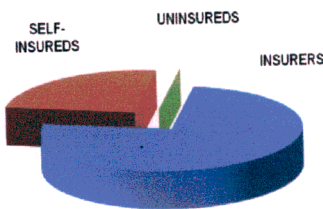
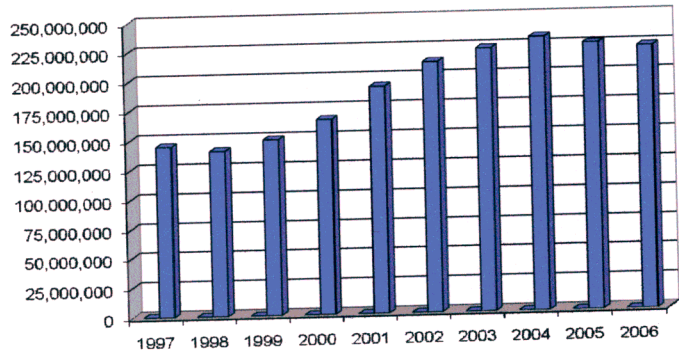


WORKERS' COMPENSATION 2006 ANNUAL REPORT

A total of \$223.0 million was paid in workers' compensation benefits during calendar year 2006. This is a decrease of 1.47% from 2005's total of \$226.3 million.

Of this amount, \$167.8 million, 75.2%, was paid by market-insured employers, \$55.2 million, 24.8%, was paid by self-insured

Total Compensation Payments

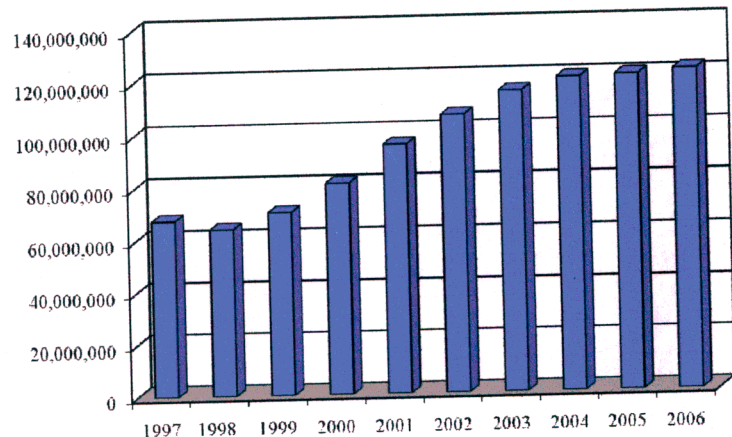


employers, and \$12,626, .01%, was paid by uninsured employers. This compares to \$173.4 million, 76.6%, paid by market-insured employers, \$52.9 million, 23.4%, paid by self-insured employers, and \$15,939 paid by uninsured employers in 2005.

MEDICAL BENEFITS

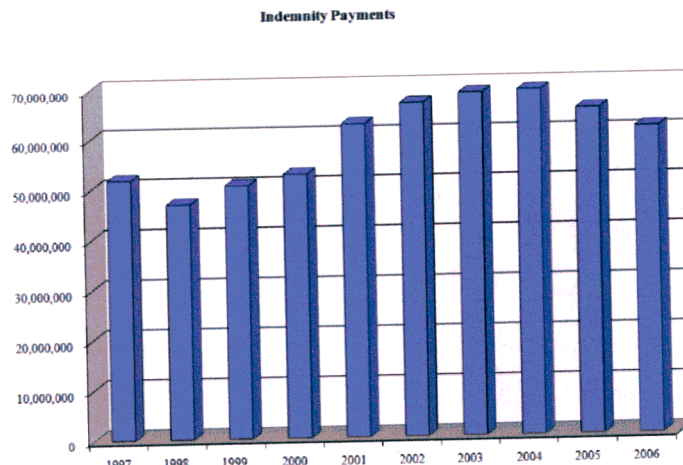
In 2006, medical benefits totaled \$122.4 million, up 1.40% from \$120.7 million in 2005. Medical benefits were 54.9% of total benefits paid in 2006, compared to 53.4% of total benefits paid in 2005.

Medical Payments

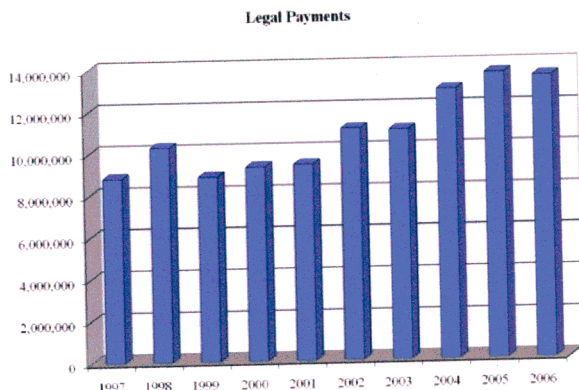


INDEMNITY BENEFITS

For calendar year 2006 indemnity benefits (TTD, TPD, PPI, and PTB) totaled \$61.2 million, down 6.2% from \$65.1 million in 2005. TTD benefits decreased 5.6%, from \$34.9 million to \$33.0 million; TPD benefits decreased 11.9%, from \$1.3 million to \$1.2 million; PPI benefits decreased 6.5%, from \$23.0 million to \$21.5 million; and PTB benefits decreased 4.9% from \$5.8 million to \$5.5 million.



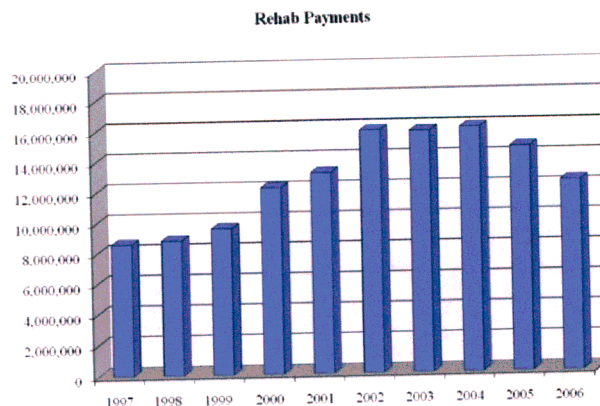
LEGAL EXPENSES



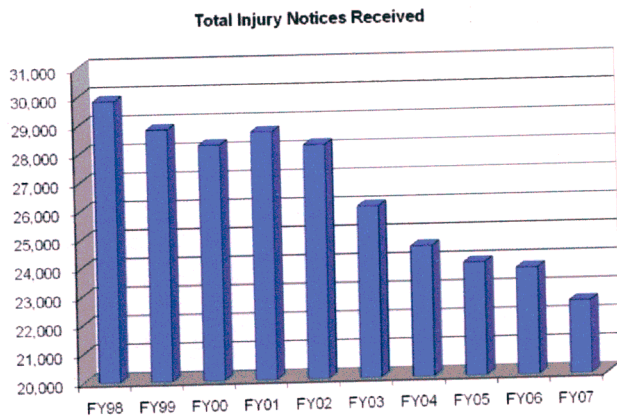
Legal expenses decreased 1.2%, to \$13.5 million in 2006 from \$13.6 million in 2005. Employee attorney fees decreased 6.8%, from \$3.2 million to \$3.0 million; employer attorney fees declined 4.8%, from \$9.1 million to \$8.9 million; and litigation costs increased 18.4%, from \$1.3 million to \$1.6 million.

REEMPLOYMENT BENEFITS

Reemployment benefit payments decreased 15.4% in 2006, to \$12.4 million from \$14.7 million in 2005. Compensation paid while under rehabilitation, 041K benefits, were the largest rehabilitation expense. 041K benefits decreased 26.0%, from \$9.8 million in 2005 to \$7.5 million in 2006. Employee evaluation costs increased 1.6%, from \$1.02 million to \$1.04 million. Rehabilitation specialist fees increased 2.8%, from \$738,482 to \$759,413. Plan development costs increased 4.4%, from \$2.25 million to \$2.35 million. Plan monitoring fees increased 17.7%, from \$886,199 to \$1.04 million. The job dislocation benefit is not reported separately on the annual report. Most insurers have been reporting this benefit under the 'Other' category on the annual report.

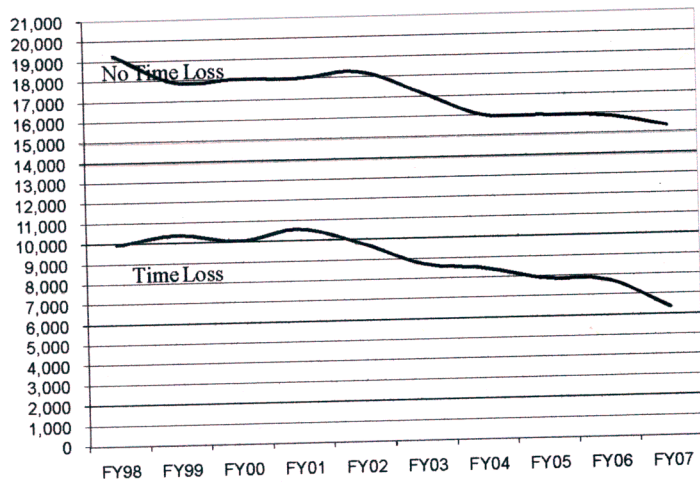


ANALYSIS OF WORKERS' COMP CLAIMS

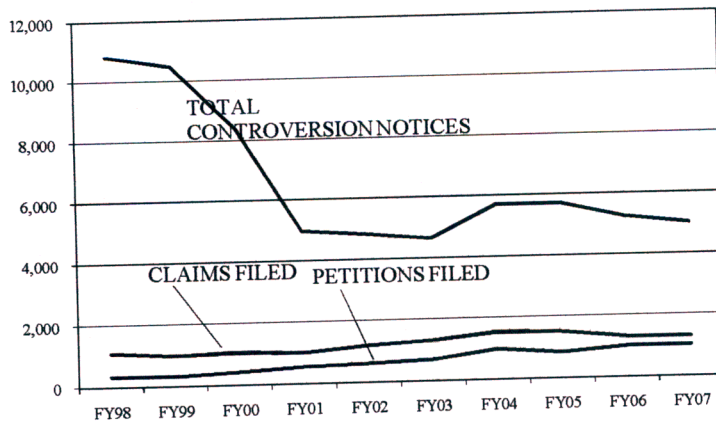


In FY07, the number of reports of injury and occupational illness submitted to the Workers' Compensation Division declined 5.0%, from 23,716 in FY06 to 22,528 in FY07.

Of the case files set up by the Division in FY07, 15,352 cases, 68.1%, were no-time-loss cases; 6,395 cases, 28.4%, were time-loss cases; 21 cases, .09%, were fatalities, and 30 cases, .13%, were jurisdictional claims.

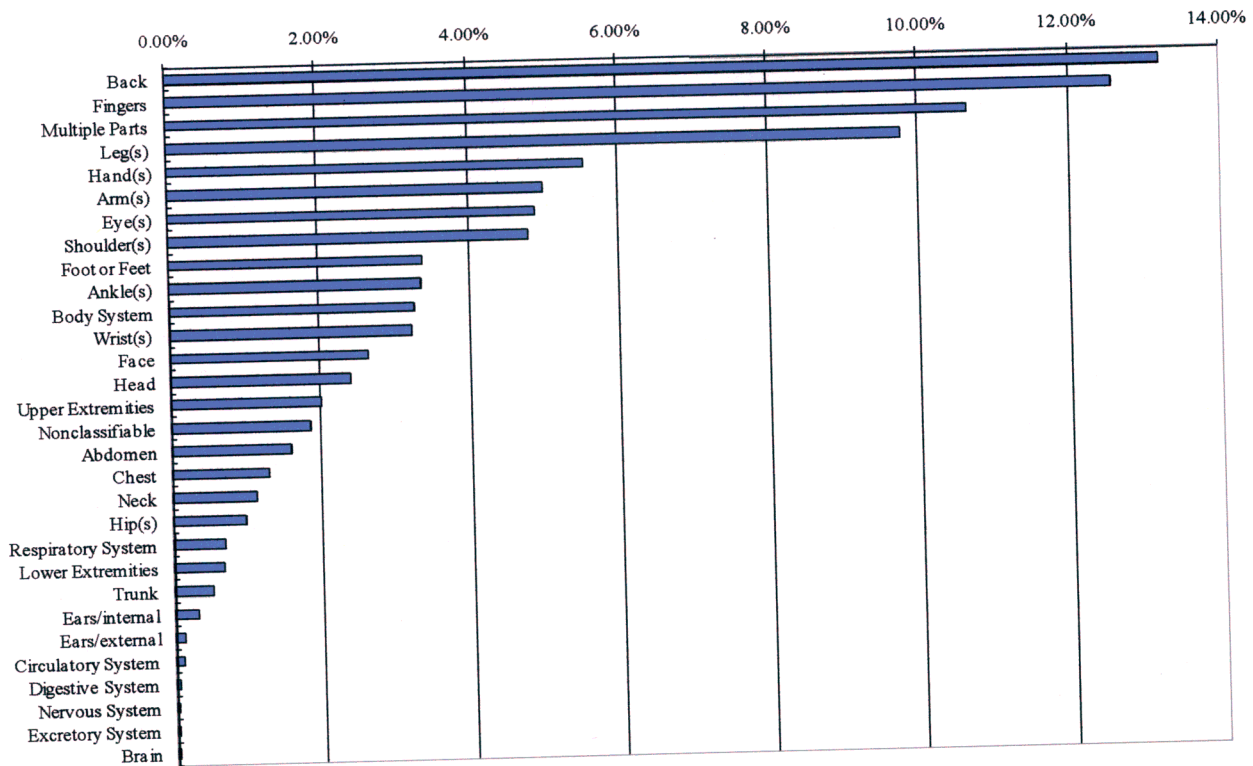


CLAIMS & PETITIONS



In FY07, the number of claims filed decreased 3.2%, from 1,340 in FY06 to 1,297 in FY07. The number of petitions filed increased 2.8%, from 1,019 to 1,048. The total number of controversion notices filed decreased 4.7%, from 5,264 to 5,018, and the total number of cases controverted in FY07 decreased 7.6%, from 4,048 cases to 3,739 cases.

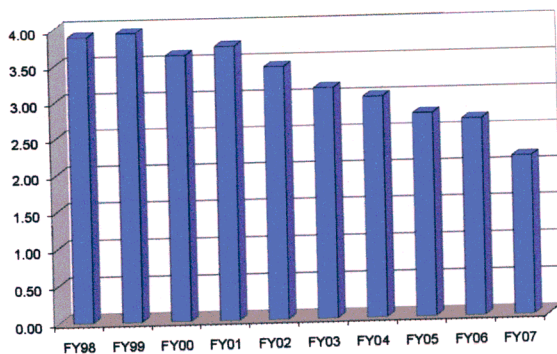
Body Part Injured



The top 10 injuries by body part injured are

1. back injuries (13.2%)
2. finger injuries (12.6%)
3. multiple part injuries(10.7%)
4. leg injuries (9.8%)
5. hand injuries (5.5%)
6. arm injuries (5.0%)
7. eye injuries (4.9%)
8. shoulder injuries (4.8%)
9. foot or feet (3.4%).
10. ankle injuries (3.4%)

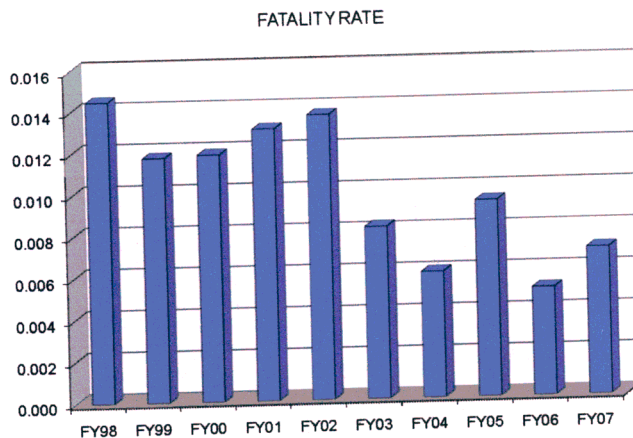
TIME LOSS RATE



Based on Department of Labor & Workforce Development, Research and Analysis Section data, total average employment in 2006 was estimated at 317,400 up 2.4% from 309,900 in 2005. Excluding 16,700 federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2006 would be approximately 298,000.

Using the number of time-loss claims established by the Workers' Compensation Division, the time loss rate per 100 employees in 2006 was 2.15, compared to a loss rate of 2.67 in 2005.

2006 ANNUAL REPORT



Using the number of fatalities established by the Workers' Compensation Division, the fatality rate per 100 employees in 2006 was .007, compared to .005 in 2005.

OTHER

The top twenty insurers/self-insured employers paid \$162.7 million, or 73.0% of total workers' compensation benefits paid in 2005. This compares to \$167.5 million or 74.0% in 2005.

The top five insurers/self-insured employers by benefits paid in 2006 were Alaska National Insurance Co. at \$39.4 million, down 13.0% from \$48.1 million in 2005; State of Alaska at \$16.5 million, down 2.5% from \$17.0 million in 2005; Commerce & Industry Ins. Co. at \$15.8 million, up 7.0% from \$14.8 million in 2005; Liberty Northwest Insurance Co. at \$13.4 million, down 5.4% from \$14.1 million in 2005; and Ace American Insurance Co. at \$11.9 million, up 138.6% from \$5.0 million in 2005.

For the most recent statistical year, fiscal year 2006, the Division of Insurance reported 185 insurance companies authorized to write workers' compensation insurance in Alaska, with direct premiums written totaling \$335.6 million. This compares to 182 admitted insurers writing \$300.5 million in direct premiums in fiscal year 2005. Of direct premiums written in fiscal year 2006, three companies wrote 62.1% of the policies. Alaska National Insurance Co. had 34.5% of the market share, Commerce & Industry Insurance Co. (AIG) had 17.4% of the market, and Liberty Northwest Insurance Co had 10.3% of the market share.

In calendar year 2006, voluntary market and involuntary market (assigned risk pool) workers' compensation premium rates increased an average of 7.0%. During calendar year 2006, there were no new notices of rehabilitation or liquidation for admitted Alaskan workers' compensation insurers.