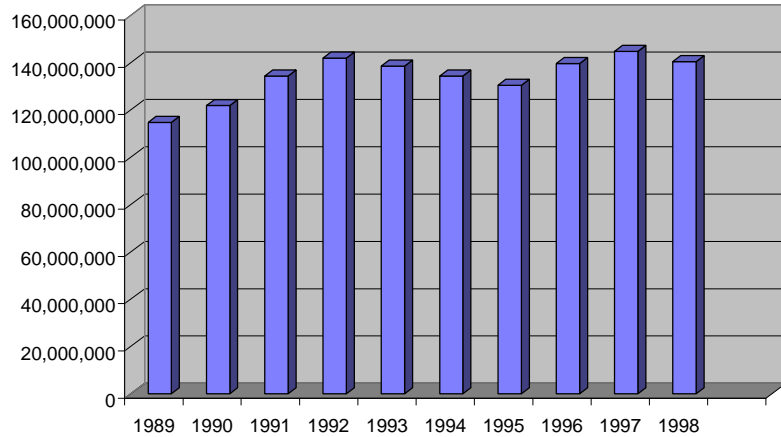


WORKERS' COMPENSATION 1998 ANNUAL REPORT

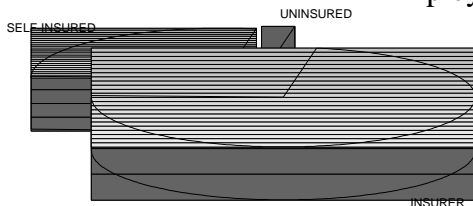
Total Compensation Payments

A total of \$140.5 million was paid in workers' compensation payments during calendar year 1998. This is a decrease of 2.94% when compared to 1997's total of \$144.7 million. This compares to total payments of \$139.6 million in 1996, \$130.5 million in 1995, and \$134.4 million in 1994.



Insurance Companies reported payments of \$104.2 million in 1998, down 5.79% from \$110.6 in 1997. This compares to insurance company payments of \$110.1 million in 1996, \$103.0 million in 1995 and \$109.5 million in 1994. Self-Insured Employers reported total workers' compensation payments of \$36.3 million in 1998, up 6.45% from \$34.1 million in 1997. This compares to \$29.5 million in 1996, \$27.2 million in 1995 and \$24.8 million in 1994. The total amount of payments reported by Self-Insured Employers has increased each year since 1989.

Payments by Source



In the past 10 years, insurers have paid a combined total of \$1.34 billion in workers' compensation payments. During this time period Insurance Companies reported total payments of \$1.08 billion or 74.1%, while Self-Insured Employers paid \$257.9 million, or 25.8% and Uninsured Employers reported payments of \$282 thousand, or 0.13%.

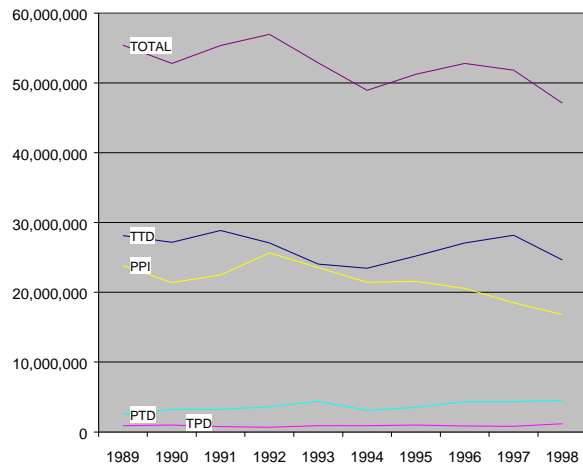
Insurance Companies in 1989, reported 84.4% of total compensation payments and Self-Insured Employers paid 15.6%. In 1998, Insurance Company payments had dropped to 74.1% of all payments and Self-Insured Employers were up to 25.8%. Payments reported by Uninsured Employers have risen marginally to .1%.

MEDICAL PAYMENTS

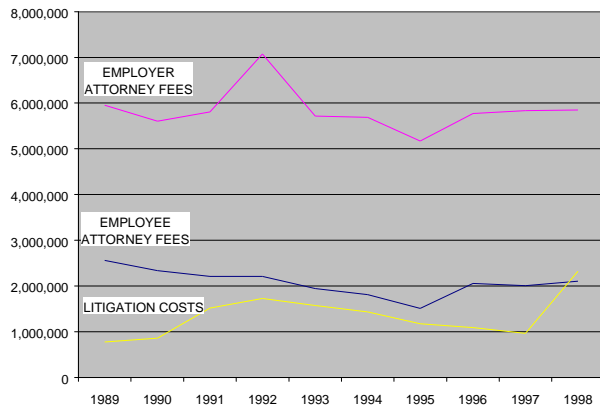
In 1998, total medical payments were \$64.2 million, down 5.15% from \$67.7 million in 1997. Total medical payments were \$49.8 million in 1996, \$44.8 million in 1995, and \$49.9 million in 1994. Insurance Companies decreased the amount of medical payments paid by 16.58% in 1998, while Self-Insured Employers increased medical payments by 34.80%. As a percent of total payments, medical payments were 46.01% in 1998, compared to 47.19% in 1997, 45.34% in 1996, 44.24% in 1995, and 46.28% in 1994.

INDEMNITY PAYMENTS

1998 indemnity payments (**TTD**, **TPD**, **PPI**, and **PTD**) totaled \$46.9 million, down 9.46% from \$51.8 million in 1997. Total indemnity payments were \$52.8 million in 1996, \$51.2 million in 1995, and \$48.9 million in 1994. TTD payments decreased 14.18% to \$24.2 million from \$28.2 million in 1997; TPD payments increased 50.56% to \$1.2 million from \$797 thousand in 1997; PPI payments decreased 9.19% to \$16.8 million from \$18.5 million in 1997; and PTD payments increased 11.63% to \$4.8 million from \$4.3 million in 1997.



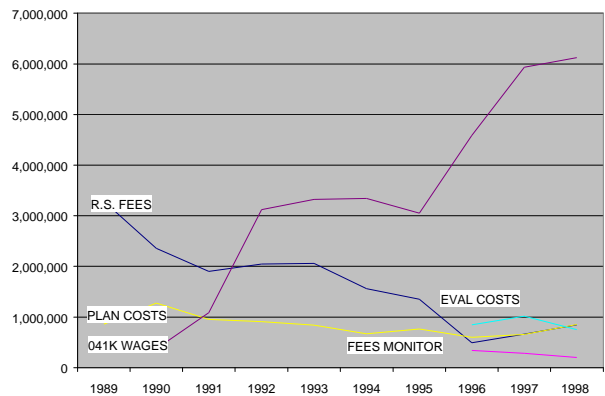
ATTORNEY FEES



Fees paid to attorneys were up in 1998, climbing 16.63% to \$10.3 million from \$8.8 million in 1997. Employee attorney fees rose 4.72% to \$2.1 million from \$2.0 million in 1997. At the same time, employer attorney fees rose slightly by .24% to \$5.85 million from \$5.83 million. Litigation costs showed the highest increase, up 140.71% to \$2.32 million in 1998 from \$963 thousand in 1997.

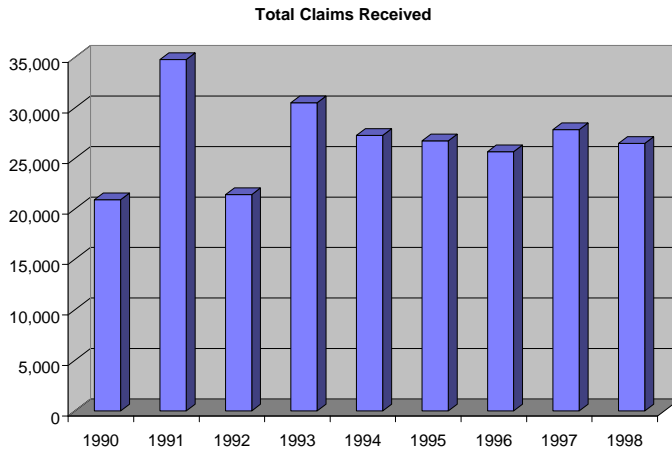
REEMPLOYMENT BENEFITS

Reemployment Benefits payments increased 2.62% in 1998, to \$8.8 million from \$8.6 million in 1997. In comparison, reemployment benefits totaled \$6.9 million in 1996, \$5.2 million in 1995, and \$5.6 million in 1994. The largest increase in reemployment payments were plan costs, which rose 30.08% to \$853 thousand in 1998 from \$656 thousand in 1997. 1996 was the first year that insurers reported their fees for rehabilitation specialists to monitor employees through completion of reemployment plans and fees for rehabilitation specialists to complete eligibility evaluations. Reemployment fees and costs are therefore not comparable with prior years.

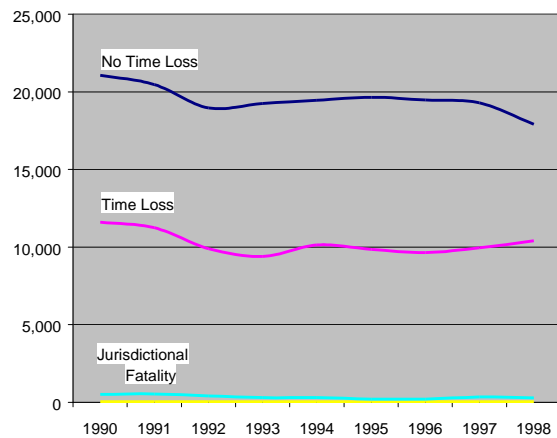


ANALYSIS OF CLAIMS

During Calendar Year 1998, the Workers' Compensation Division established 28,621 claims compared to 29,618 claims in 1997; 29,382 claims in 1996; 29,740 claims in 1995 and 29,925 claims in 1994. The number of claims decreased 3.37%, compared to an increase of 0.80% in 1997, a 1.20% decrease in 1996, a 0.62% decrease in 1995, and a 3.23% increase in 1994. Of the claims reported to the Division in 1998, 10,397 were Time Loss cases, 17,920 were No-Time Loss cases, 31 were fatalities, and 273 were jurisdictional cases. This compares to 9,955 Time Loss cases, 19,289 No-Time Loss cases, 37 fatalities cases, and 337 Jurisdictional cases in 1997. These figures are based on the Reports of Injury, Applications and medical reports filed on injuries.



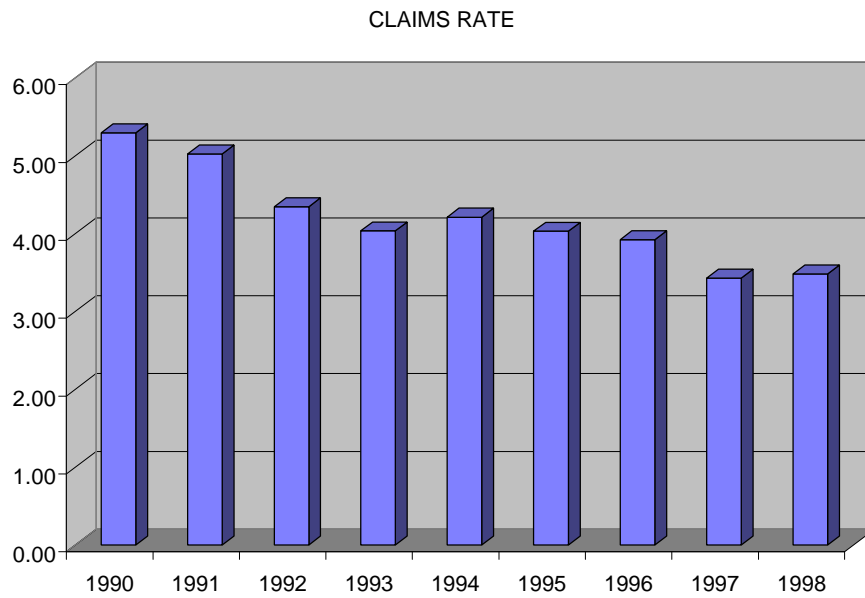
The Annual Reports filed by insurers in 1997 showed a total of 34,556 claims compared to 34,771 claims in 1997; 37,676 claims in 1996; 33,354 claims in 1995 and 34,197 claims in 1994. The number of claims decreased .62%, compared to a decrease of 7.71% in 1997, an increase of 12.96% in 1996, a 2.47% decrease in 1995, and a 1.73% increase in 1994. Of the claims reported on the Annual Report, 17,978 were Time Loss cases, 16,191 were No-Time Loss cases, 224 were fatalities, and 77 were jurisdictional cases. This compares to 17,403 Time Loss cases, 17,503 No-Time Loss cases, 209 fatalities cases, and 75 Jurisdictional cases in 1997.



The top twenty insurers paid 74.60%, or \$104.8 million of the total workers' compensation payments in 1998, compared to 79.12%, or \$114.5 million in 1997; 80.12%, or \$111.8 million in 1996; 79.7%, or \$104.0 million in 1995; and 78.18% or \$105.1 million, in 1994. The top five private insurers in 1998 were Alaska National at \$18.7 million, down from \$22.2 million in 1997; Fremont Indemnity (formerly Industrial Indemnity) at \$13.1 million, down from \$20.6 million in 1997; Employers Insurance of Wausau at \$12.3 million, up from \$9.3 million in 1997; Cigna Property & Casualty at \$12.3 million, down slightly from \$12.6 million in 1997; and the State of Alaska at \$9.03 million, up from \$9.0 million in 1997.

Based on Department of Labor, Research and Analysis Section, total employment in 1998 was estimated at 298,547, up 2.8% from 290,419 in 1997. Excluding 17,200 federal employees, the

number of workers covered under the Alaska Workers' Compensation Act in 1998 would be approximately 281,347.



Using the number of time-loss claims established by the Workers' Compensation Division, the claims rate per 100 employees in 1998 was 3.70. This compares to a time-loss rate of 4.0 in 1997, 3.9 in 1996, 4.0 in 1995 and 4.2 in 1994.