



**Pinnacol Assurance Health and Welfare Trust**

Financial Statements

December 31, 2022 and 2021

(With Independent Auditor's Report Thereon)

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## **PINNACOL ASSURANCE HEALTH AND WELFARE TRUST MANAGEMENT DISCUSSION AND ANALYSIS**

This discussion and analysis, which is prepared in conformity with Governmental Accounting Standards Board (GASB) rules, is designed to provide an analysis of Pinnacol Assurance Health and Welfare Trust's (the Trust) financial condition and operating results. According to GASB rules, the intent of the management discussion and analysis is to inform the readers of the financial statements of the Trust's financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the Trust's basic financial statements and the Trust's basic financial statements should be read in conjunction with the MD&A.

The Trust's basic financial statements are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements.

### **Trust Overview:**

The Trust was formed on January 1, 2010. The purpose of the Trust is to provide medical, dental, vision and prescription drug benefits to the employees of Pinnacol Assurance. Pinnacol Assurance is a political subdivision of the State of Colorado, exempt from federal income tax under Internal Revenue Code of 1986, as amended. The trust was formed as an essential governmental function and integral part of the exempt activities of Pinnacol Assurance within the meaning of section 115 of the Internal Revenue Code. The Trust has no ERISA compliance requirements and it is not regulated by the Division of Insurance of the State of Colorado. There were 645 and 650 individuals covered by the Trust at December 31, 2022 and 2021, respectively.

The Trust contracts with United HealthCare (UHC) and Delta Dental (Delta) to provide medical and prescription drug benefits. Under this arrangement, the Trust reimburses UHC and Delta for all healthcare claims. The Trust also contracts with Kaiser Permanente (Kaiser) for fully-funded medical benefits and VSP for vision benefits. The Trust also offers its participants a flexible spending account and contracts with WageWorks to administer this program. The Trust engages a third party broker to assist in administration of the benefit programs.

### **Overview of Financial Statements:**

Basic Financial Statements are presented on the accrual basis of accounting. The three basic statements presented within the financial statements are as follows:

Statements of Net Position -- These statements present information reflecting the net position, which represents the amount of total assets less total liabilities. Although the statement of net position is not presented in a categorized basis, assets are nonetheless listed in liquid to non-liquid order. Liquidity in this reference means cash or ability to be turned into cash.

Statements of Revenues, Expenses and Changes in Net Position -- These statements reflect the Trust's operating revenues and expenses. The essential source of revenues is from contributions from Pinnacol Assurance and from covered individuals. The major sources of operating expenses are health, dental, and vision benefits. The change in net position is similar to net profit for any other insurance entity.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST  
MANAGEMENT DISCUSSION AND ANALYSIS**

Statements of Cash Flows -- These statements reflect the Trust's cash flows from operating activities.

Notes to Financial Statements – The notes to the financial statements allow additional information and clarification to items presented in the statements of net position, statements of revenues, expenses, and changes in net positions, and statements of cash flows.

The following summarizes the Basic Financial Statements and provides variance explanations for significant variances for the years ended December 31, 2022 and 2021:

**Statements of Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Assets</b>			
Cash	\$ 2,220,333	\$ 2,066,001	\$ 154,332
Restricted cash	108,000	106,000	2,000
Accounts receivable	<u>3,312</u>	<u>634</u>	<u>2,678</u>
Total Assets	<u>\$ 2,331,645</u>	<u>\$ 2,172,635</u>	<u>\$ 159,010</u>
<b>Liabilities</b>			
Claim reserves	\$ 487,300	\$ 382,500	\$ 104,800
Claims payable	2,959	46,399	(43,440)
Employee flexible spending payable	28,214	41,245	(13,031)
Accounts payable & accrued expenses	<u>54,900</u>	<u>88,031</u>	<u>(33,131)</u>
Total liabilities	<u>573,373</u>	<u>558,175</u>	<u>15,198</u>
Total net position (unrestricted)	<u>\$ 1,758,272</u>	<u>\$ 1,614,460</u>	<u>\$ 143,812</u>

The change column illustrates that net position increased overall in 2022. The primary driver was the increase of \$927k in UHC stop loss claims cost credits due to a change in the rate agreement and larger claims costs as of December 31, 2022. Cash increased by 7.5% as a result. Accounts receivable, which represent benefit contributions receivable, increased due to the 2022 COBRA benefit contributions not yet received by the trust.

Claims reserves increased due to the increase in IBNR reserves per the estimated claim liability actuarial review at year end. The 2022 IBNR is based on a 36 month lag report of claims paid. Claims payable represent the outstanding claims the Trust owes at year-end, which can fluctuate depending on the timing of the claims. The increase primarily represents an increase in UHC claims accrual and outstanding checks at the end of the year. Employee flexible spending payable decreased due to the fluctuation in the payment timing to WageWorks. Accounts payable and accrued expenses represent liabilities to vendors for administrative expenses. The decrease primarily represents a decrease in UHC administration fees payable and claims administration runout per the estimated claim liability as of December 31, 2022 and accrued legal expenses.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST  
MANAGEMENT DISCUSSION AND ANALYSIS**

**Statements of Revenues, Expenses and Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating revenue:			
Contributions	\$ 9,699,330	\$ 9,270,666	\$ 428,664
Miscellaneous income	16,043	33,063	(17,020)
Total operating revenue	<u>9,715,373</u>	<u>9,303,729</u>	<u>411,644</u>
Operating expenses:			
Net claims incurred	5,534,862	4,219,895	1,314,967
Insurance premiums	3,012,685	3,219,638	(206,953)
Administration	1,023,388	1,143,729	(120,341)
Legal fees	626	24,919	(24,293)
Total operating expenses	<u>9,571,561</u>	<u>8,608,181</u>	<u>963,380</u>
Operating income	143,812	695,548	(551,736)
Increase in net position	143,812	695,548	(551,736)
Net position - Beginning of year	<u>1,614,460</u>	<u>918,912</u>	<u>695,548</u>
Net position - End of year	<u>\$ 1,758,272</u>	<u>\$ 1,614,460</u>	<u>\$ 143,812</u>

The changes in the contributions from 2021 to 2022 are related to the increase in employee and employer contributions due to the anticipated increase in medical claims costs. The change in the overall costs of claims is due to an increase in UHC claims. Claims related to UHC increased by 57.3% from 2021. The Trust has entered into stop-loss insurance contracts to limit large losses. The stop-loss coverage limits the Trust's exposure to \$125,000 for UHC claims paid per person for 2022 and 2021.

Insurance premiums, for 2022, which are the premiums owed to Kaiser for medical benefits and VSP for vision benefits, are consistent with 2021 premiums with a slight decrease.

Administration costs decreased by 13% from 2021 to 2022 primarily due to a change in the UHC shared savings negotiation rate.

**Economic Conditions & Outlook:**

The increasing cost of health insurance continues to be employer's greatest concern specific to managing their benefits program. Employers have ranked this as their top concern for the previous 10+ years. Additional top concerns were a) regulatory compliance (particularly federal reporting requirements), and b) employee satisfaction related to benefits that affect recruiting and retention. To stay aligned with these increases, employers reported deploying numerous tactics including increasing the employee and family contributions, increasing deductibles, increasing employee out-of-pocket expense for prescription drugs, reducing benefits and/or changing carriers. They are also using more targeted strategies to attack healthcare cost drivers through pharmacy management, using more efficient provider networks, and implementing consumerism tools (e.g. cost transparency).

## **PINNACOL ASSURANCE HEALTH AND WELFARE TRUST MANAGEMENT DISCUSSION AND ANALYSIS**

Based on the above projections and historical results, corporations are continuing to make adjustments in health care plans to cope with the increasing cost trends. Some of these adjustments include increasing co-pays, higher deductibles, and switching providers searching for lower cost options. An alternative approach is utilization management. This focuses on the employee and helps them live a healthier lifestyle and be wiser health care consumers. Education and wellness programs are the key component of this strategy.

The Trust and Pinnacol Assurance continue to put health care consumerism to the test with wellness and health education programs aimed at improving outcomes, thereby lowering health care costs. Pinnacol Assurance educates and incentivizes employees to be as engaged as possible, and gives them the tools to make them knowledgeable about their condition and about their prevention and treatment alternatives, so they make the best decisions on health care access and utilization, improve their outcomes and help keep cost in check. Communication with employees has increased to be on a continuous basis not just during policy renewal time. Input is solicited from employees regarding plan design changes, benefit design changes, and contribution adjustments. Communication includes continuous publications introducing all the tools and resources available to assist the employees to become better health care purchasers.

### **Requests for Information**

This report is designed to provide a general overview of the Trust's finances and operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kathy Kranz at 303-361-4864 or Tim Johnson at 303-361-4961.



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## **Independent Auditor's Report**

The Trustees  
Pinnacol Assurance Health and Welfare Trust

### ***Opinion***

We have audited the financial statements of Pinnacol Assurance Health and Welfare Trust (the Trust), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pinnacol Assurance Health and Welfare Trust as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Trust 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 opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Trust's ability to continue as a going concern for one year after the date that 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 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, 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 Trust'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 Trust'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.

***Required Supplementary Information***

The Governmental Accounting Standards Board requires that the Management's Discussion and Analysis on pages II – V be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*K Financial*

Louisville, Colorado

May 1, 2023



# PINNACOL ASSURANCE HEALTH AND WELFARE TRUST

## STATEMENTS OF NET POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,220,333	\$ 2,066,001
Restricted cash	108,000	106,000
Accounts receivable	3,312	634
<b>TOTAL ASSETS</b>	<u>\$ 2,331,645</u>	<u>\$ 2,172,635</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Claim reserves	\$ 487,300	\$ 382,500
Claims payable	2,959	46,399
Employee flexible spending payable	28,214	41,245
Accounts payable and accrued expenses	54,900	88,031
<b>TOTAL LIABILITIES</b>	<u>573,373</u>	<u>558,175</u>
<b>NET POSITION</b>		
Unrestricted	<u>1,758,272</u>	<u>1,614,460</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,331,645</u>	<u>\$ 2,172,635</u>

The accompanying notes are an integral part of the financial statements.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUE</b>		
Contributions	\$ 9,699,330	\$ 9,270,666
Miscellaneous income	<u>16,043</u>	<u>33,063</u>
<b>Total operating revenue</b>	<u>9,715,373</u>	<u>9,303,729</u>
<b>OPERATING EXPENSES</b>		
Claims, net of stop loss recoveries and pharmacy rebates of \$ 1,311,602 and \$ 286,269 in 2022 and 2021, respectively	5,534,862	4,219,895
Insurance premiums	3,012,685	3,219,638
Administration	1,023,388	1,143,729
Legal Fees	<u>626</u>	<u>24,919</u>
<b>Total operating expenses</b>	<u>9,571,561</u>	<u>8,608,181</u>
<b>OPERATING INCOME</b>	143,812	695,548
<b>INCREASE IN NET POSITION</b>	143,812	695,548
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,614,460</u>	<u>918,912</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,758,272</u>	<u>\$ 1,614,460</u>

The accompanying notes are an integral part of the financial statements.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST**

**STATEMENTS OF CASH FLOWS**

**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 9,696,653	\$ 9,277,064
Claims paid	(5,473,502)	(4,225,538)
Payments paid to insurers	(3,012,685)	(3,219,638)
Employee flexible spending available	(13,031)	(24,716)
Administrative expenses paid	(1,056,520)	(1,116,052)
Miscellaneous income received	15,417	33,063
Decrease in restricted cash	<u>(2,000)</u>	<u>(12,000)</u>
<b>Net cash provided by operating activities</b>	154,332	712,183
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	154,332	712,183
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>2,066,001</u>	<u>1,353,818</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,220,333</u>	<u>\$ 2,066,001</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	143,812	695,548
Adjustments to reconcile operating income to net cash provided by operating activities:		
Effects of changes in operating assets and liabilities:		
Restricted cash	(2,000)	(12,000)
Accounts receivable	(2,678)	6,400
Claims payable	(43,440)	2,857
Claim reserves	104,800	(8,500)
Employee flexible spending payable	(13,031)	(24,716)
Accounts payable and accrued expenses	<u>(33,131)</u>	<u>52,594</u>
Net cash provided by operating activities	<u>\$ 154,332</u>	<u>\$ 712,183</u>

The accompanying notes are an integral part of the financial statements.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2022 AND 2021

**NOTE 1: ORGANIZATION**

Pinnacol Assurance Health and Welfare Trust (the Trust) was formed on January 1, 2010. The purpose of the Trust is to provide medical, dental, vision and prescription drug benefits to the employees of Pinnacol Assurance. At December 31, 2022 and 2021 there were approximately 645 and 650 individuals covered by the Trust respectively. The Trust collects contributions from Pinnacol Assurance and covered employees and makes payments for benefits, insurance premiums, stop loss coverage and administrative fees.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental risk pools, set forth by the Governmental Accounting Standards Board. The accrual basis of accounting is utilized where revenue is recognized when earned and expenses are recognized when the liability is incurred.

The Trust distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services in connection with the Trust's purpose of providing medical, dental and vision insurance coverage for Pinnacol Assurance employees. Operating revenues consist of contributions from Pinnacol Assurance and from covered employees. Operating expenses include the cost of claims paid, administrative expenses, insurance premiums to carriers and stop loss fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash, Cash Equivalents, and Restricted Cash**

The Trust considers cash and all highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents. Amounts included in restricted cash represent those required to be set aside by a contractual agreement with an insurer for the payment of specific medical benefit claims.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2022 AND 2021

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reserve for Claims Payable**

Claims are charged to operations as incurred and are reported net of stop loss recoveries and pharmacy rebates. The liability for claims payable is determined based upon case-basis evaluations and projections and includes a provision for incurred but not reported claims. The projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of the Trust's experience, trends in costs of services and changes in the number of covered employees. Adjustments to the probable ultimate liability for claims are made continually based on subsequent developments and experience and are included in operations as incurred (see Note 7).

**Contributions**

The Trust collects contributions from Pinnacol Assurance and covered employees. Contributions are determined by a flat rate. The Trust engages a third party that works directly with the carriers to determine the flat rate for the employees on an annual basis. Current year contributions were determined by starting with a baseline of the prior year contributions and taking into consideration the increase Pinnacol received and both utilization and cost trends.

**Medical Premium Costs**

The Trust pays medical premiums to Kaiser for fully-funded medical benefits and VSP for vision benefits. The premium rates are fixed for the duration of a year, based on the number of employees enrolled in the plan each month.

**Administration Costs**

The Trust pays administration fees to United Healthcare (UHC) and Delta Dental to administer claims. Administration fees include fixed and variable fees. The fixed fees are based on a set rate for a minimum number of enrolled employees and multiplied by the actual volume on a monthly basis. Variable fees are calculated monthly at a percentage of the sum of the allowed amounts of medical claims.

**Income Tax**

The Trust is qualified and exempt from income tax under the provisions of Section 115 of the Internal Revenue Code. Therefore, the accompanying financial statements do not include a provision for income taxes.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2022 AND 2021

**NOTE 3: CASH**

At December 31, 2022, the Trust's cash deposits had a bank balance of \$2,226,413 of which \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC). The carrying balance of cash deposits as of December 31, 2022 was \$2,220,333.

At December 31, 2021, the Trust's cash deposits had a bank balance of \$2,069,780 of which \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC). The carrying balance of cash deposits as of December 31, 2021 was \$2,066,001.

Bank balances up to \$250,000 are insured by the Federal Deposit Insurance Corporation. Remaining balances exceeding \$250,000 fall under the provisions of the Public Deposit Protection Act. Such amounts are uncollateralized.

**NOTE 4: STOP-LOSS INSURANCE CONTRACTS**

The Trust has entered into stop-loss insurance contracts to limit large losses. The stop-loss coverage limits the Trust's exposure to \$125,000 for UHC claims paid per person in 2022 and 2021.

Although management believes they have acquired stop-loss insurance from solvent carriers, a contingent liability exists with respect to insurance coverages which would become a liability of the Trust if the stop-loss insurers were unable to meet their obligations under the contracts.

**NOTE 5: ADMINISTRATIVE AND CLAIMS SERVICING AGREEMENTS**

The Trust contracts with Kaiser, UHC, and Delta Dental to provide medical and prescription drug benefits. Under these agreements the Trust reimburses UHC and Delta Dental for all healthcare claims. The Trust also purchases insurance from Kaiser for a fully-funded medical benefit and from VSP for vision benefits. The Trust also offers its participants a flexible spending account option and contracts with WageWorks to administer this program. The Trust engages a third party broker to assist in the administration of these benefit programs.

**NOTE 6: RELATED PARTY TRANSACTIONS**

Pinnacol Assurance contributed approximately \$7.5 million and \$7.2 million to the Trust during the years ended December 31, 2022 and 2021, respectively. Employees of Pinnacol Assurance contributed \$2.0 million to the Trust during the years ended December 31, 2022 and 2021.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2022 AND 2021

**NOTE 7: CLAIM RESERVES AND CLAIMS PAYABLE**

As discussed in Note 2, the Trust establishes a liability for both reported and un-reported claims. The following represents changes in that liability for the Trust during the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Claim reserves and claims payable, beginning of year	\$428,899	\$434,542
Provision for claims expenses		
Provision for covered events of the current year	5,197,742	4,314,925
Increase / (decrease) in provision for covered events of prior years	<u>337,120</u>	<u>(95,030)</u>
Total claims incurred	<u>5,534,862</u>	<u>4,219,895</u>
Payments, net of stop-loss recoveries and pharmacy rebates		
Claims expenses attributable to covered events of the current year	4,707,483	3,886,025
Claims expenses attributable to covered events of prior years	<u>766,019</u>	<u>339,513</u>
Total payments	<u>5,473,502</u>	<u>4,225,538</u>
Claim reserves and claims payable, end of year	<u>\$490,259</u>	<u>\$428,899</u>

As a result of changes in estimates of insured events in prior years, the provision for claims expenses increased by \$337,120 and decreased by \$95,030 in 2022 and 2021, respectively. The increase in 2022 is due to higher than expected losses pertaining to prior years and the decrease in 2021 is due to lower than expected losses pertaining to prior years.

**NOTE 8: INSURANCE AND FINANCIAL RISKS**

Insurance Risks

Insurance risk is the risk that an event will take place giving rise to a claim or claims and includes the uncertainty of the amount and timing of any resulting claim or claims. Factors influencing insurance risk include but are not limited to the amount of risk undertaken, risk diversification and geographical and industry exposures. The Trust directly insures certain risks of covered employees and as such there is a concentration of insurance risk within the industry sector and territory in which the Trust operates.

**PINNACOL ASSURANCE HEALTH AND WELFARE TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2022 AND 2021

**NOTE 9: SUBSEQUENT EVENTS**

The Trust has evaluated events subsequent to December 31, 2022 through May 1, 2023, which is the issuance date of this report.

There were no material events noted in the subsequent period that would have impacted the results reported herein or in the Trust's results going forward.