

April 13, 2026

Colorado General Assembly
200 East Colfax Avenue
Denver, Colorado 80203



Re: Opposition to privatization of Pinnacol Assurance

Esteemed Members of the Colorado General Assembly,

The Manufacturing Alliance of Colorado (MAC) is a unique industry advocacy organization dedicated to building a strong, sustainable and innovative manufacturing sector in Colorado. Our mission is to educate elected leaders and policy makers about the vital role manufacturing plays in Colorado's economy and to advocate for policies that foster a thriving manufacturing sector, supporting both economic growth and community well-being.

Our governance structure is distinctive, with our Board of Governors composed equally of representatives from labor organizations, manufacturing industry executives, and civic leaders. We require consensus among these three pillars before engaging on policy issues.

We are writing today, because our Board of Governors have come to such consensus regarding our strong opposition to any proposal to privatize Pinnacol Assurance.

Pinnacol Assurance was established in 1915 as Colorado's State Compensation Insurance Fund. It was not designed to function as a market-optimized private insurer. It was designed as economic infrastructure — a mechanism to ensure that every Colorado employer, regardless of industry or risk profile, could obtain workers' compensation coverage and that every injured worker could count on receiving benefits. For over a century, that mission has not changed, though the institutional structure has evolved. Today Pinnacol covers more than 50,000 Colorado businesses and approximately one million workers, holds an A- (Excellent) rating from A.M. Best, has appeared on Ward's 50 list of superior insurance providers for eight consecutive years, and returned \$15 million in dividends to policyholders in 2025.

What makes Colorado's system distinctive is its structure. Most states fall into one of three categories: monopoly state funds, where the state is the only provider; assigned risk or residual market systems, where private insurers dominate and high-risk employers are pooled into a separate mechanism; or competitive markets with a public backstop, where a public or quasi-public carrier competes in the voluntary market while also serving as the insurer of last resort. Colorado's model is the third — and the most stable of the three. The recent national trend has been for monopoly states to move toward Colorado's structure. Nevada made that transition in 1999, West Virginia in 2008, and Ohio has had ongoing debate about moving in the same direction. These states concluded that competitive markets with a stable public anchor produce better outcomes than a single-provider monopoly. Colorado is already where those states are trying to get. Privatizing Pinnacol would be a departure from a model that national experience is validating, not abandoning.

MAC opposes any legislation that would privatize Pinnacol and eliminate its mandate as Colorado's insurer of last resort for the following reasons:

1. Privatization Ends the Insurer-of-Last-Resort Mandate and Destabilizes the Market

Pinnacol is the only carrier in Colorado that cannot refuse coverage to any employer, regardless of industry or risk profile. Privatization would end that mandate, leaving the state without a guaranteed backstop and without a developed alternative to replace it.

The consequences are predictable. Experience from other states shows that post-privatization, lower-risk employers migrate to private carriers while the residual pool concentrates with high-hazard employers, driving premium increases for precisely the businesses that can least absorb them. Colorado manufacturers — particularly small and mid-size companies in metals fabrication, food processing, wood products, and industrial equipment — are disproportionately exposed. If premiums spike for these employers, some will operate without adequate coverage, harming workers injured on the job and creating a negative financial incentive and competitive advantage for uninsured operators.

Neither a National Workers Compensation Reinsurance Association membership nor a state assigned risk pool has been designed, funded, or operationally tested in Colorado. MAC will not support exposing its members to a market transition of this magnitude without a fully developed alternative in place before privatization occurs.

2. The PERA Obligation Substantially Reduces Net Proceeds

Pinnacol's employees are currently enrolled in PERA. Privatization triggers a mandatory disaffiliation cost — actuarially determined and statutorily required. This cost has been estimated at between \$302 to \$317 million. This means any transaction must first absorb that obligation before a dollar reaches the state. No independent valuator has confirmed a total transaction value sufficient to deliver the proceeds the legislature has been asked to assume.

3. The Revenue Assumptions Are Unreliable

The JBC's own nonpartisan staff raised questions regarding the reliability of revenue assumptions directly in their February 6, 2026 memorandum. Two pieces of legislation enacted since the underlying valuations were developed — H.B. 25-1300 and H.B. 25B-1003 — have already reduced Pinnacol's prospective value. The valuations themselves present a wide and irreconcilable range, and JBC staff stated plainly that it does not have the expertise to recommend an alternative figure with confidence. If the transaction revenue falls short or is delayed, the state would not know in time to adjust the FY 2026-27 budget, creating the prospect of an acute mid-year fiscal problem that compounds rather than solves the underlying shortfall.

4. The State's Ownership Claim Is Legally Contested

When the General Assembly restructured Pinnacol in 2002, it explicitly provided in statute that all revenues, moneys, and assets belong solely to the company. The accompanying fiscal note confirmed that no state monies were used for Pinnacol's operations. The Colorado Solicitor General reaffirmed this interpretation in 2009. JBC staff notes that legislation compelling a transfer without a negotiated agreement could be subject to litigation and recommends consultation with both OLLS and the Attorney General's Office before proceeding. Unresolved legal questions of this magnitude create material budget risk.

5. One-Time Asset Liquidation Does Not Solve a Structural Budget Problem

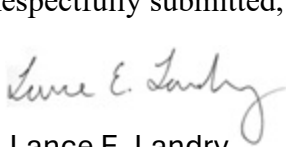
Colorado's budget difficulty is structural — revenues and expenditures are misaligned on an ongoing basis. The proceeds from privatization, whatever they may be, would be available exactly once. The budget pressures that require them would recur every year thereafter. For several years Colorado has relied on federal COVID relief funds, cash fund sweeps, and other non-recurring revenues to balance budgets without making the structural adjustments necessary to bring ongoing revenues and expenditures into alignment. Privatizing Pinnacol follows the same logic and produces the same result: a deferred reckoning that arrives with compounding consequences.

6. The Assets Being Transferred Belong to Colorado's Employer-Policyholders

Since the 2002 restructuring, Pinnacol has accumulated between \$1.3 billion and \$1.5 billion in assets. The state bore no risk during that period. It received no share of operating losses in bad years. It made no documented capital contributions after the restructuring that would support a present-day ownership claim. Those assets were built from policyholder premiums paid by Colorado employers over more than two decades of private operation. For MAC members who have paid into the system for years or decades, the extraction of that surplus to resolve a state budget problem is not an abstraction. It is a demand that they fund, retroactively, an obligation they did not incur. The state is seeking to transfer assets it does not own, built by employers who did, to resolve a fiscal problem those employers did not create.

MAC urges the General Assembly to reject any proposal that would eliminate Pinnacol Assurance mandate as Colorado's insurer of last resort. This is the mission the institution was created to serve. Colorado's manufacturers — and the workers they employ - depend upon it.

Respectfully submitted,



Lance E. Landry
Chair
M.A.C



Zack Esquibel
Vice Chair
M.A.C



Jeff Shaw
Treasurer
M.A.C