



Pinnacol Assurance Health and Welfare Trust

Financial Statements

December 31, 2025 and 2024

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS

	PAGE
MANAGEMENT DISCUSSION AND ANALYSIS	II
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6

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 887 and 702 individuals covered by the Trust at December 31, 2025 and December 31, 2024, 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 and investing 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, 2025 and 2024:

Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Assets			
Cash and cash equivalents	\$ 2,671,950	\$ 2,840,418	\$ (168,468)
Restricted cash	125,000	125,000	-
Accrued interest	<u>7,309</u>	<u>9,665</u>	<u>(2,356)</u>
Total assets	<u>\$ 2,804,259</u>	<u>\$ 2,975,083</u>	<u>\$ (170,824)</u>
Liabilities			
Claim reserves	\$ 795,229	\$ 612,100	\$ 78,800
Claims payable	656	721	103,608
Employee flexible spending payable	72,338	81,391	(9,053)
Accounts payable & accrued expenses	<u>59,501</u>	<u>79,895</u>	<u>(19,738)</u>
Total liabilities	<u>927,724</u>	<u>774,107</u>	<u>153,617</u>
Total net position (unrestricted)	<u>\$ 1,876,535</u>	<u>\$ 2,200,976</u>	<u>\$ (324,441)</u>

The change column illustrates that net position decreased overall in 2025. The primary driver was the increase of \$104k in claims payable and increase in overall claims costs of \$140k. Cash decreased by 6% as a result.

Claims reserves increased due to the increase in incurred but not reported (IBNR) reserves per the estimated claim liability actuarial review at year end. The 2025 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 Medical Flex Spending and UHC administration fees payable and claims administration runoff per the estimated claim liability as of December 31, 2025 and accrued legal expenses.

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

Statements of Revenues, Expenses and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Operating revenue:			
Contributions	\$ 11,231,384	\$ 11,614,479	\$ (383,095)
Miscellaneous income	0	28,597	(28,597)
Total operating revenue	<u>11,231,384</u>	<u>11,643,076</u>	<u>(411,692)</u>
Operating expenses:			
Net claims incurred	6,354,943	6,214,654	140,290
Insurance premiums	3,623,706	3,590,143	33,563
Administration	1,673,588	1,601,299	72,289
Legal fees	2,687	28,891	(26,205)
Total operating expenses	<u>11,654,924</u>	<u>11,434,987</u>	<u>219,938</u>
Operating (loss)/income	(423,540)	208,089	(631,629)
Net investment income	99,099	117,472	(18,373)
(Decrease)/Increase in net position	<u>(324,441)</u>	<u>325,561</u>	<u>(650,002)</u>
Net position - Beginning of year	<u>2,200,976</u>	<u>1,875,415</u>	<u>325,561</u>
Net position - End of year	<u>\$ 1,876,535</u>	<u>\$ 2,200,976</u>	<u>\$ (324,441)</u>

The change in employee and employer contributions from 2024 to 2025 is primarily due to discontinuing the UHC PPO plan which was a significant driver of costs. While overall costs rose due to an 8% increase in UHC claims compared to 2024, the Trust continues to mitigate large losses through stop-loss insurance. This coverage limits the Trust's exposure to \$125,000 per person for both the 2024 and 2025 plan years. In 2025, there was one claimant that was limited per the reinsurance contract to \$600,000 due to the cost of the claims which caused an increase in claims paid for this individual.

Insurance premiums for 2025, which are the premiums owed to Kaiser for medical benefits are consistent with 2024 and VSP for vision benefits premiums had an increase of 8%.

Administration costs increased by 5% from 2024 to 2025 primarily due to the administration fees from utilization and claims administration.

Economic Conditions & Outlook:

The increasing cost of health insurance continues to be employers' 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) an increase cost for specialty pharmacy. 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,

PINNACOL ASSURANCE HEALTH AND WELFARE TRUST MANAGEMENT DISCUSSION AND ANALYSIS

using more efficient provider networks, and implementing consumerism tools (e.g. cost transparency).

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, reviewing plan design and focusing on biosimilars over name brand drugs. 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. This includes how and when to access care (virtual vs. ER) and also driving employees to mail pharmacy to reduce overall costs.

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 Alicia Allen at 303-361-4889 or Tim Johnson at 303-361-4961.



940 Main Street
Louisville, CO 80027
tel 303.665.8060 fax 303.665.0813
www.kfinancial.com

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, 2025 and 2024, 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, 2025 and 2024, 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 available to be 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 require 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 15, 2026

PINNACOL ASSURANCE HEALTH AND WELFARE TRUST

STATEMENTS OF NET POSITION

DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 2,671,950	\$ 2,840,418
Restricted cash	125,000	125,000
Accrued interest	7,309	9,665
TOTAL ASSETS	<u><u>\$ 2,804,259</u></u>	<u><u>\$ 2,975,083</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Claim reserves	\$ 795,229	\$ 612,100
Claims payable	656	721
Employee flexible spending payable	72,338	81,391
Accounts payable and accrued expenses	59,501	79,895
TOTAL LIABILITIES	<u><u>927,724</u></u>	<u><u>774,107</u></u>
NET POSITION		
Unrestricted	<u>1,876,535</u>	<u>2,200,976</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,804,259</u></u>	<u><u>\$ 2,975,083</u></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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUE		
Contributions	\$ 11,231,384	\$ 11,614,479
Miscellaneous income	-	28,597
Total operating revenue	<u>11,231,384</u>	<u>11,643,076</u>
OPERATING EXPENSES		
Claims, net of stop loss recoveries and pharmacy rebates of \$ 1,805,495 and \$ 1,403,517 in 2025 and 2024, respectively	6,354,943	6,214,654
Insurance premiums	3,623,706	3,590,143
Administration	1,673,588	1,601,299
Legal and bank fees paid	2,687	28,891
Total operating expenses	<u>11,654,924</u>	<u>11,434,987</u>
OPERATING (LOSS) / INCOME	(423,540)	208,089
NON-OPERATING REVENUE		
Net investment income	99,099	117,472
(DECREASE) / INCREASE IN NET POSITION	(324,441)	325,561
NET POSITION - BEGINNING OF YEAR	<u>2,200,976</u>	<u>1,875,415</u>
NET POSITION - END OF YEAR	<u>\$ 1,876,535</u>	<u>\$ 2,200,976</u>

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

PINNACOL ASSURANCE HEALTH AND WELFARE TRUST

STATEMENTS OF CASH FLOWS

DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 11,231,384	\$ 11,614,479
Claims paid	(6,211,352)	(6,180,554)
Payments paid to insurers	(3,623,706)	(3,590,143)
Employee flexible spending available	(9,053)	(15,493)
Administrative expenses paid	(1,652,153)	(1,635,936)
Accounts payable	(2,687)	(4,307)
Miscellaneous income received	-	28,598
Decrease in restricted cash	-	-
Net cash (used in) / provided by operating activities	<u>(267,567)</u>	<u>216,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Income	99,099	117,472
Net Cash Provided by Investment Activities	<u>\$ 99,099</u>	<u>\$ 117,472</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(168,468)	334,116
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,840,418</u>	<u>2,506,302</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,671,950</u>	<u>\$ 2,840,418</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	(423,540)	208,089
Adjustments to reconcile operating income to net cash provided by operating activities:		
Effects of changes in operating assets and liabilities:		
Restricted cash	-	-
Accounts receivable	-	-
Accrued interest	2,356	(9,665)
Claims payable	103,608	(2,755)
Claim reserves	78,800	34,100
Employee flexible spending payable	(9,053)	(15,493)
Accounts payable and accrued expenses	(19,738)	2,368
Net cash provided by operating activities	<u>\$ (267,567)</u>	<u>\$ 216,644</u>

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

PINNACOL ASSURANCE HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025 and 2024 there were 887 and 702 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, legal fees, 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, 2025 AND 2024

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. Claims payable represent claims that have been incurred and reported to the Trust as of the statement of net position date and for which the amounts are known or can be reasonably estimated based on claim adjudication data provided by the third-party administrator. The reserve for claims includes estimates of claims incurred but not reported (IBNR) and claims reported but not fully processed as of the statement of net position date. The reserve is determined based on historical claims experience, lag analysis, trends in health care costs, and other actuarial assumptions. The total claims liability (claims payable and reserve for claims) reflects management's best estimate of the ultimate cost of claims incurred as of the statement of net position date. The reserve for claims is subject to ongoing estimation as additional claim information becomes available, and adjustments to the reserve are recorded in operations in the period in which such adjustments become known. (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.

NOTE 3: CASH

At December 31, 2025, the Trust's cash deposits had a bank balance of \$2,690,242 of which \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC). The carrying balance of cash deposits as of December 31, 2025 was \$2,671,950.

PINNACOL ASSURANCE HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

At December 31, 2024, the Trust's cash deposits had a bank balance of \$2,875,321 of which \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC). The carrying balance of cash deposits as of December 31, 2024 was \$2,840,418.

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 2025 and 2024.

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 \$9.0 million and \$9.1 million to the Trust during the years ended December 31, 2025 and 2024, respectively. Employees of Pinnacol Assurance contributed \$2.2 million and \$2.4 million to the Trust during the years ended December 31, 2025 and 2024, respectively.

PINNACOL ASSURANCE HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Claim reserves and claims payable, beginning of year	\$612,100	\$578,000
Provision for claims expenses		
Provision for covered events of the current year	6,113,032	6,253,347
Increase provision for covered events of prior years	<u>281,449</u>	<u>(38,693)</u>
Total claims incurred	<u>6,349,481</u>	<u>6,214,654</u>
Payments, net of stop-loss recoveries and pharmacy rebates		
Claims expenses attributable to covered events of the current year	5,317,803	5,641,247
Claims expenses attributable to covered events of prior years	<u>893,549</u>	<u>539,307</u>
Total payments	<u>6,211,352</u>	<u>6,180,554</u>
Claim reserves and claims payable, end of year	<u>\$795,229</u>	<u>\$612,100</u>

As a result of changes in estimates of insured events in prior years, the provision for claims expenses increased by \$281,449 and decreased by \$38,693 in 2025 and 2024, respectively. The increase in 2025 is due to higher than expected losses pertaining to prior years and the decrease in 2024 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

PINNACOL ASSURANCE HEALTH AND WELFARE TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

such there is a concentration of insurance risk within the industry sector and territory in which the Trust operates.

NOTE 9: SUBSEQUENT EVENTS

The Trust has evaluated events subsequent to December 31, 2025 through May 15, 2026, 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.