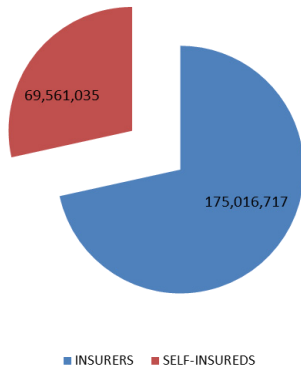


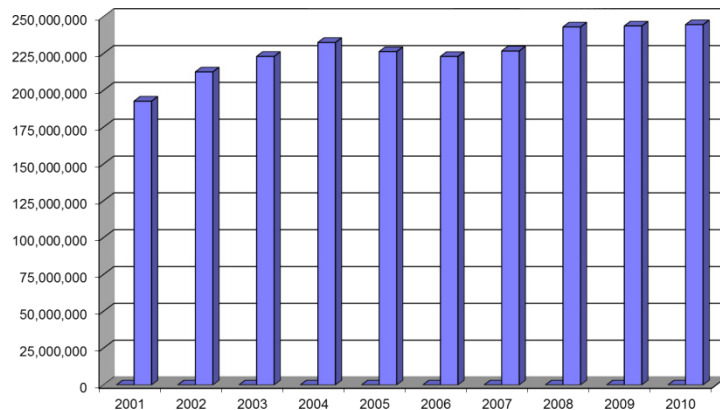
WORKERS' COMPENSATION 2010 ANNUAL REPORT

A total of \$244.6 million was paid in workers' compensation benefits during calendar year 2010. This is an increase of .4% from 2009's total of \$243.7 million.

Of this amount, \$175.0 million, 71.6%, was paid by market-



Total Compensation Payments

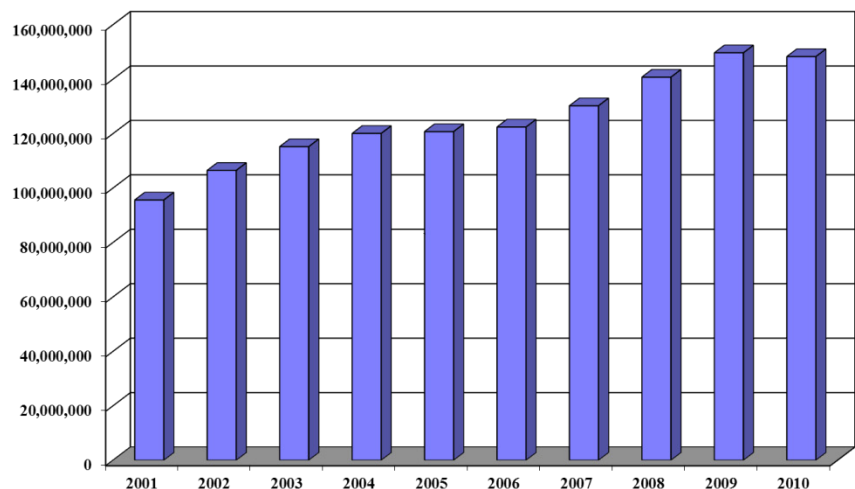


insured employers, and \$69.6 million, 28.4%, was paid by self-insured employers. This compares to \$179.0 million, 73.4%, paid by market-insured employers, and \$64.6 million, 26.6%, paid by self-insured employers in 2009.

MEDICAL BENEFITS

In 2010, medical benefits totaled \$148.3 million, down .93% from \$149.6 million in 2009. Medical benefits were 60.6% of total benefits paid in 2009, compared to 61.4% of total benefits paid in 2009.

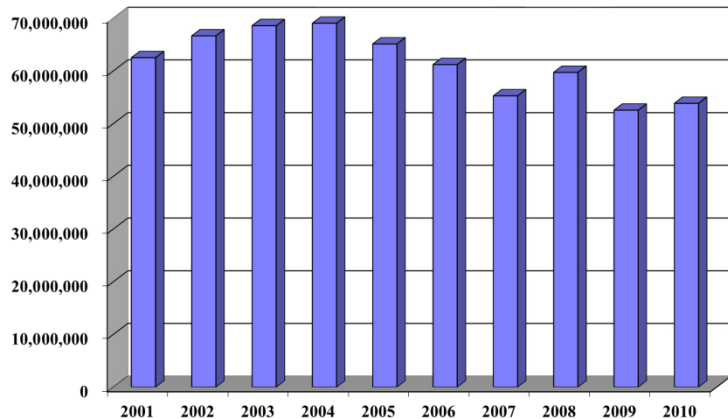
Medical Payments



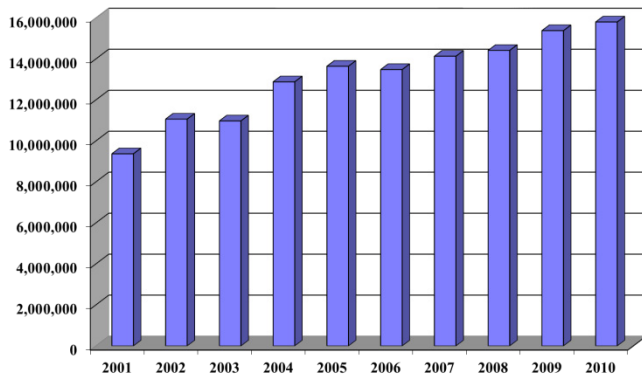
INDEMNITY BENEFITS

For calendar year 2010 indemnity benefits (TTD, TPD, PPI, and PTD) totaled \$53.8 million, up 2.5% from \$52.5 million in 2009. TTD benefits increased 3.2%, from \$30.1 million to \$31.1 million; TPD benefits decreased 2.3%, from \$1.08 million to \$1.06 million; PPI benefits decreased 8.6%, from \$15.2 million to \$13.9 million; and PTD benefits increased 27.4% from \$6.1 million to \$7.8 million.

Indemnity Payments



Legal Payments



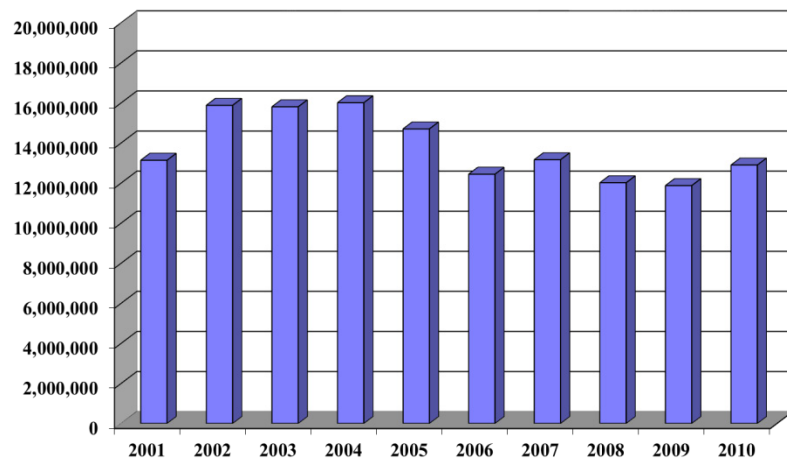
LEGAL EXPENSES

Legal expenses increased 2.8%, to \$15.8 million in 2010 from \$15.4 million in 2009. Employee attorney fees increased 1.28%, from \$4.95 million to \$5.01 million; employer attorney fees increased 7.31%, from \$8.96 million to \$9.62 million; and litigation costs decreased 20.1%, from \$1.47 million to \$1.17 million.

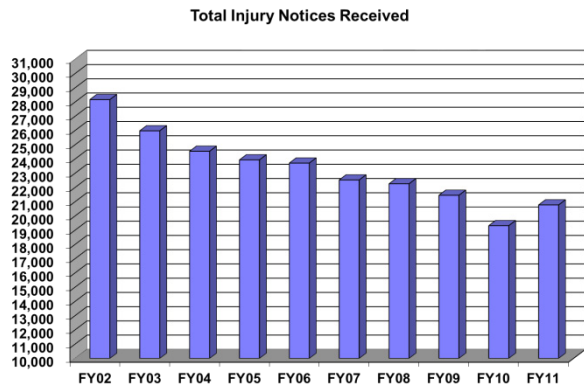
REEMPLOYMENT BENEFITS

Reemployment benefit payments increased 8.6% in 2010, to \$12.9 million from \$11.9 million in 2009. Compensation paid while under rehabilitation, 041(k) benefits, increased 8.3%, from \$6.9 million in 2009 to \$7.5 million in 2010. Employee evaluation costs increased 22.8%, from \$1.6 million to \$1.9 million. Rehabilitation specialist fees increased 15.2%, from \$390,851 to \$450,108. Plan development costs decreased 1.9%, from \$1.5 million to \$1.47 million. Plan monitoring fees decreased 28.4%, from \$834,112 to \$597,315. Job dislocation benefits, 041(g), increased 45.7%, from \$656,860 to \$957,230.

Rehab Payments

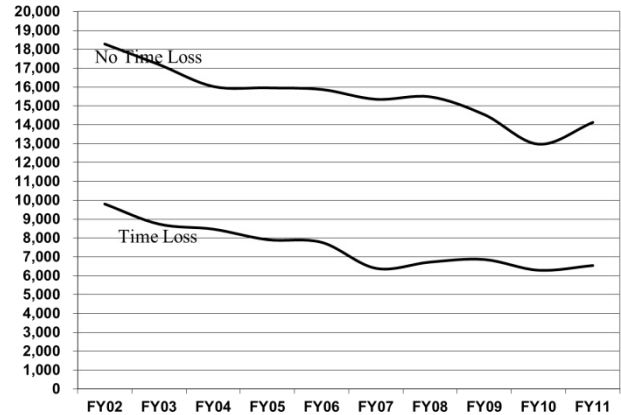


ANALYSIS OF WORKERS' COMP CLAIMS

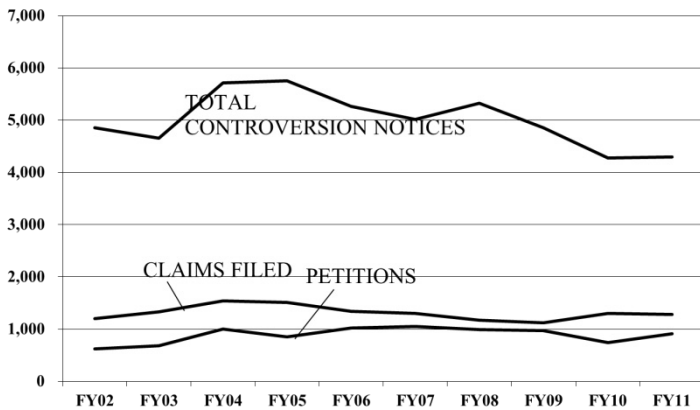


In FY11, the number of reports of injury and occupational illness submitted to the Workers' Compensation Division increased 7.5%, from 19,321 in FY10 to 20,776 in FY11.

Of the case files set up by the Division in FY11, 14,128 cases, 68.0%, were no-time-loss cases; 6,544 cases, 31.5%, were time-loss cases; 28 cases, .13%, were fatalities, and 76 cases, .36%, were jurisdictional claims.

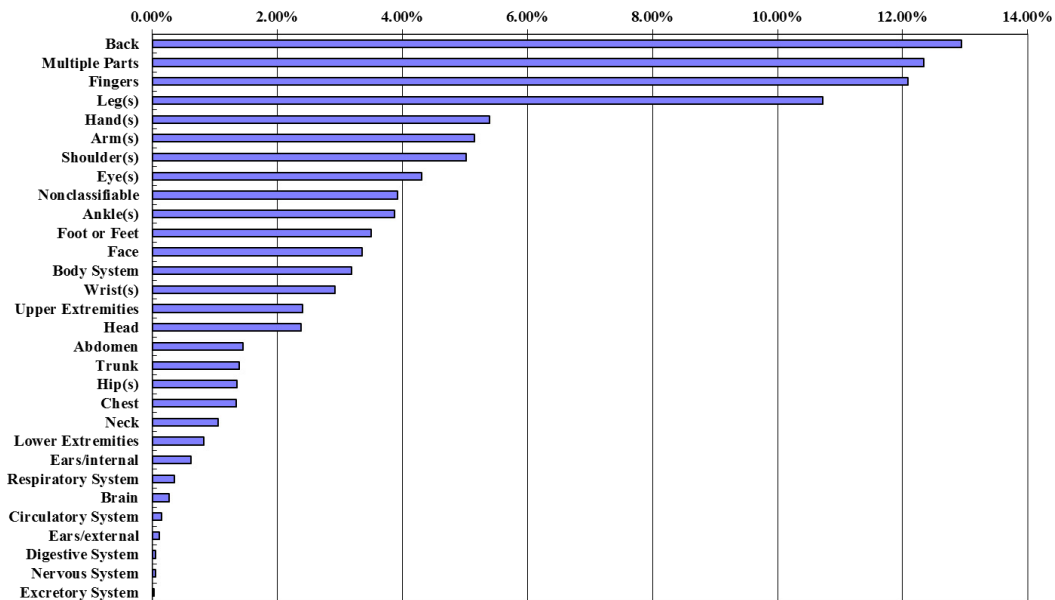


CLAIMS & PETITIONS



In FY11, the number of claims filed decreased 1.4%, from 1,298 in FY10 to 1,280 in FY11. The number of petitions filed increased 22.8%, from 741 to 910. The total number of controversion notices filed increased .4%, from 4,278 to 4,293, and the total number of cases controverted in FY11 increased 1.3%, from 3,174 cases to 3,216 cases.

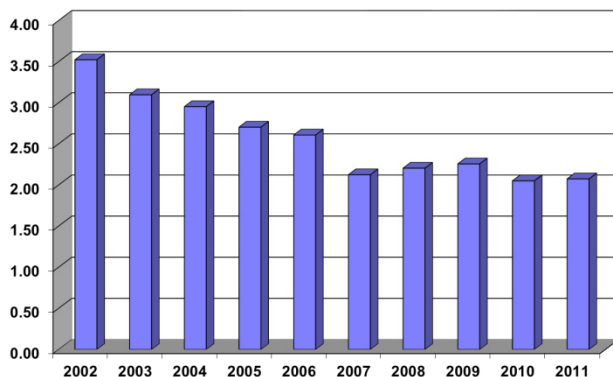
Body Part Injured



Top 10 Injuries by Body Part Injured

1. back injuries (12.9%)
2. multiple body part injuries (12.3%)
3. finger injuries (12.1%)
4. leg injuries (10.7%)
5. hand injuries (5.4%)
6. arm injuries (5.2%)
7. shoulder injuries (5.0%)
8. eye injuries (4.3%)
9. nonclassifiable injuries (3.9%).
10. ankle injuries (3.9%)

TIME LOSS RATE

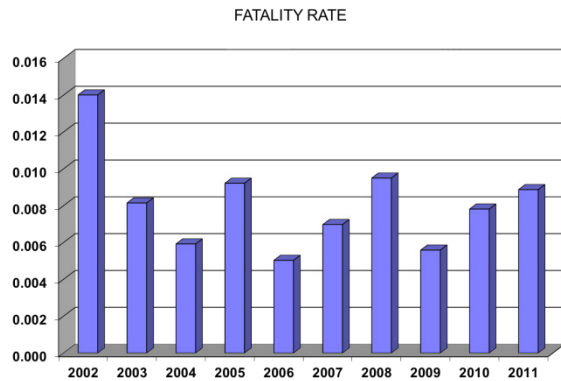


Based on Department of Labor & Workforce Development, Research and Analysis Section data, total average employment in 2011 was estimated at 332,589 up 2.4% from 324,633 in 2010. Excluding federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2011 was approximately 315,556.

Using the number of time-loss claims established by the Workers'

Compensation Division, the time loss rate per 100 employees in 2011 was 2.07, up 0.98% from a loss rate of 2.05 in 2010.

2010 ANNUAL REPORT



Using the number of fatalities established by the Workers' Compensation Division, the fatality rate per 100 employees in 2011 was .009, up 12.5% from a fatality rate of .008 in 2010.

OTHER

The top twenty insurers/self-insured employers paid \$166.6 million, or 68.4% of total workers' compensation benefits paid in 2010. This compares to \$166.5 million or 68.3% in 2009.

The top five insurers/self-insured employers by benefits paid in 2010 were Alaska National Insurance Co. at \$32.6 million, State of Alaska at \$24.1 million, Liberty Northwest Insurance Co. at \$15.1 million, Commerce & Industry Ins. Co. at \$11.4 million, and Ace American Insurance Co. at \$9.9 million.

For the most recent statistical year available, calendar year 2009, the Division of Insurance reported 189 insurance companies authorized to write workers' compensation insurance in Alaska, with direct premiums written totaling \$255.6 million. This compares to 186 admitted insurers writing \$284.8 million in direct premiums in calendar year 2008. Of direct premiums written in 2009, three companies wrote 46.8% of the policies. Alaska National Insurance Co. had 28.3% of the market share, Liberty Northwest Insurance Co had 10.9% of the market share, and Commerce & Industry Insurance Co. (Chartis) had 7.65% of the market.

In calendar year 2011, workers' compensation premium rates decreased 2.5%, compared to a premium decrease of 10.3% in 2010. Despite six consecutive years of rate reductions, Alaska continues to have one of the highest premium rates in the country.

During calendar year 2010, there were no new notices of rehabilitation or liquidation for admitted Alaskan workers' compensation insurers.

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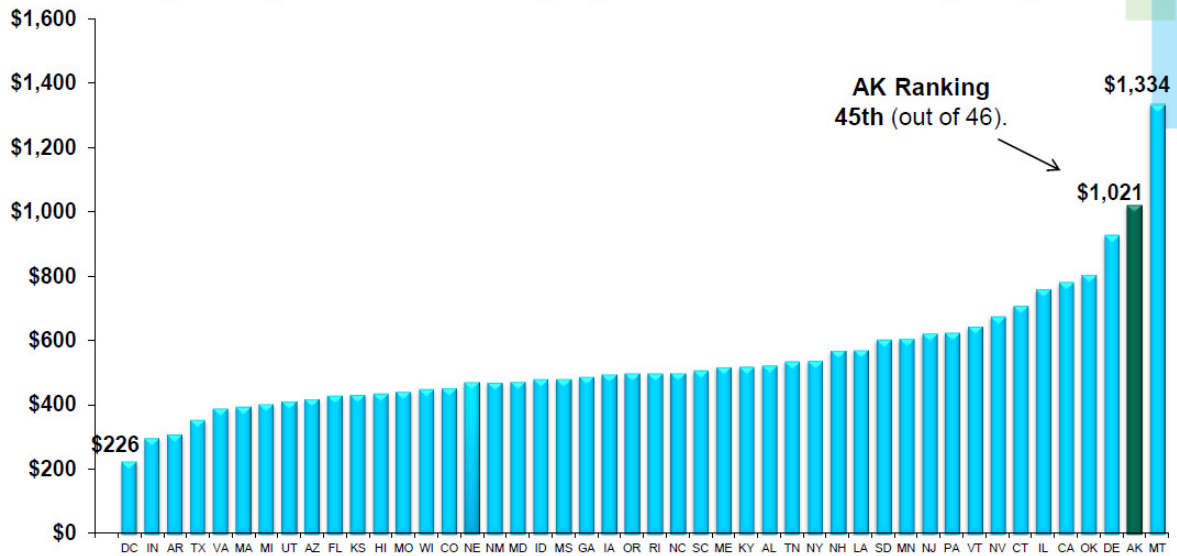
| 2010 Ranking | 2008 Ranking | State | Index Rate | Percent of study median | Effective Date |
|--------------|--------------|----------------------|------------|-------------------------|------------------------------------|
| 1 | 2 | Montana | 3.33 | 163% | July 1, 2009 |
| 2 | 1 | Alaska | 3.10 | 152% | Jan. 1, 2010 |
| 3 | 10 | Illinois | 3.05 | 149% | Jan. 1, 2010 |
| 4 | 9 | Oklahoma | 2.87 | 141% | 11/1/09 state fund, 1/1/10 private |
| 5 | 13 | California | 2.68 | 131% | Jan. 1, 2010 |
| 6 | 20 | Connecticut | 2.55 | 125% | Jan. 1, 2010 |
| 7 | 16 | New Jersey | 2.53 | 124% | Jan. 1, 2010 |
| 8 | 5 | Maine | 2.52 | 123% | Jan. 1, 2010 |
| 10 | 14 | New Hampshire | 2.45 | 120% | Jan. 1, 2010 |
| 10 | 8 | Alabama | 2.45 | 120% | March 1, 2009 |
| 12 | 17 | Texas | 2.38 | 117% | May 1, 2009 |
| 12 | 12 | South Carolina | 2.38 | 117% | July 1, 2009 |
| 13 | 19 | New York | 2.34 | 115% | Oct. 1, 2009 |
| 14 | 15 | Pennsylvania | 2.32 | 114% | April 1, 2009 |
| 15 | 7 | Kentucky | 2.29 | 112% | Oct. 1, 2009 |
| 16 | 24 | Minnesota | 2.27 | 111% | Jan. 1, 2010 |
| 17 | 3 | Ohio | 2.24 | 110% | July 1, 2009 |
| 18 | 4 | Vermont | 2.22 | 109% | April 1, 2009 |
| 19 | 34 | Wisconsin | 2.21 | 108% | Oct. 1, 2009 |
| 20 | 21 | Tennessee | 2.19 | 108% | Nov. 4, 2009 |
| 21 | 18 | Nevada | 2.13 | 104% | March 2, 2009 |
| 23 | 32 | Michigan | 2.12 | 104% | Jan. 1, 2009 |
| 23 | 22 | North Carolina | 2.12 | 104% | April 1, 2009 |
| 24 | 25 | Georgia | 2.08 | 102% | July 1, 2009 |
| 25 | 11 | Louisiana | 2.06 | 101% | Oct. 1, 2009 |
| 26 | 38 | Washington | 2.04 | 100% | Jan. 1, 2010 |
| 28 | 36 | South Dakota | 2.02 | 99% | July 1, 2009 |
| 28 | 26 | Rhode Island | 2.02 | 99% | Jan. 1, 2010 |
| 29 | 34 | Idaho | 1.98 | 97% | Jan. 1, 2010 |
| 30 | 32 | Nebraska | 1.97 | 97% | Feb. 1, 2009 |
| 31 | 24 | Mississippi | 1.96 | 96% | March 1, 2009 |
| 32 | 32 | New Mexico | 1.91 | 94% | Jan. 1, 2010 |
| 33 | 28 | Missouri | 1.90 | 93% | Jan. 1, 2010 |
| 34 | 7 | Delaware | 1.85 | 91% | Dec. 1, 2009 |
| 35 | 41 | West Virginia | 1.84 | 90% | Nov. 1, 2009 |
| 36 | 41 | Iowa | 1.82 | 89% | Jan. 1, 2010 |
| 37 | 37 | Wyoming | 1.79 | 88% | Jan. 1, 2010 |
| 38 | 45 | Arizona | 1.71 | 84% | Jan. 1, 2010 |
| 40 | 36 | Hawaii | 1.70 | 83% | Jan. 1, 2010 |
| 40 | 28 | Florida | 1.70 | 83% | Jan. 1, 2010 |
| 41 | 39 | OREGON | 1.69 | 83% | Jan. 1, 2010 |
| 42 | 44 | Maryland | 1.63 | 80% | Jan. 1, 2010 |
| 43 | 42 | Kansas | 1.55 | 76% | Jan. 1, 2010 |
| 44 | 49 | Massachusetts | 1.54 | 75% | Sept. 1, 2008 |
| 45 | 46 | Utah | 1.46 | 71% | Dec. 1, 2009 |
| 47 | 43 | Colorado | 1.39 | 68% | Jan. 1, 2010 |
| 47 | 48 | Virginia | 1.39 | 68% | April 1, 2009 |
| 48 | 29 | District of Columbia | 1.32 | 65% | Nov. 1, 2009 |
| 49 | 47 | Arkansas | 1.18 | 58% | July 1, 2009 |
| 50 | 50 | Indiana | 1.16 | 57% | Jan. 1, 2010 |
| 51 | 51 | North Dakota | 1.02 | 50% | July 1, 2009 |

Notes: Starting with the 2008 study, when two or more states' Index Rate values are the same, they are assigned the same rank-

2010 Oregon Workers' Compensation Premium Ranking Summary
Courtesy Oregon Department of Consumer & Business Services

Actual Average Total Benefits per Employee per Year

(Cost spread over all employees whether or not injured)



Source: NCCI's *Statistical Plan* data at first report for policies effective in 2006 and 2007

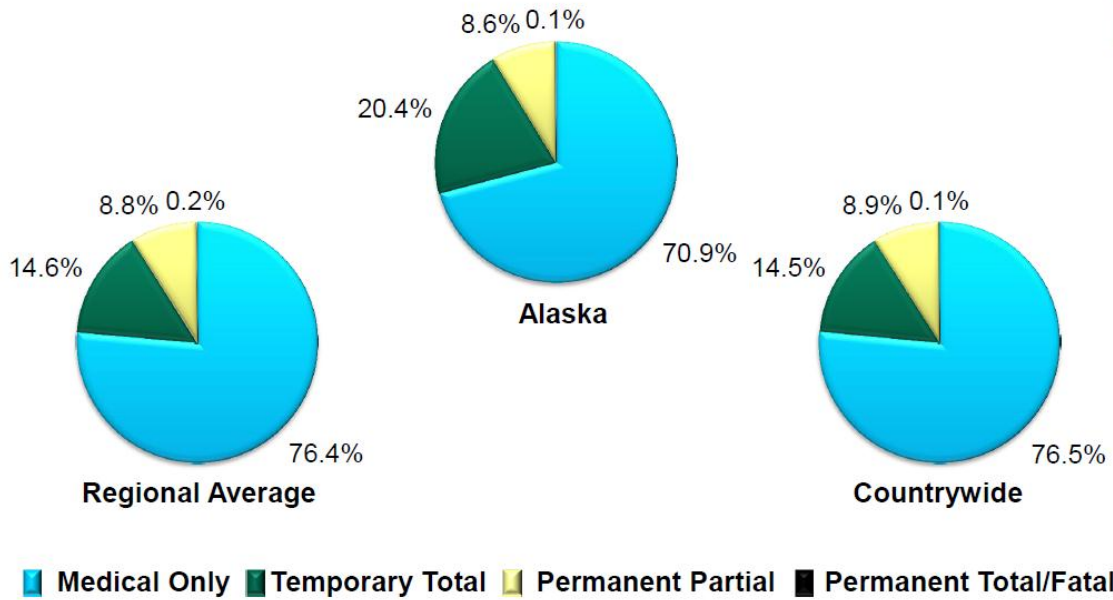
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Alaska's Distribution of Claims by Injury Type



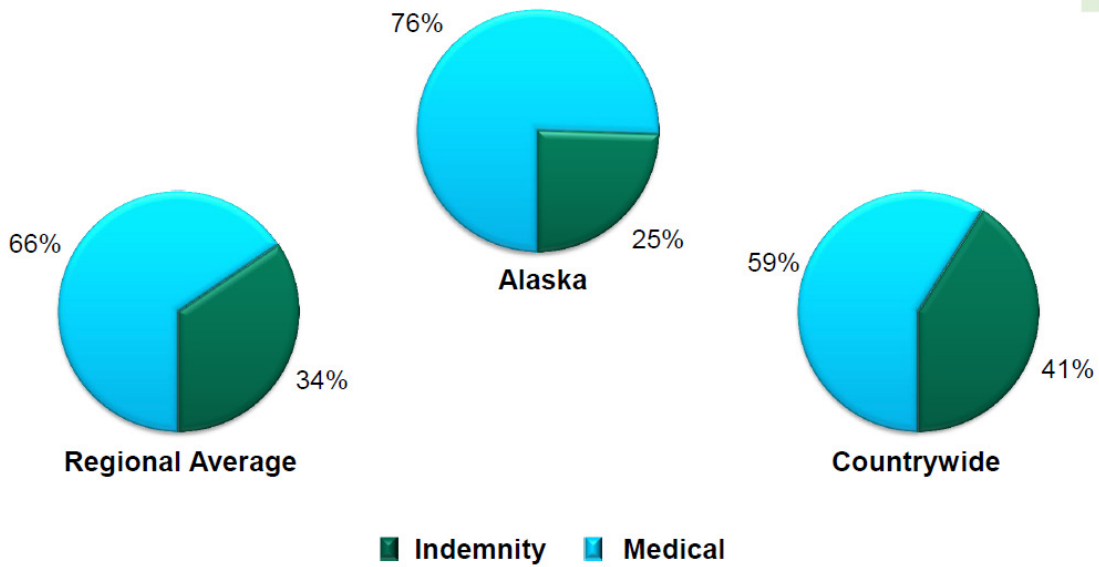
Regional states are AZ, MT, NM, and OR
Based on NCCI's *Statistical Plan* data

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Medical/Indemnity Cost Distribution Comparison



Regional states are AZ, MT, NM, and OR

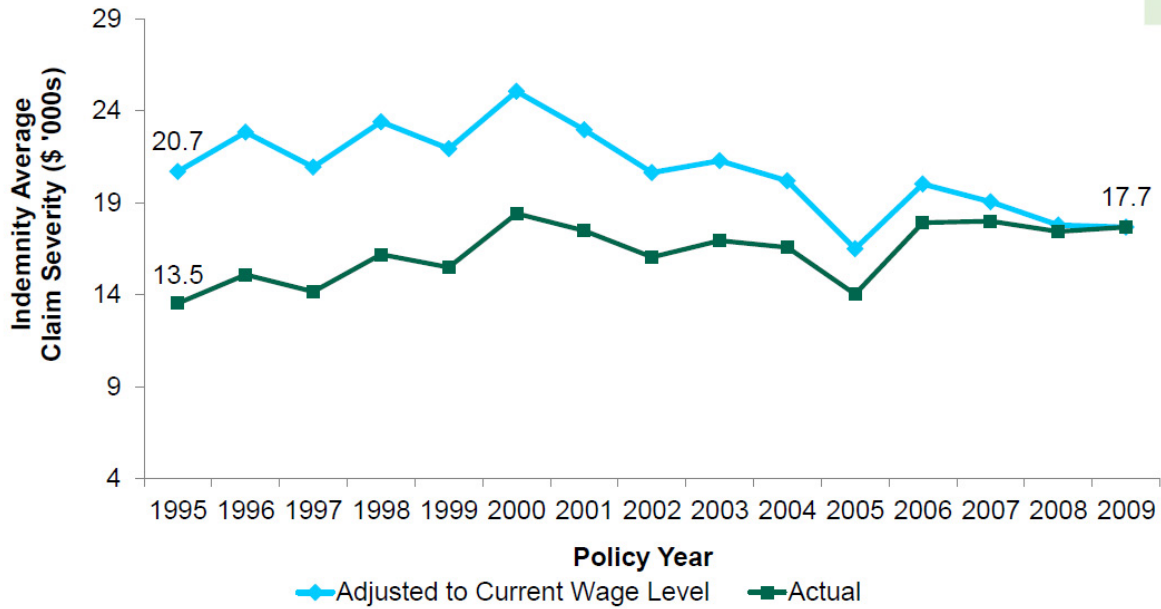
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Alaska's Average Indemnity Severity



Based on NCCI's financial data for lost-time claims at current benefit level and developed to ultimate

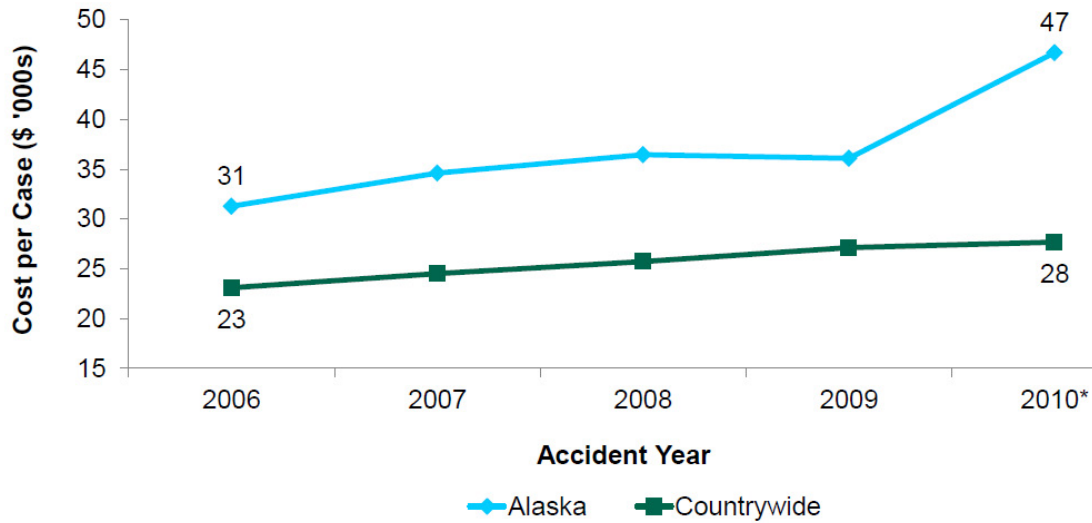
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Alaska vs. Countrywide Average Medical Claim Severity



* Countrywide figure is preliminary
Source: NCCI financial data valued as of 12/31/2010

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2010 ANNUAL REPORT

Summary of Relative Reimbursement By State, Specialty, and Payer

| | Medicaid | | | | | | Workers' Compensation | | | | | | Commercial (Mean Allowed Charge) | | | | | |
|---------------------------|----------|------|------|------|------|------|-----------------------|------|------|------|------|-----|----------------------------------|------|------|------|------|------|
| | AK | ID | ND | OR | WA | WY | AK | ID | ND | OR | WA | WY | AK | ID | ND | OR | WA | WY |
| Pediatrics | 173% | 102% | 140% | 83% | 69% | 105% | 122% | 102% | 99% | 108% | 91% | N/A | 139% | 91% | 105% | 128% | 90% | 86% |
| Family Practice | 177% | 96% | 148% | 83% | 64% | 108% | 123% | 104% | 99% | 109% | 88% | N/A | 147% | 96% | 100% | 118% | 98% | 88% |
| Internal Medicine | 177% | 96% | 146% | 83% | 64% | 108% | 136% | 104% | 99% | 109% | 88% | N/A | 149% | 96% | 100% | 117% | 98% | 90% |
| Lab | 121% | 115% | 118% | 85% | 86% | 97% | 297% | N/A | 129% | N/A | 77% | N/A | 176% | 89% | 120% | 88% | 72% | 131% |
| Ophthalmology | 200% | 107% | 102% | 96% | 76% | 120% | 132% | 107% | 99% | 105% | 89% | N/A | 149% | 95% | 95% | 122% | 100% | 87% |
| OBGYN | 151% | 89% | 127% | 84% | 78% | 122% | 167% | 115% | 89% | 112% | 82% | N/A | 173% | 94% | 90% | 112% | 94% | 111% |
| Chiropractic | 194% | 105% | 135% | 88% | 70% | N/A | 162% | 83% | 108% | 111% | N/A | N/A | 172% | 83% | 105% | 113% | 89% | 108% |
| Urology | 173% | 93% | 127% | 103% | 64% | 113% | 215% | 111% | 92% | 110% | 84% | N/A | 183% | 97% | 95% | 109% | 92% | 108% |
| Gastroenterology | 172% | 96% | 133% | 84% | 68% | 113% | 173% | 112% | 91% | 113% | 84% | N/A | 191% | 104% | 84% | 108% | 87% | 117% |
| Radiology | 173% | 98% | 136% | 79% | 62% | 139% | 325% | 127% | 93% | 95% | 84% | N/A | 172% | 107% | 83% | 88% | 80% | 143% |
| Neurology | 191% | 117% | 122% | 82% | 65% | 117% | 221% | 106% | 99% | 106% | 89% | N/A | 186% | 97% | 100% | 113% | 95% | 96% |
| Orthopedics | 179% | 95% | 133% | 99% | 65% | 109% | 213% | 122% | 88% | 105% | 83% | N/A | 202% | 96% | 89% | 104% | 91% | 121% |
| ENT | 166% | 87% | 127% | 116% | 62% | 108% | 284% | 110% | 94% | 110% | 85% | N/A | 210% | 98% | 91% | 106% | 94% | 109% |
| General Surgery | 176% | 85% | 121% | 122% | 66% | 108% | 228% | 111% | 91% | 110% | 84% | N/A | 206% | 95% | 88% | 104% | 90% | 125% |
| Cardiology | N/A | 125% | 126% | 78% | 65% | N/A | 437% | 106% | 100% | 105% | 90% | N/A | 201% | 98% | 80% | 108% | 87% | 124% |
| Cardiothoracic Surgery | 183% | 96% | 144% | 84% | 66% | 111% | 336% | 115% | 91% | 113% | 80% | N/A | N/A | N/A | N/A | 106% | 94% | N/A |
| Interventional Cardiology | N/A | 91% | 119% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 474% | 86% | 104% | 97% | 84% | 131% |
| DME | 155% | 93% | N/A | 102% | 103% | 100% | 198% | N/A | 96% | N/A | 105% | N/A | 123% | 97% | 109% | 97% | 98% | 98% |

All values are relative to the average for the five comparison states (excluding AK) for each payer category.
⁽¹⁾ For this summary, the Portland, OR and Seattle, WA Medicare and Tricare fee schedules were used.

Summary of Relative Reimbursement by State, Specialty, and Payer Courtesy 2011 Alaska Health Care Commission