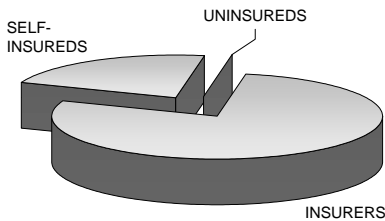


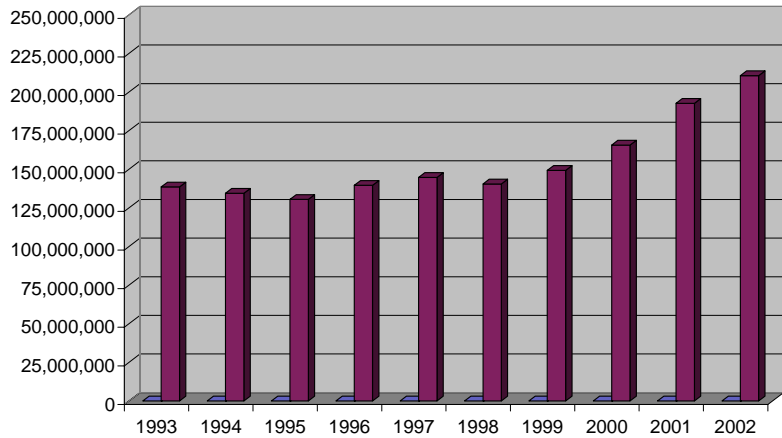
WORKERS' COMPENSATION 2002 ANNUAL REPORT

A total of \$210.6 million was paid in workers' compensation benefits during calendar year 2002. This is an increase of 9.3% over 2001's total of \$192.7 million, and compares to \$1165.6 million in 2000, \$149.2 million in 1999, and \$139.4 million in 1998.

Insurance Companies reported benefits of \$164.2 million, up 9.0% from \$150.7 million in 2001.



Total Compensation Payments



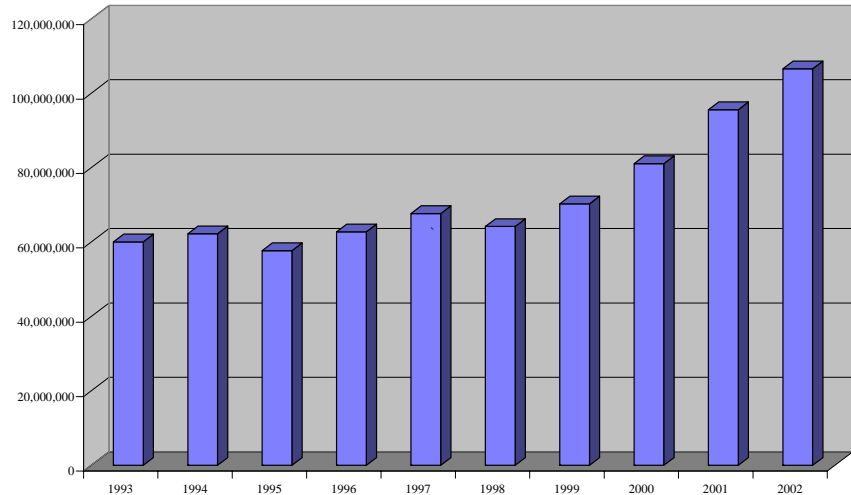
This compares to \$131.9 million in 2000, \$117.5 million in 1999, and \$104.0 million in 1998. Self-Insured Employers reported total workers' compensation benefits of \$46.4 million in 2002, up 11.0% from \$41.8 million in 2001. This compares to \$33.6 million in 2000, \$31.7 million in 1999, and \$36.3 million in 1998. Benefits reported by uninsured employers for 2002 totaled \$33,123, compared to \$167,454 in 2001, \$27,448 in 2000, \$38,293 in 1999, and \$183,511 in 1998.

In the past 10 years \$1.55 billion has been paid out in workers' compensation benefits. Of this amount, benefits by Insurance Companies totaled \$1.22 billion or 78.6% of total benefits paid, while Self-Insured Employers paid \$329.9 million, or 21.3% of total benefits paid. Benefits reported by Uninsured Employers totaled \$504,644, or 0.03% of total benefits paid.

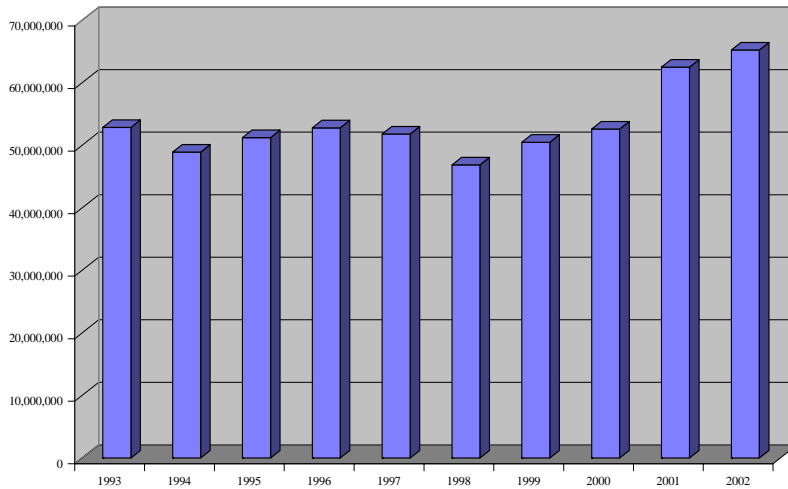
MEDICAL BENEFITS

In 2002, medical benefits totaled \$106.6 million, up 11.5% from \$95.6 million in 2001. This compares to \$81.1 million in 2000, \$70.3 million in 1999, and \$64.2 million in 1998. As a percentage of total benefits, medical benefits were 50.6% of total benefits paid, compared to 49.6% in 2001, 49.0% in 2000, 47.1% in 1999, and 45.7% in 1998.

Medical Payments



Indemnity Payments



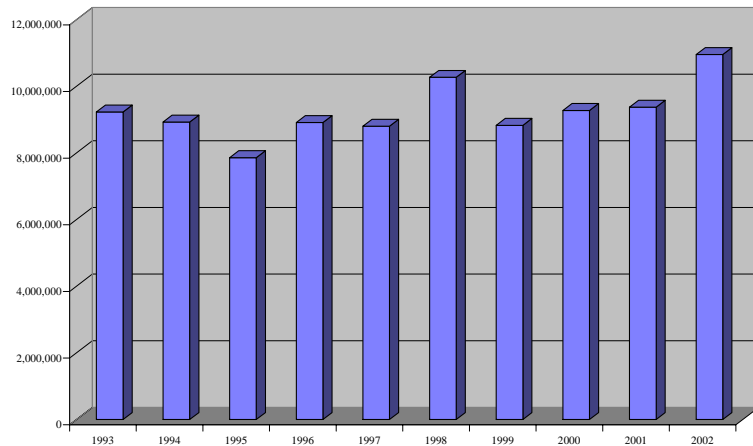
INDEMNITY BENEFITS

Year 2002 indemnity benefits (TTD, TPD, PPI, and PTD) totaled \$65.3 million, up 4.5% from \$62.5 million in 2001. Total indemnity benefits were \$52.6 million in 2000, \$50.5 million in 1999, and \$46.9 million in 1998. TTD benefits increased .7% to \$36.7 million from \$36.5 million in 2001; TPD benefits increased 16.4% to \$1.5 million from \$1.3 million in 2001; PPI benefits increased 12.9% to \$22.4 million from \$19.8 million in 2001; and PTD benefits decreased 5.35% to \$4.7 million from \$4.9 million in 2001.

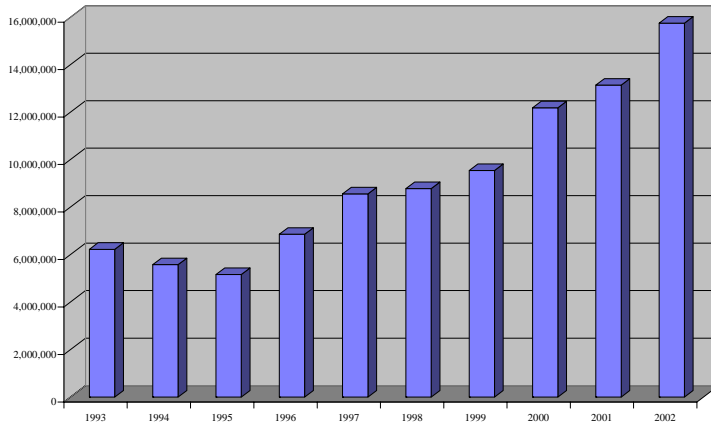
LEGAL EXPENSES

Legal expenses increased to \$11.0 million in 2002, up 16.8% from \$9.4 million in 2001. Employee attorney fees decreased 5.8% to \$2.7 million from \$2.8 million in 2001; employer attorney fees rose 23.3%, to \$7.1 million from \$5.7 million; and litigation costs increased 50.8%, to \$1.2 million from \$805,221.

Legal Payments



Rehab Payments



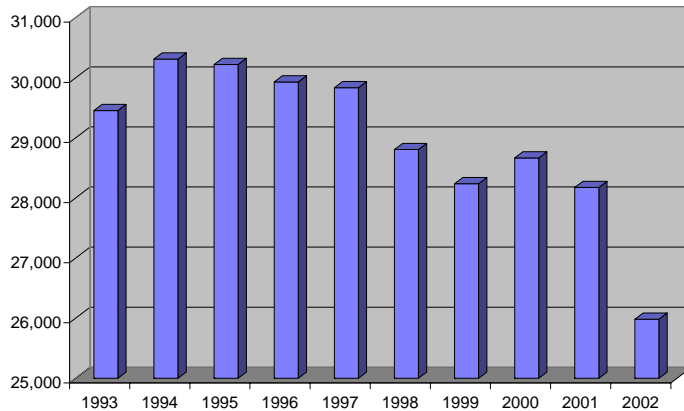
REEMPLOYMENT BENEFITS

Reemployment benefit payments increased 19.9% in 2002, from \$13.1 million to \$15.7 million. Wages paid while under rehabilitation, 041K wages, were the largest rehabilitation expense. 041K wages rose 25.3%, from \$8.5 million in 2001 to \$10.7 million in 2002. Employee evaluation costs increased 10.5%, to \$1.7 million from \$1.5 million. Rehabilitation specialist fees increased

38.7%, to \$843,839 from \$608,472. Plan development costs remain unchanged, totaling \$1.8 million in 2001 and 2002. Plan monitoring fees increased 9.5%, from \$645,511 in 2001 to \$706,684 in 2002.

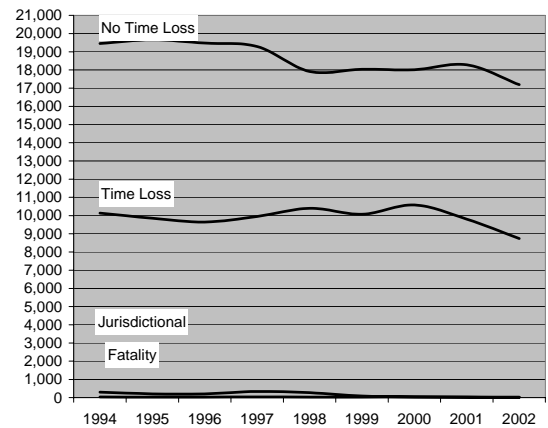
ANALYSIS OF WORKERS' COMP CLAIMS

Total Injury Notices Received

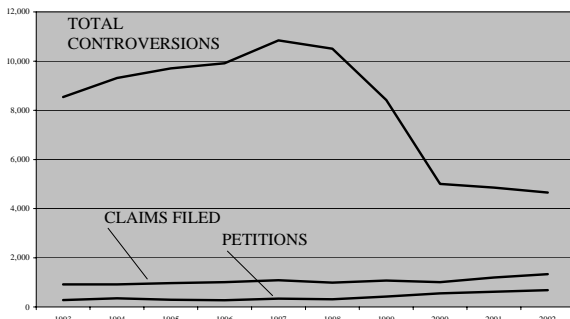


During Calendar Year 2002, the number of injuries and/or illness reported to the Workers' Compensation Division declined 7.8%, to 25,981, from 28,174 in 2001. This compares to 28,665 incident reports received in 2000, 28,235 in 1999, and 28,804 in 1998.

Of the case files set up by the Division in 2002, 17,193 were no-time loss cases, 8,739 were time-loss cases, 23 were fatalities, and 14 were jurisdictional claims.

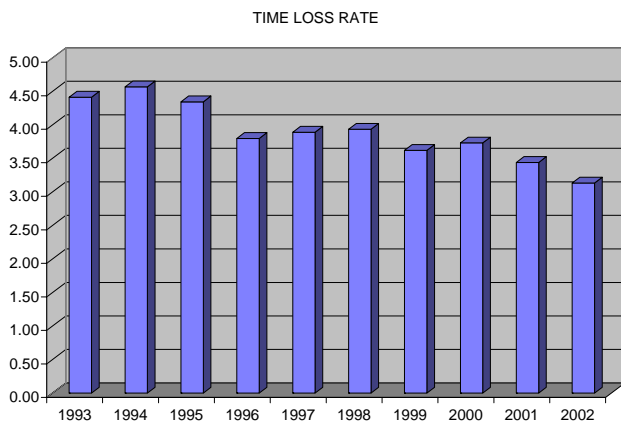
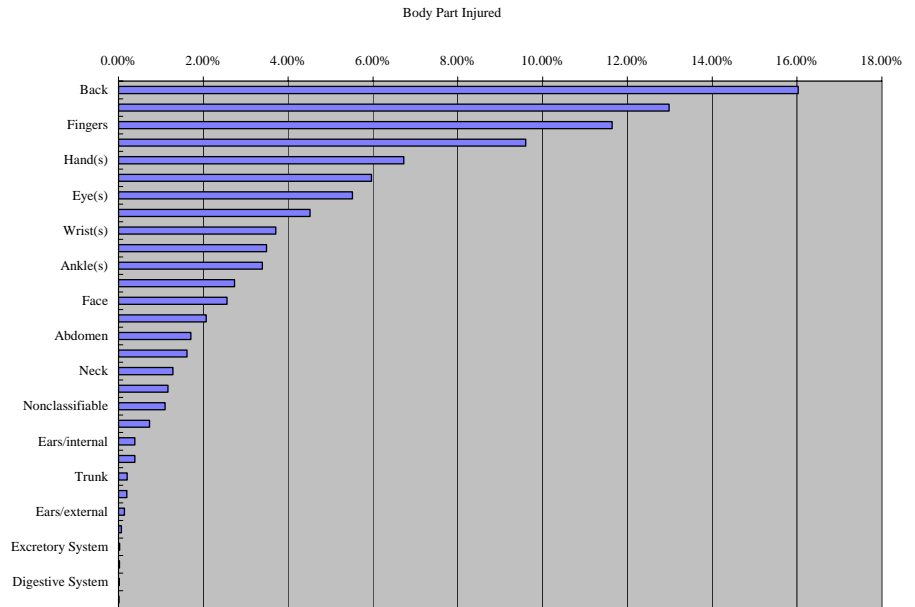


CLAIMS & PETITIONS



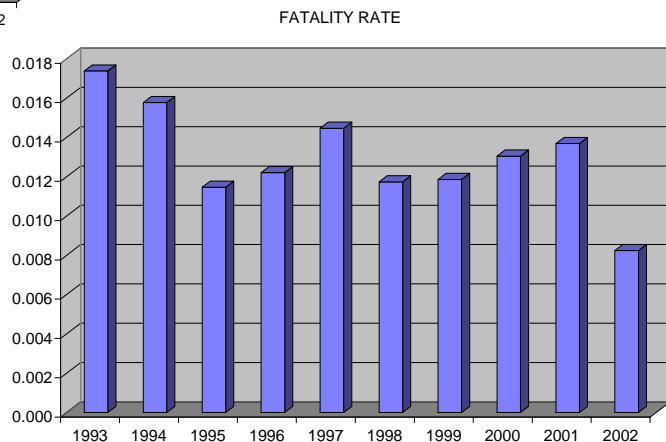
For the year, the number of claims filed increased 11.3%, from 1,198 in 2001 to 1,333 in 2002. The number of petitions filed increased 10.0%, from 623 to 685, and the total number of controversies filed decreased 4.1%, from 4,853 to 4,654.

The top 10 injuries by body part injured are
 back injuries (16%)
 multiple part injuries(13.0%)
 finger injuries (11.6%)
 leg injuries (9.6%)
 hand injuries (6.73%)
 arm injuries (6.0%)
 eye injuries (5.5%)
 shoulder injuries (4.5%)
 wrist injuries (3.7%)
 foot injuries (3.5%).



Based on Department of Labor, Research and Analysis Section data, total average employment in 2002 was estimated at 295,800, down 2.0% from 301,792 in 2001. Excluding 16,800 federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2002 would be approximately 279,000.

Using the number of time-loss claims established by the Workers' Compensation Division, the time loss rate per 100 employees in 2002 was 3.13. This compares to 3.44 in 2001, 3.73 in 2000, 3.62 in 1999, and 3.94 in 1998.



Using the number of fatalities established by the Workers' Compensation Division, the fatality rate per 100 employees in 2002 was .008, the lowest rate in the past 10 years.

OTHER

The top twenty insurers paid \$148.5 million, or 70.49% of total workers' compensation benefits paid in 2002. This compares to \$134.0 million or 69.57% in 2001, \$125.5 million or 75.79% in 2000, \$114.8 million or 76.9% in 1999, and \$104.8 million or 74.6% in 1998.

The top five insurers by benefits paid in 2002 were Alaska National Insurance Co. at \$44.0 million, up 26.4% from \$34.8 million in 2001; Fremont Indemnity Co. at \$17.4 million, down 30.9% from \$25.2 million in 2001; State of Alaska at 13.4 million, up 17.5% from \$11.4 million in 2001; Employers Insurance of Wausau at \$8.1 million, down 13.2% from \$9.3 million in 2001; and Lumbermens Mutual Casualty Co (Kemper) at \$6.7 million, up 46.1% from \$4.6 million in 2001.

For fiscal year 2002, the Division of Insurance reported 197 companies writing workers' compensation insurance in Alaska, with total net premiums written totaling \$156.3 million. During the year, voluntary market premiums increases averaged 10.3%, and assigned risk pool premiums increased 21.6%.

During calendar year 2002, one insurance company was found to be insolvent – Paula Insurance Company, domiciled out of California.