summarizes matters required by professional standards to be communicated to you in your oversight responsibility for the Company's financial reporting process. This report is intended solely for the information and use of the Board of Directors and management and is not intended and should not be used by anyone other than those specified parties.

We appreciate the cooperation and courtesies extended to us by the Company's personnel. Please do not hesitate to contact us if you would like clarification on these or any other matters. We appreciate the opportunity to continue to be of service to the Company.

A handwritten signature in black ink that reads 'Johnson Lambert LLP'. The signature is written in a cursive, flowing style.

Vienna, Virginia

Required Communications

The auditor is responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly in all material respects, in conformity with accounting practices prescribed or permitted by the Colorado Department of Regulatory Agencies, Division of Insurance (statutory accounting practices). The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The auditor is also responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Auditing standards generally accepted in the United States of America (GAAS) and generally accepted government auditing standards (GAGAS) do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

In accordance with our professional standards, we would like to share the following:

Independence

We have complied with all relevant ethical requirements regarding independence.

Significant Accounting Policies and Their Application

Management is responsible for the selection and use of appropriate accounting policies. As is the case with most organizations, the Company has available alternative accounting principles from which to choose. The significant accounting policies followed by the Company are described in Note 1 to the financial statements.

The accounting policies selected and applied by the Company are appropriate under the circumstances and are consistent with those used by other similar organizations.

Effective January 1, 2025, the Company adopted the National Association of Insurance Commissioner's (NAIC) Principles-Based Bond Definition (PBBB) standard, which revises Statement on Statutory Accounting Practices (SSAP) No. 26 - *Bonds*, SSAP No. 43 - *Asset-Backed Securities*, and SSAP No. 21 - *Other Admitted Assets* (NAIC REF# 2019-21). The standard requires the Company to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets, based on their characteristics. Investment disclosures were updated to comply with the standard. There was no material impact to the Company from adopting the PBBB standard.

There were no other significant account policies initially selected or changed during the year ended December 31, 2025.

We noted no transactions entered into by the Company during the year for which there is lack of authoritative guidance or consensus. We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Risks Identified

A significant risk is an identified risk of material misstatement (i) for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur, or (ii) that is to be treated as a significant risk in accordance with GAAS.

The determination of significant risks allows the auditor to focus more attention on financial statement areas with greater inherent risk through the performance of certain required responses. Our communication about significant risks may assist those charged with governance in fulfilling their responsibility to oversee the financial reporting process.

We have identified the following significant risks:

- **Revenue recognition** – *Presumed significant risk under GAAS*
- **Management override of controls** – *Presumed significant risk under GAAS*
- **Reserves for unpaid losses and loss adjustment expenses** – *Sensitive accounting estimate, see below*
- **Structured Settlement Liability** – *Sensitive Accounting Estimate, see below*
- **Valuation of alternative investments** – *Sensitive accounting estimate, see below*

Sensitive Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The financial statements contain the following sensitive estimates:

Reserves for Unpaid Losses and Loss Adjustment Expenses & Structured Settlement Liability

The estimates for reserves for unpaid losses and loss adjustment expenses and structured settlement liabilities are based on management's best estimate, using the assistance of an independent consulting actuary. The estimates for reserves for unpaid losses and loss adjustment expenses are based primarily on the historical data of the Company, supplemented with industry data. The structured settlement liabilities are based on mortality risk. Significant judgment is required by the actuary in estimating reserves and structured settlement liabilities, and it is management's responsibility to review the actuarial work performed and record these amounts at their best estimate. In order to evaluate the actuarially determined estimates, we relied on the work of an independent consulting actuary engaged by the Company in accordance with Statement on Auditing Standards AU-C 501, Audit Evidence- Specific Considerations for Selected Items. We also relied on the work of an independent auditor-engaged consulting actuary, FTI Consulting, Inc. in accordance with Statement on Auditing Standards AU-C 620, Using the Work of an Auditor's Specialist. Management discounts its estimate for structured settlement liabilities by 2.75% and 2.5% as of December 31, 2025 and 2024, respectively. The discounting of these liabilities creates additional risk and uncertainty. We gathered sufficient appropriate audit evidence to support the reasonableness of management's estimate.

Fair Value Measurements for Non-Alternative Investments

The fair value measurements for investments are based on management's best estimate. Management estimates and records the fair value of investments using prices obtained from the investment reporting manager. If prices are not available from this source, management obtains pricing information based on the work of a valuation specialist. In order to evaluate fair value measurements, we compared the fair value and hierarchy level of a sample of securities to an independent pricing source. We gathered sufficient appropriate audit evidence to support the reasonableness of management's estimate.

Valuation of Alternative Investments

Management's estimate of the fair value of private placement bonds and mortgage loans is based on the work of a valuation specialist. We gathered sufficient appropriate audit evidence to support the reasonableness of management's estimates, including reliance upon the work of the independent valuation specialist in accordance with GAAS.

Management's estimate of the value of limited partnerships and limited liability companies is based on accounting principles generally accepted in the United States (GAAP) equity balances, which is in accordance with statutory accounting principles. We gathered sufficient appropriate audit evidence to support the reasonableness of management's estimate.

Management's estimate of the value of the Company's investment in Cake Insure, Inc. dba EverPeak Insurance and Subsidiaries (EverPeak) is based on equity method valuation adjusted to a limited statutory basis using the most recent available audited financial statements of Cake in conformity with Statements of Statutory Accounting Principles (SSAP) 97, *Investments in Subsidiary, Controlled and Affiliated Entities*. We gathered sufficient appropriate audit evidence to support the reasonableness of management's estimate.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear. Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Company's financial statements relate to: Note 2 – Unpaid Losses and Loss Adjustment Expenses, Note 3 – Internal Structured Settlements and Note 4 – Investments.

Related Party Relationships and Transactions

An **objective of the audit** is to obtain an understanding of such matters sufficient **to be able to recognize fraud risk factors** that are relevant to the identification and assessment of the risks of material misstatement due to fraud and conclude whether the financial statements, insofar as they are affected by those relationships and transactions, achieve fair presentation.

Another objective of the audit is to obtain sufficient appropriate audit evidence about **whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements**. Notes 1 and 10 of the financial statements includes the disclosure of significant related party transactions.

Significant Unusual Transactions

We are required to communicate significant unusual transactions identified during our audit. Significant unusual transactions are defined as significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature.

We did not identify any significant unusual transactions.

Audit Adjustments and Uncorrected Misstatements

No audit adjustments were recorded.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Matters that Affect the Form and Content of the Auditor's Report

We are required to communicate any circumstances that affect the form and content of our auditor's report:

Modification of the Auditor's Report

We have made the following modification to our auditor's report:

- Statutory General Use – Our auditor's report expresses an unmodified opinion on a regulatory basis of accounting indicating that the financial statements are prepared using statutory accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. Our statutory auditor's report also includes an adverse opinion indicating the financial statements are not prepared in accordance with GAAP.

Observations About the Audit Process

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Disagreements with Management, Including Matters Discussed and Resolved

We are required to report any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements or the auditor's report.

There were no disagreements with management.

Significant Difficulties Performing the Audit

No significant difficulties were encountered in performing the audit.

Significant Issues Discussed or Subject to Correspondence with Management

There were no significant issues discussed with or subject to correspondence with management.

Other Matters – Omitted Disclosure

SSAP 41, *Surplus Notes*, requires the disclosure of the holder of surplus notes, or if public, the names of the underwriter and trustee. Management has elected not to disclose the holder of the Company's surplus note within the audited financial statements. The omission of this disclosure is considered immaterial to the audited financial statements.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. We are aware of management's use of other accounting firms for direct assistance in executing the Company's internal audit plans. We are not aware of any other consultations with other accountants regarding accounting or auditing matters.