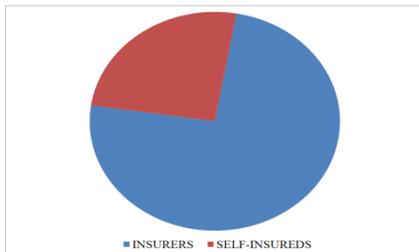
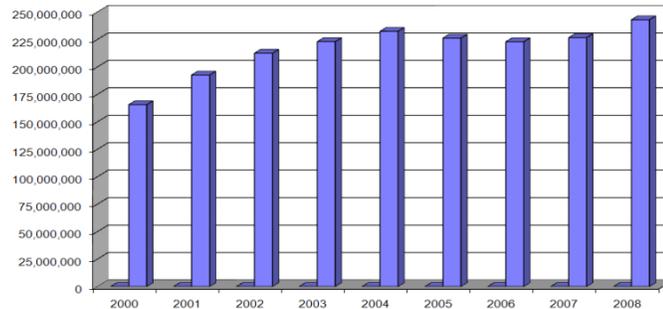


WORKERS' COMPENSATION 2008 ANNUAL REPORT

A total of \$243.0 million was paid in workers' compensation benefits during calendar year 2008. This is an increase of 7.20% from 2007's total of \$226.7 million.

Of this amount, \$181.1 million, 74.5%, was paid by market-insured employers, and \$61.8 million, 25.5%, was paid by self-

Total Compensation Payments

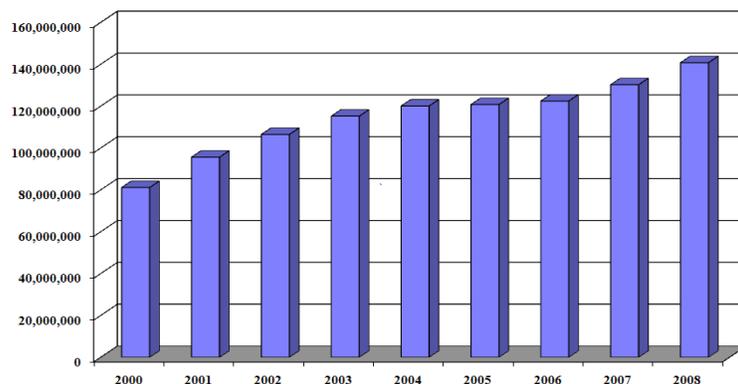


insured employers. This compares to \$166.7 million, 73.5%, paid by market-insured employers, and \$60.0 million, 26.5%, paid by self-insured employers in 2007.

MEDICAL BENEFITS

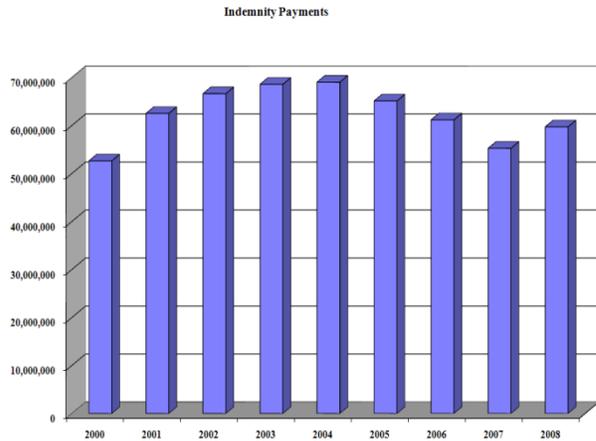
In 2008, medical benefits totaled \$140.7 million, up 8.1% from \$130.2 million in 2007. Medical benefits were 62.1% of total benefits paid in 2008, compared to 57.4% of total benefits paid in 2007.

Medical Payments

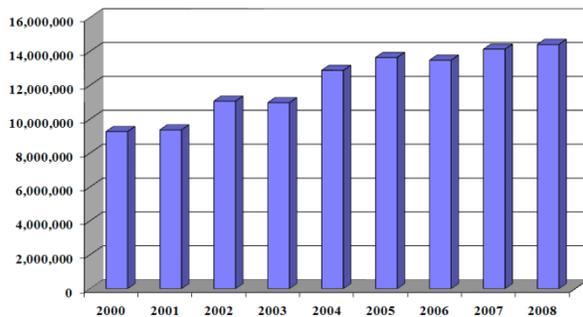


INDEMNITY BENEFITS

For calendar year 2008 indemnity benefits (TTD, TPD, PPI, and PTB) totaled \$59.7 million, up 8.1% from \$55.3 million in 2007. TTD benefits increased 11.6%, from \$29.5 million to \$32.9 million; TPD benefits decreased 12.1%, from \$1.4 million to \$1.2 million; PPI benefits decreased 7.1%, from \$18.9 million to \$17.6 million; and PTB benefits increased 46.2% from \$5.5 million to \$8.0 million.



Legal Payments



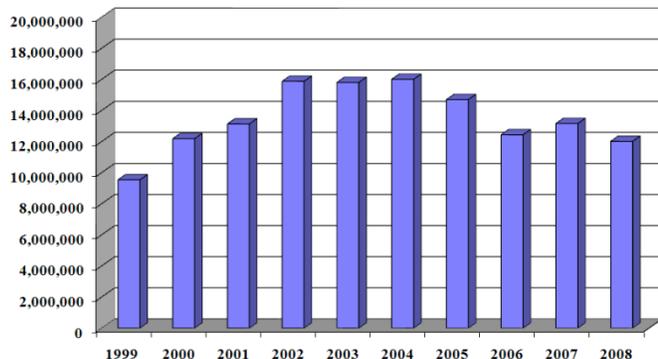
LEGAL EXPENSES

Legal expenses increased 2.0%, to \$14.4 million in 2008 from \$14.1 million in 2007. Employee attorney fees decreased 3.8%, from \$4.2 million to \$4.0 million; employer attorney fees increased 5.3%, from \$8.2 million to \$8.6 million; and litigation costs increased .5%, from \$1.75 million to \$1.76 million.

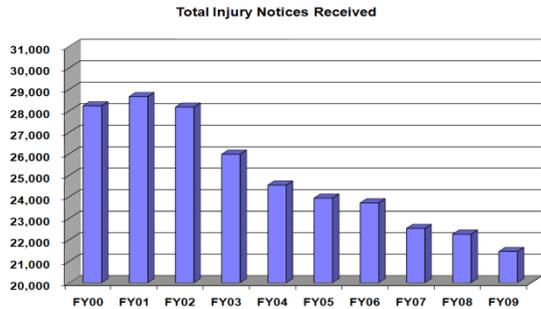
REEMPLOYMENT BENEFITS

Reemployment benefit payments decreased 8.7% in 2008, to \$12.0 million from \$13.2 million in 2007. Compensation paid while under rehabilitation, 041(k) benefits, decreased 9.8%, from \$8.3 million in 2007 to \$7.5 million in 2008. Employee evaluation costs increased .89%, from \$1.23 million to \$1.24 million. Rehabilitation specialist fees decreased 28.0%, from \$826,313 to \$594,775. Plan development costs decreased 14.7%, from \$2.1 million to \$1.8 million. Plan monitoring fees decreased 19.5%, from \$510,561 to \$411,281. Job dislocation benefits, 041(g), increased 119.3%, from \$242,000 to \$530,729.

Rehab Payments

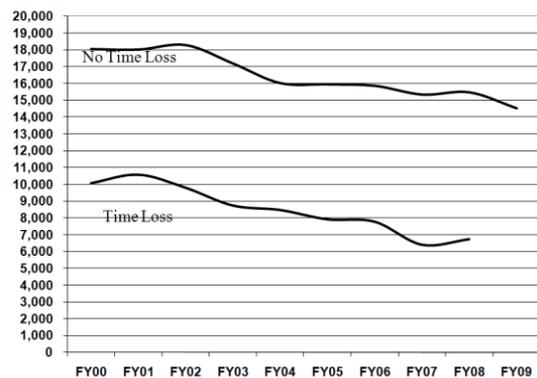


ANALYSIS OF WORKERS' COMP CLAIMS

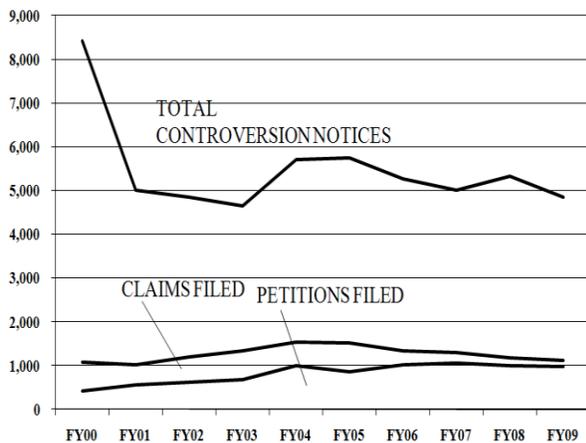


In FY09, the number of reports of injury and occupational illness submitted to the Workers' Compensation Division declined 3.6%, from 22,261 in FY08 to 21,454 in FY09.

Of the case files set up by the Division in FY09, 14,540 cases, 67.8%, were no-time-loss cases; 6,862 cases, 32.0%, were time-loss cases; 17 cases, .08%, were fatalities, and 35 cases, .16%, were jurisdictional claims.

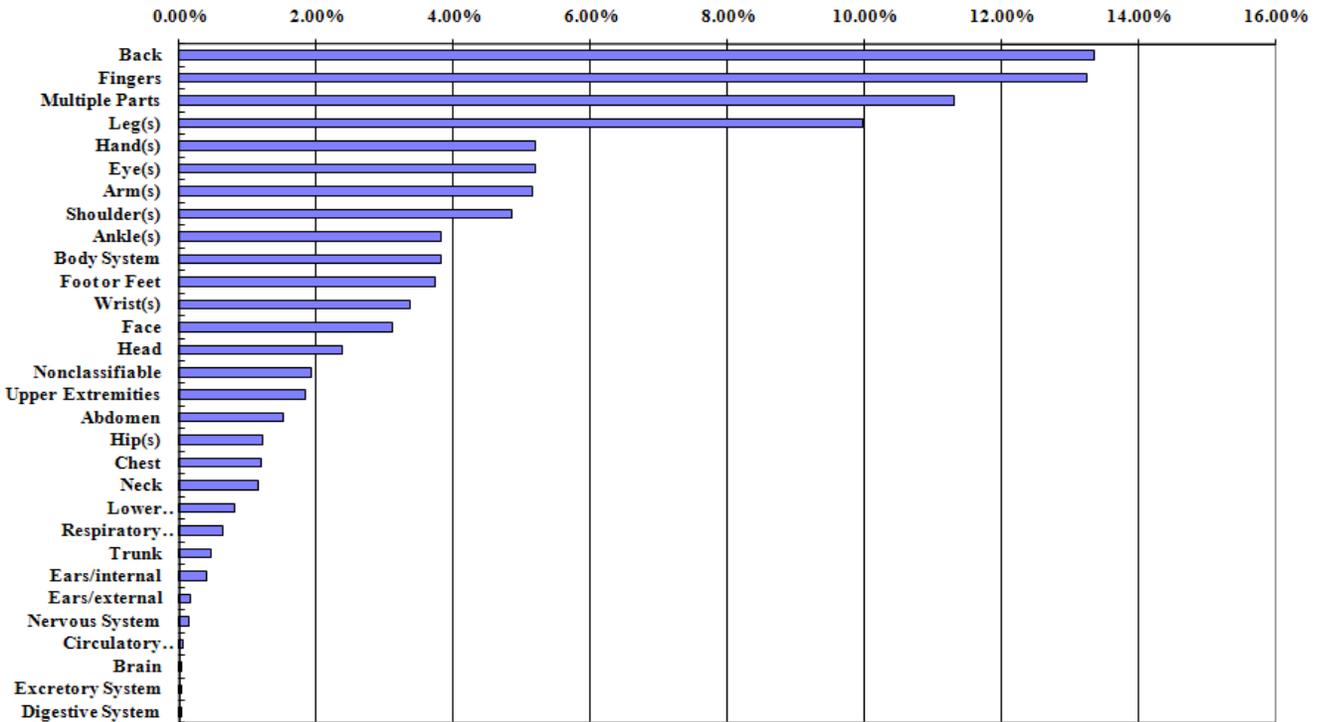


CLAIMS & PETITIONS



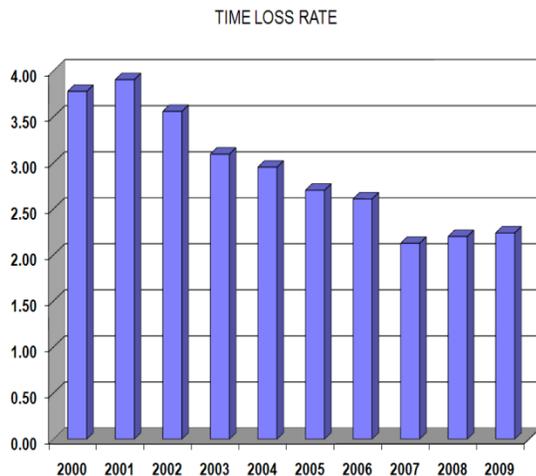
In FY09, the number of claims filed decreased 3.9%, from 1,168 in FY08 to 1,122 in FY09. The number of petitions filed decreased 1.4%, from 989 to 975. The total number of controversion notices filed decreased 8.8%, from 5,323 to 4,857, and the total number of cases controverted in FY09 decreased 8.5%, from 3,956 cases to 3,619 cases.

Body Part Injured



The top 10 injuries by body part injured are

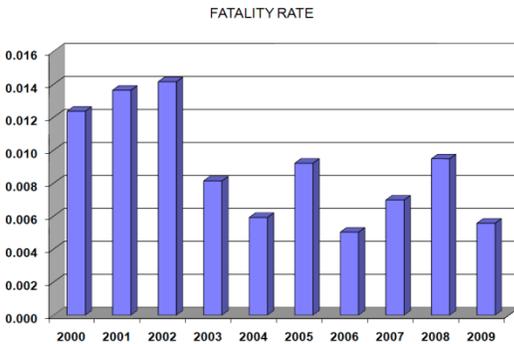
- | | |
|----------------------------------|---------------------------------|
| 1. back injuries (13.4%) | 6. arm injuries (4.9%) |
| 2. finger injuries (12.5%) | 7. shoulder injuries (4.8%) |
| 3. multiple part injuries(11.3%) | 8. eye injuries (4.8%) |
| 4. leg injuries (10.3%) | 9. body system injuries (4.2%). |
| 5. hand injuries (5.5%) | 10. ankle injuries (4.0%) |



Based on Department of Labor & Workforce Development, Research and Analysis Section data, total average employment in 2008 was estimated at 322,600 up 1.6% from 317,600 in 2007. Excluding 16,778 federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2008 would be approximately 305,822.

Using the number of time-loss claims established by the Workers' Compensation Division, the time loss rate per 100 employees in 2008 was 2.20, up 3.2% from a loss rate of 2.13 in 2007.

2008 ANNUAL REPORT



Using the number of fatalities established by the Workers' Compensation Division, the fatality rate per 100 employees in 2008 was .009, down 22.2% from a fatality rate of .007 in 2007.

OTHER

The top twenty insurers/self-insured employers paid \$164.9 million, or 67.8% of total workers' compensation benefits paid in 2008. This compares to \$160.5 million or 70.8% in 2007.

The top five insurers/self-insured employers by benefits paid in 2008 were Alaska National Insurance Co. at \$35.9 million, State of Alaska at \$19.8 million, Commerce & Industry Ins. Co. at \$14.4 million, Liberty Northwest Insurance Co. at \$11.4 million, and Ace American Insurance Co. at \$10.8 million.

For the most recent statistical year, calendar year 2008, the Division of Insurance reported 186 insurance companies authorized to write workers' compensation insurance in Alaska, with direct premiums written totaling \$284.8 million. This compares to 184 admitted insurers writing \$323.1 million in direct premiums in calendar year 2007. Of direct premiums written in 2008, three companies wrote 49.4% of the policies. Alaska National Insurance Co. had 30.8% of the market share, Liberty Northwest Insurance Co had 9.8% of the market share, and Commerce & Industry Insurance Co. (AIG) had 8.8% of the market.

In calendar year 2008, workers' compensation premium rates decreased 10.9%, compared to a decrease of 10.5% in 2007. Premiums for calendar year 2009 declined 4.8%, and premiums for calendar year have declined 10.3%. Despite these reductions in recent years, Alaska continues to have the highest premium rates in the country.

During calendar year 2008, there were no new notices of rehabilitation or liquidation for admitted Alaskan workers' compensation insurers.