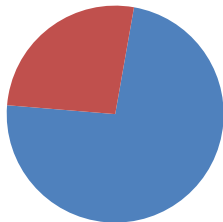


WORKERS' COMPENSATION 2007 ANNUAL REPORT

A total of \$226.7 million was paid in workers' compensation benefits during calendar year 2007. This is an increase of 1.68% from 2006's total of \$223.0 million.

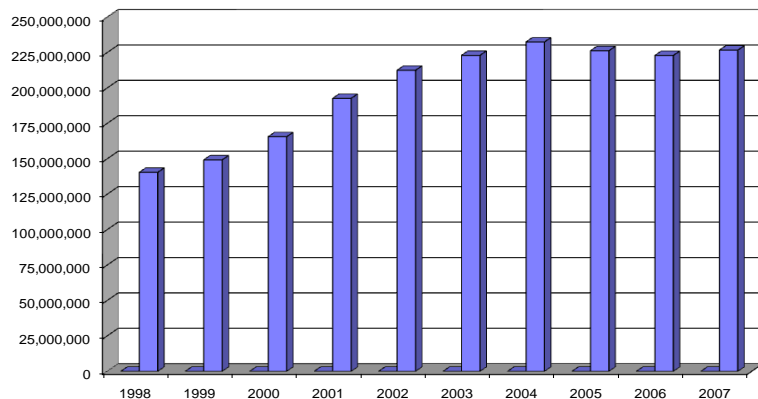
Of this amount, \$166.7 million, 73.5%, was paid by market-insured employers, and \$60.0 million, 26.5%, was paid by self-



■ INSURERS ■ SELF-INSUREDS

insured employers. This compares to \$167.8 million, 75.2%, paid by market-insured employers, and \$55.2 million, 24.8%, paid by self-insured employers in 2006.

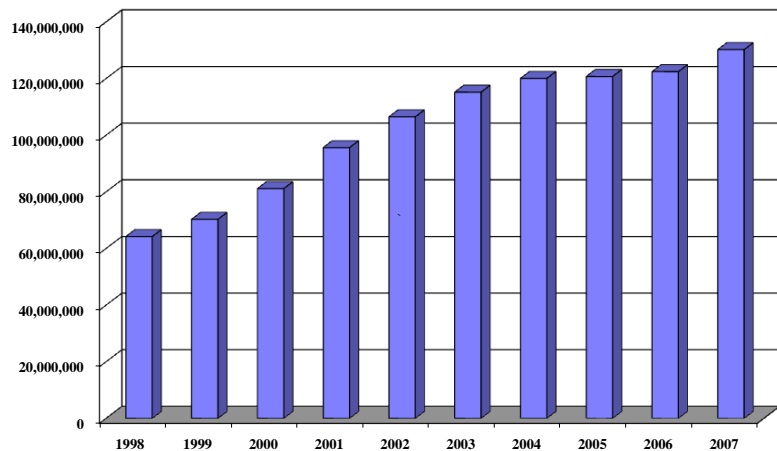
Total Compensation Payments



MEDICAL BENEFITS

In 2007, medical benefits totaled \$130.2 million, up 6.0% from \$122.4 million in 2006. Medical benefits were 57.4% of total benefits paid in 2007, compared to 54.9% of total benefits paid in 2006.

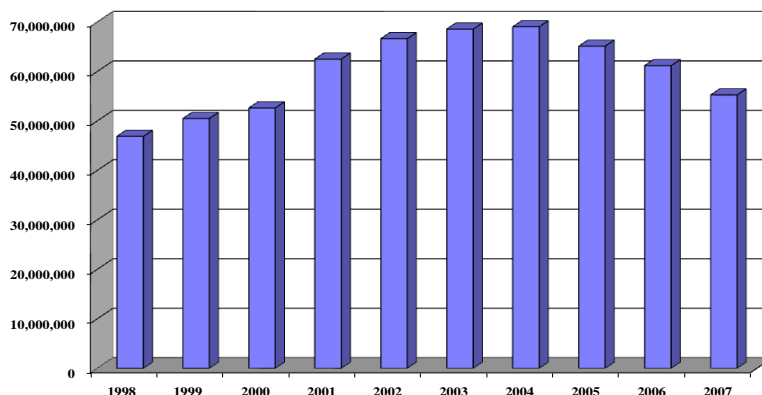
Medical Payments



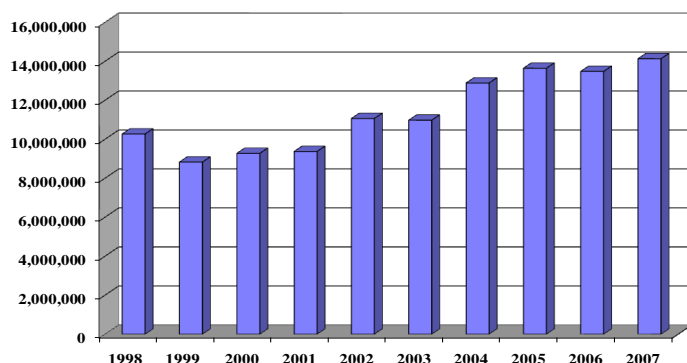
INDEMNITY BENEFITS

For calendar year 2007 indemnity benefits (TTD, TPD, PPI, and PTD) totaled \$55.3 million, down 9.7% from \$61.2 million in 2006. TTD benefits decreased 10.6%, from \$33.0 million to \$29.5 million; TPD benefits increased 19.6%, from \$1.2 million to \$1.4 million; PPI benefits decreased 12.2%, from \$21.5 million to \$18.9 million; and PTD benefits decreased 0.6% from \$5.54 million to \$5.50 million.

Indemnity Payments



Legal Payments



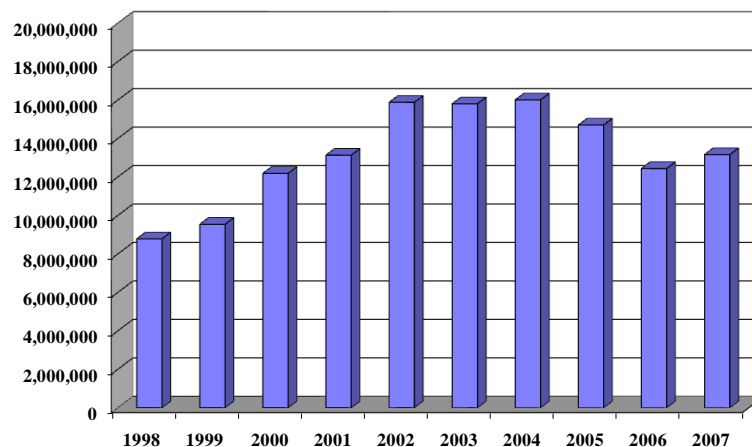
LEGAL EXPENSES

Legal expenses increased 4.8%, to \$14.1 million in 2007 from \$13.5 million in 2006. Employee attorney fees increased 39.2%, from \$3.0 million to \$4.2 million; employer attorney fees declined 8.2%, from \$8.9 million to \$8.2 million; and litigation costs increased 12.5%, from \$1.6 million to \$1.8 million.

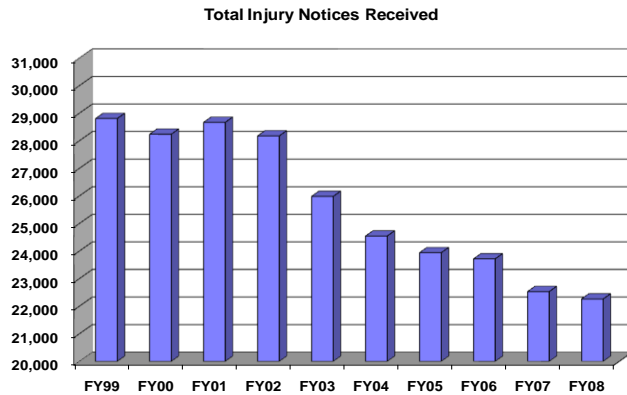
REEMPLOYMENT BENEFITS

Reemployment benefit payments increased 5.8% in 2007, to \$13.2 million from \$12.4 million in 2006. Compensation paid while under rehabilitation, 041(k) benefits, increased 14.1%, from \$7.2 million in 2006 to \$8.3 million in 2007. Employee evaluation costs increased 18.5%, from \$1.04 million to \$1.23 million. Rehabilitation specialist fees increased 8.8%, from \$759,413 to \$826,313. Plan development costs decreased 11.4%, from \$2.35 million to \$2.08 million. Plan monitoring fees decreased 51.0%, from \$1.04 million to \$510,561. Job dislocation benefits, 041(g), totaled \$242,000 in 2007, the first year this figure has been reported separately.

Rehab Payments

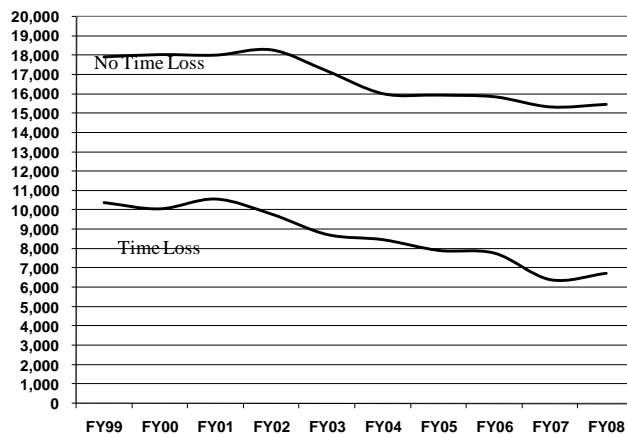


ANALYSIS OF WORKERS' COMP CLAIMS

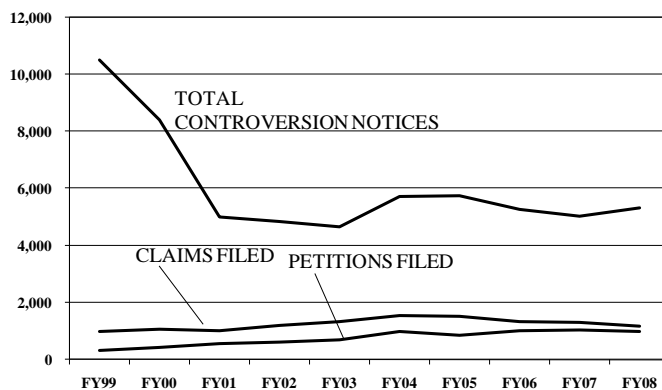


In FY08, the number of reports of injury and occupational illness submitted to the Workers' Compensation Division declined 1.2%, from 22,528 in FY07 to 22,261 in FY08.

Of the case files set up by the Division in FY08, 15,484 cases, 69.6%, were no-time-loss cases; 6,727 cases, 30.2%, were time-loss cases; 29 cases, .13%, were fatalities, and 21 cases, .09%, were jurisdictional claims.

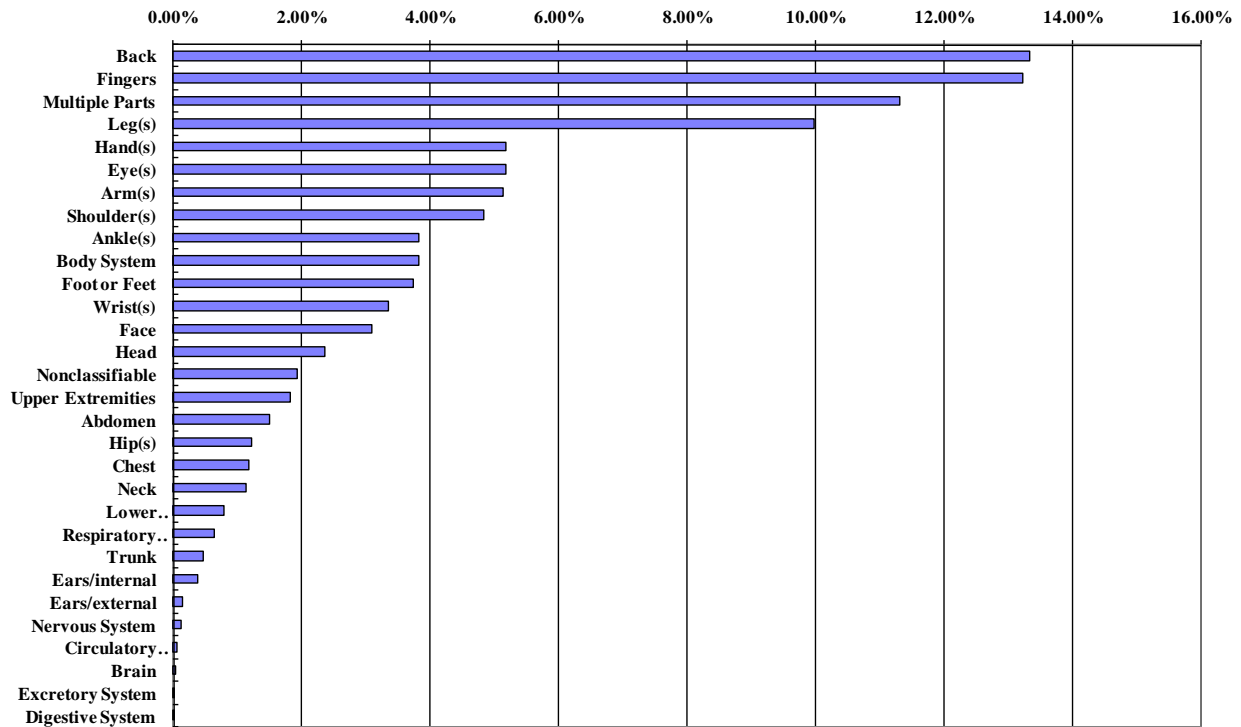


CLAIMS & PETITIONS



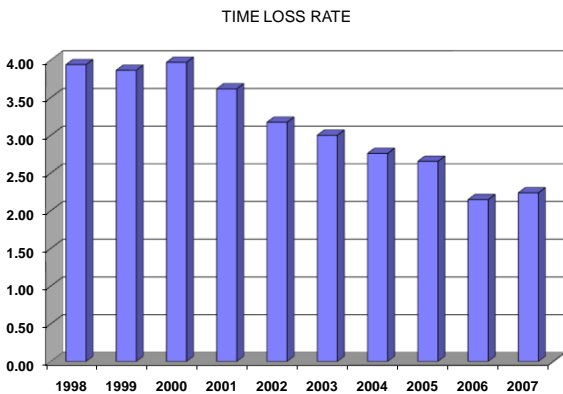
In FY08, the number of claims filed decreased 9.9%, from 1,297 in FY07 to 989 in FY08. The number of petitions filed decreased 5.6%, from 1,048 to 989. The total number of controversion notices filed increased 6.1%, from 5,018 to 5,323, and the total number of cases controverted in FY08 increased 5.8%, from 3,739 cases to 3,956 cases.

Body Part Injured



The top 10 injuries by body part injured are

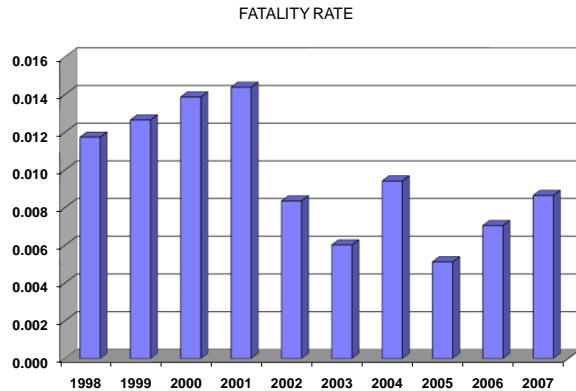
- | | |
|----------------------------------|-----------------------------|
| 1. back injuries (13.3%) | eye injuries (5.2%) |
| 2. finger injuries (13.2%) | 7. arm injuries (5.2%) |
| 3. multiple part injuries(11.3%) | 8. shoulder injuries (4.9%) |
| 4. leg injuries (10.0%) | 9. ankle injuries (3.8%). |
| 5. hand injuries (5.2%) | 10. body system (3.8%) |
| 6. | |



Based on Department of Labor & Workforce Development, Research and Analysis Section data, total average employment in 2007 was estimated at 317,600 up .92% from 314,700 in 2006. Excluding 16,800 federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2007 would be approximately 300,800.

Using the number of time-loss claims established by the Workers' Compensation Division, the time loss rate per 100 employees in 2007 was 2.24, up 4.2% from a loss rate of 2.15 in 2006.

2007 ANNUAL REPORT



Using the number of fatalities established by the Workers' Compensation Division, the fatality rate per 100 employees in 2007 was .009, up 28.6% from a fatality rate of .005 in 2006.

OTHER

The top twenty insurers/self-insured employers paid \$160.5 million, or 70.8% of total workers' compensation benefits paid in 2007. This compares to \$162.7 million or 73.0% in 2006.

The top five insurers/self-insured employers by benefits paid in 2007 were Alaska National Insurance Co. at \$36.1 million, State of Alaska at \$19.2 million, Commerce & Industry Ins. Co. at \$14.2 million, Liberty Northwest Insurance Co. at \$11.5 million, and Zurich American Insurance Co. at \$9.0 million.

For the most recent statistical year, fiscal year 2007, the Division of Insurance reported 184 insurance companies authorized to write workers' compensation insurance in Alaska, with direct premiums written totaling \$323.1 million. This compares to 185 admitted insurers writing \$337.9 million in direct premiums in fiscal year 2006. Of direct premiums written in fiscal year 2007, three companies wrote 55.7% of the policies. Alaska National Insurance Co. had 30.64% of the market share, Commerce & Industry Insurance Co. (AIG) had 17.0% of the market, and Liberty Northwest Insurance Co had 8.1% of the market share.

In calendar year 2007, workers' compensation premium rates decreased 10.5%, compared to an decrease of 7.0% in 2006. Premiums for calendar year 2008 declined 10.9%.

During calendar year 2007, there were no new notices of rehabilitation or liquidation for admitted Alaskan workers' compensation insurers.