

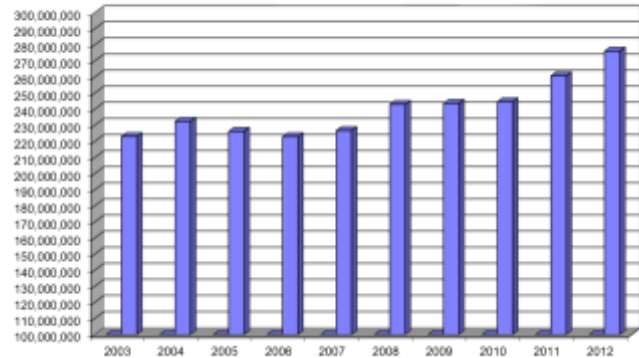
ALASKA DIVISION OF WORKERS' COMPENSATION 2012 ANNUAL REPORT

A total of \$276.1 million was paid in workers' compensation benefits during calendar year 2012. This is an increase of 5.9% from \$260.7 million in 2011.

Of this amount, \$197.6 million, 71.6%, was paid by market-insured employers, and \$78.5 million, 28.4%, was paid by self-insured employers. This compares to \$184.0 million, 70.6%, paid by market-insured employers, and \$76.7 million, 29.4%, paid by self-insured employers in 2011.



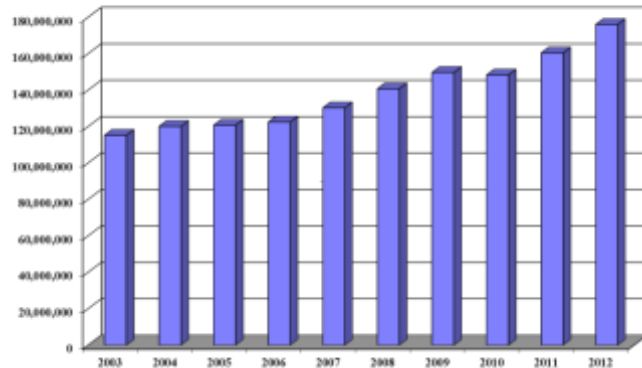
Total Compensation Payments



MEDICAL BENEFITS

In 2012, medical benefits totaled \$176.0 million, up 9.7% from \$160.4 million in 2011. Medical benefits were 63.7% of total benefits paid and 74.8% of loss costs in 2012, compared to 61.5% of total benefits paid and 72.6% of loss costs in 2011.

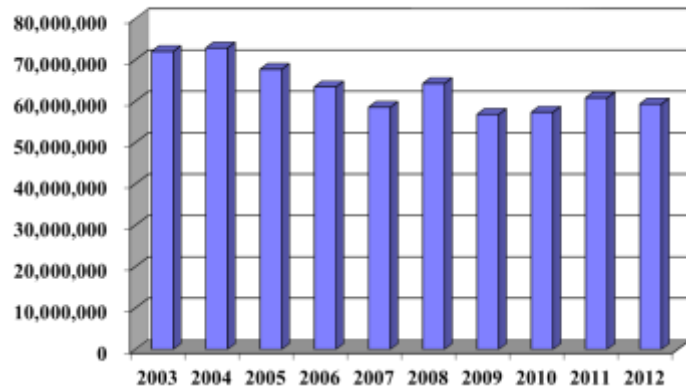
Medical Payments



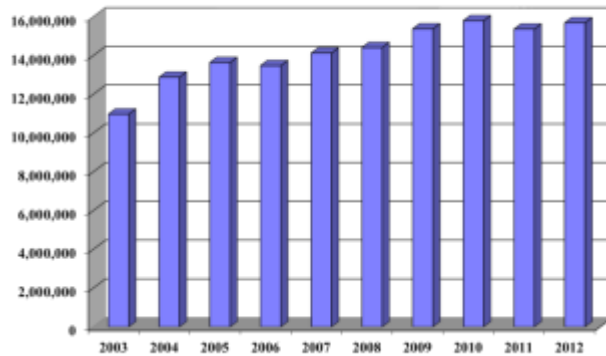
INDEMNITY BENEFITS

For calendar year 2012 indemnity benefits (TTD, TPD, PPI, PTD & Death Benefits) totaled \$59.3 million, down 2.5% from \$60.8 million in 2011. TTD benefits increased .3%, from \$32.34 million to \$32.36 million; TPD benefits increased 6.5%, from \$1.2 million to \$1.3 million; PPI benefits increased 5.5%, from \$13.2 million to \$13.9 million; PTD benefits decreased 12.2% from \$8.3 million to \$7.3 million; and death benefits decreased 22.8%, from \$5.7 million to \$4.4 million.

Indemnity Payments



Legal Payments



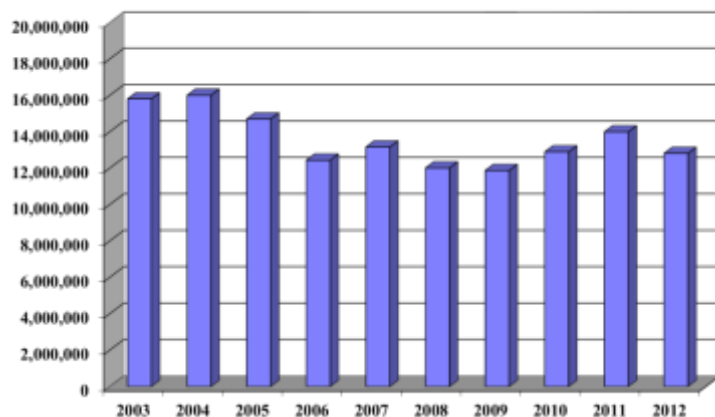
LEGAL EXPENSES

Legal expenses increased 2.1%, to \$15.7 million in 2012 from \$15.4 million in 2011. Employee attorney fees decreased 6.8%, from \$4.4 million to \$4.1 million; employer attorney fees increased 9.7%, from \$9.4 million to \$10.3 million; and litigation costs decreased 17.7%, from \$1.6 million to \$1.3 million.

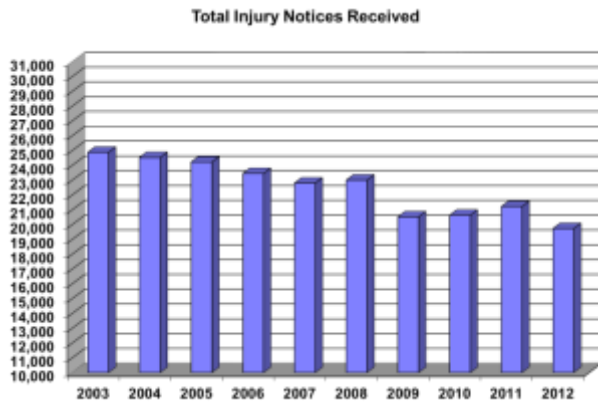
REEMPLOYMENT BENEFITS

Reemployment benefit payments decreased 8.5% in 2012, to \$12.8 million from \$14.0 million in 2011. Compensation paid while under rehabilitation, 041(k) benefits, decreased 10.7%, from \$7.6 million to \$6.8 million; employee evaluation costs decreased .6%, from \$2.24 million to \$2.23 million; rehabilitation specialist fees decreased 12.6%, from \$438,916 to \$383,819; plan development costs decreased 2.1%, from \$1.46 million to \$1.43 million; plan monitoring fees decreased 11.0%, from \$632,755 to \$563,311; and job dislocation benefits decreased 12.9%, from \$1.6 million to \$1.4 million.

Rehab Payments

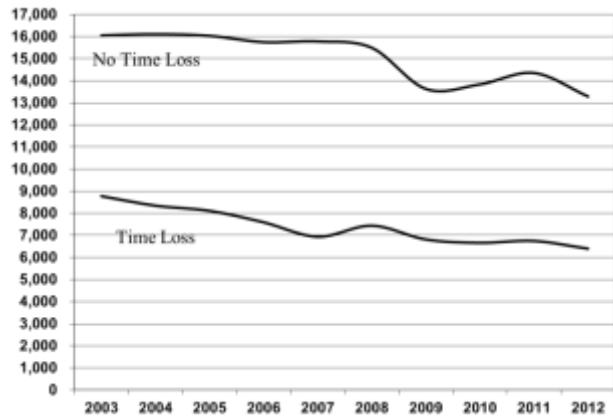


ANALYSIS OF WORKERS' COMP CLAIMS

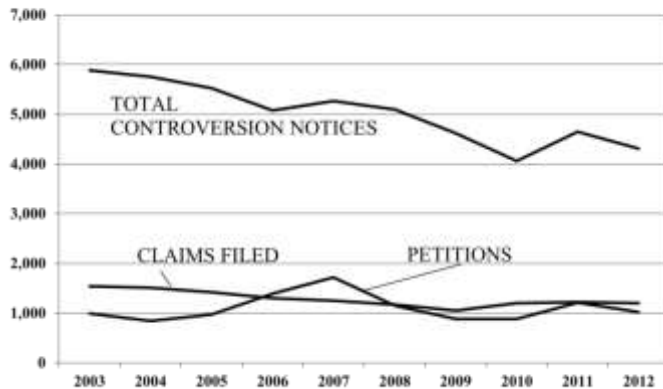


In 2012, the number of reports of injury and occupational illness submitted to the Workers' Compensation Division decreased 7.0%, from 21,213 in 2011 to 19,726 in 2012.

Of the case files set up by the Division in 2012, 13,288 cases, 67.4%, were no-time-loss cases; 6,398 cases, 32.4%, were time-loss cases; 27 cases, .14%, were fatalities, and 13 cases, .06%, were jurisdictional claims.

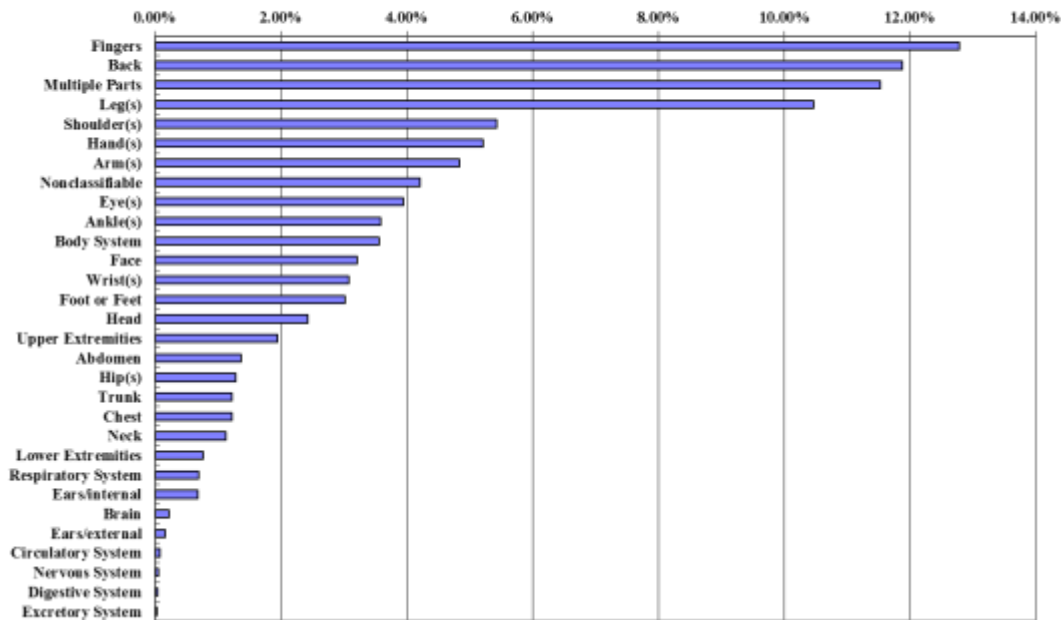


CLAIMS & PETITIONS



In 2012, the number of claims filed decreased 1.3%, from 1,224 in 2011 to 1,208 in 2012. The number of petitions filed decreased 15.8%, from 1,219 to 1,026. The total number of controversion notices filed decreased 7.3%, from 4,655 to 4,313, and the total number of cases controverted in 2012 decreased 7.3%, from 3,550 cases to 3,292 cases.

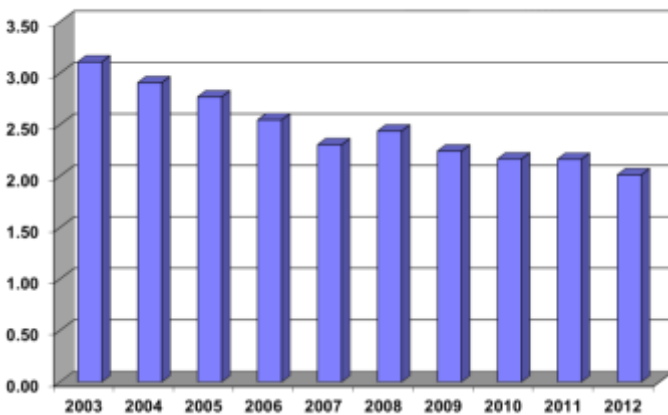
Body Part Injured



Top 10 Injuries by Body Part Injured

- | | |
|--|-------------------------------------|
| 1. finger injuries (12.8%) | 6. hand injuries (5.2%) |
| 2. back injuries (11.9%) | 7. arm injuries (4.8%) |
| 3. multiple body part injuries (11.5%) | 8. non-classifiable injuries (4.2%) |
| 4. leg injuries (10.5%) | 9. eye injuries (3.9%). |
| 5. shoulder injuries (5.4%) | 10. ankle injuries (3.6%) |

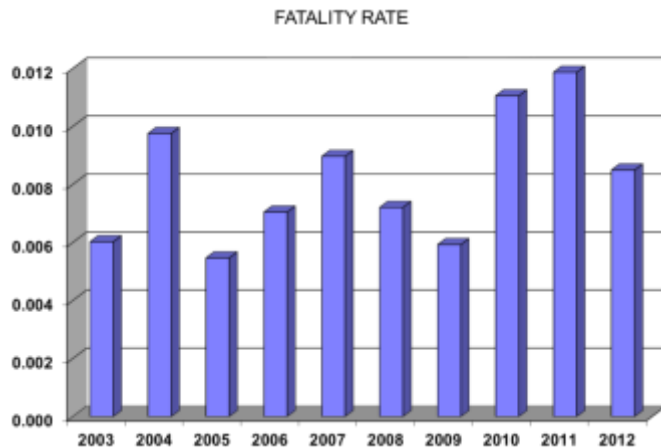
TIME LOSS RATE



Based on Department of Labor & Workforce Development, Research and Analysis Section data, total average employment in 2012 was estimated at 334,100 up 1.6% from 328,800 in 2011. Excluding federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2012 was approximately 317,800.

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

rate per 100 employees in 2012 was 2.01, down 6.9% from a time loss rate of 2.16 in 2011.



There were 27 fatalities reported in 2012, down 27.0% from 37 in 2011. Using the number of fatalities established by the Workers' Compensation Division, the fatality rate per 100 employees in 2012 was .008, down 33.3% from a fatality rate of .012 in 2011.

OTHER

The top twenty insurers/self-insured employers paid \$189.7 million, or 68.7% of total workers' compensation benefits paid in 2012. This compares to \$169.3 million or 65.0% in 2011.

The top five insurers/self-insured employers by benefits paid in 2012 were Alaska National Insurance Co. at \$34.1 million, State of Alaska at \$27.7 million, Liberty Northwest Insurance Co. at \$18.2 million, Liberty Insurance Corporation at \$12.9 million, Commerce & Industry Ins. Co. at \$12.4 million, and Ace American Insurance Company at \$9.5 million.

For the most recent statistical year available, calendar year 2011, the Division of Insurance reported 195 insurance companies authorized to write workers' compensation insurance in Alaska, with direct premiums written totaling \$247.5 million. This compares to 191 admitted insurers writing \$234.5 million in direct premiums in calendar year 2010. Of direct premiums written in 2011, the top five companies wrote 59.71% of the policies. Alaska National Insurance Co. had 29.6% of the market share, Liberty Northwest Insurance Co had 13.5%, Commerce & Industry Insurance Co. had 6.48%, Seabright Insurance Company had 5.2%, Republic Indemnity Co of America had 4.9%, and American Interstate Insurance Co. had 3.8%.

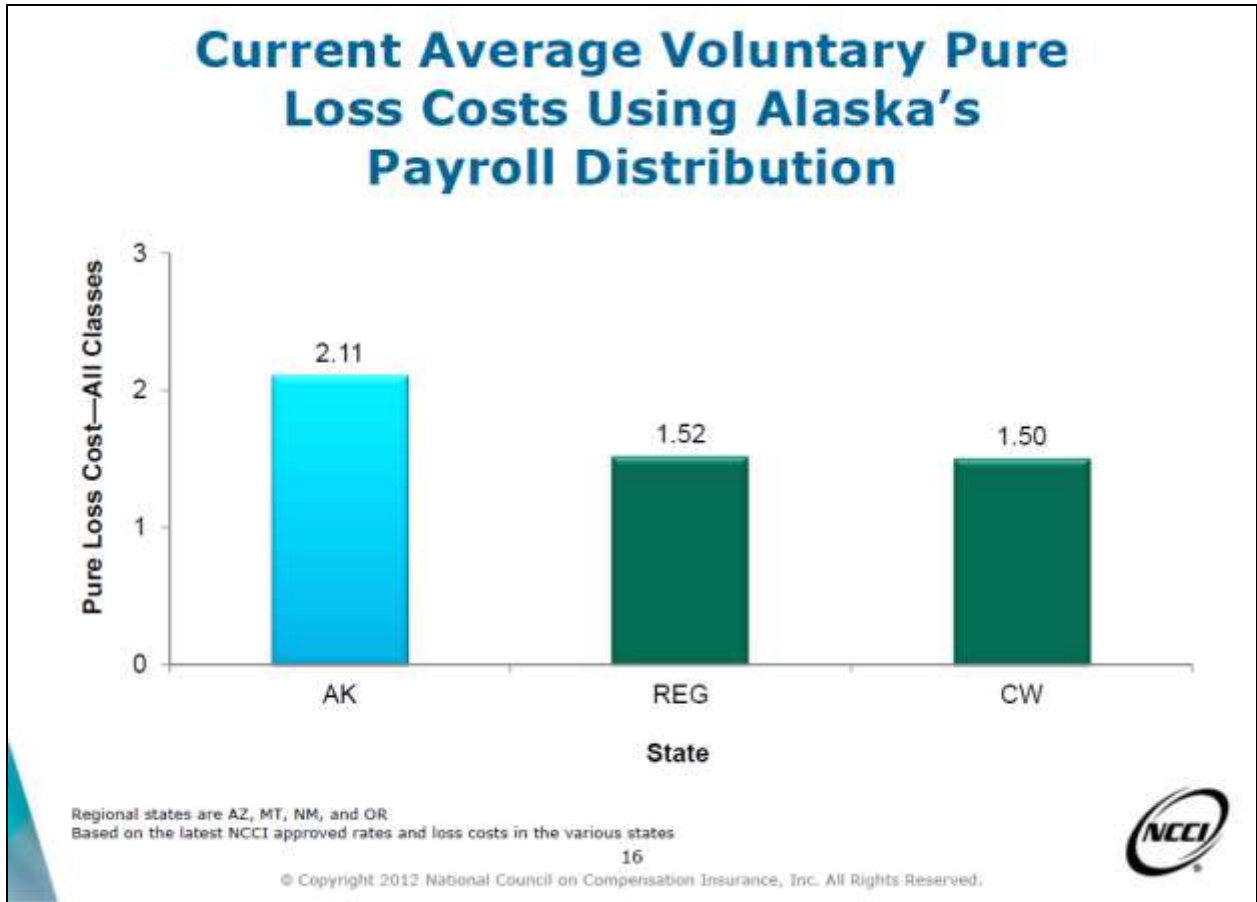
In calendar year 2012, workers' compensation premium rates increased 2.5%, compared to a premium decrease of 10.3% in 2010. Despite premium rate reductions in six of the past 7 years, Alaska continues to have one of the highest premium rates in the country. The State of Oregon 2012 premium analysis survey ranks Alaska as the state with the highest workers' compensation premium rate.

During calendar year 2012, Lumbermens Mutual Casualty Company and American Manufacturers Mutual Insurance Company were placed in rehabilitation.

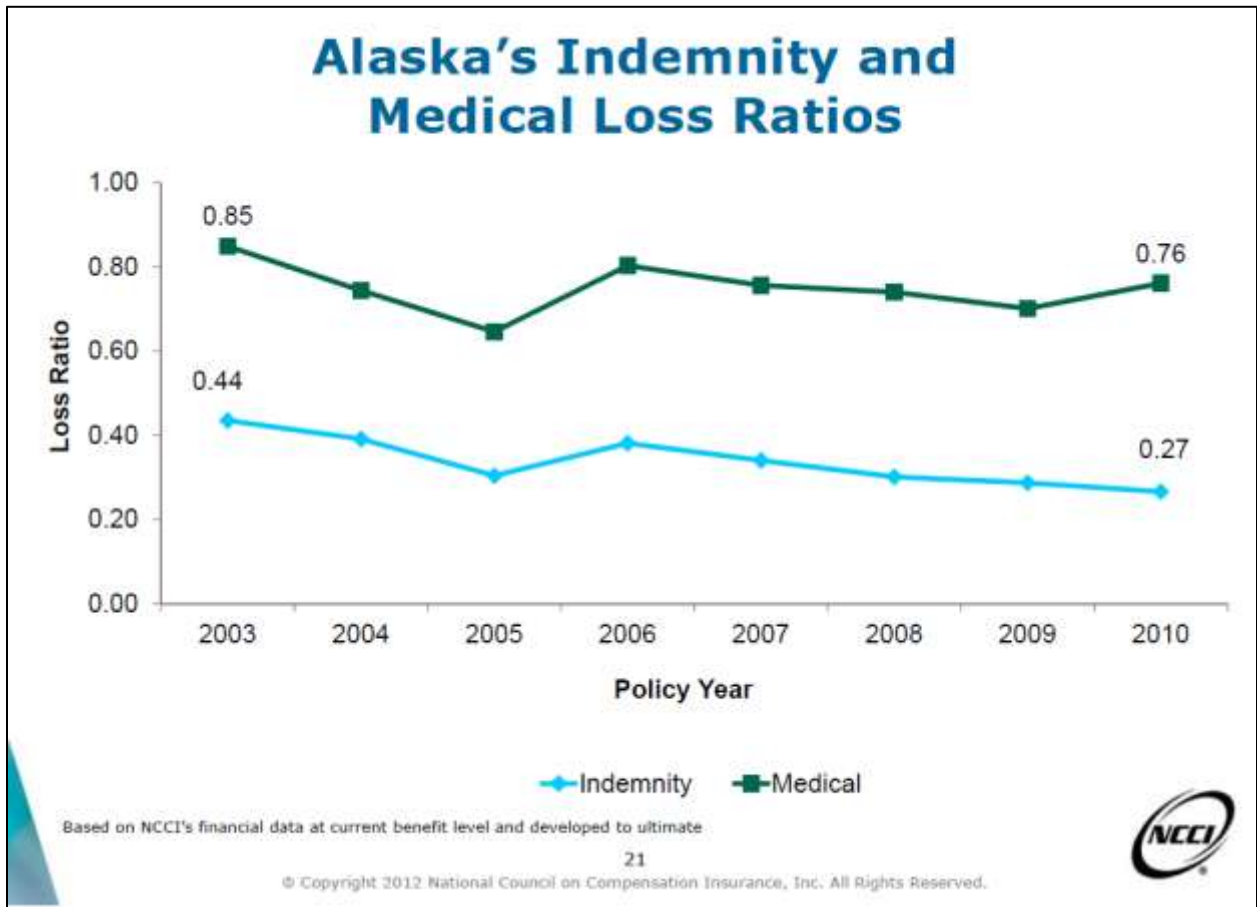
Table 2. Workers' compensation premium rate ranking

2012 Ranking	2010 Ranking	State	Index Rate	Percent of study median	Effective Date
1	2	Alaska	3.01	160%	January 1, 2012
2	6	Connecticut	2.99	159%	January 1, 2012
3	5	California	2.92	155%	January 1, 2012
4	3	Illinois	2.83	151%	January 1, 2012
5	13	New York	2.82	150%	October 1, 2011
6	4	Oklahoma	2.77	147%	11/1/11 State Fund, 1/1/12 Private
7	7	New Jersey	2.74	146%	January 1, 2012
8	1	Montana	2.50	133%	July 1, 2011
9	10	New Hampshire	2.40	128%	January 1, 2012
10	8	Maine	2.24	119%	January 1, 2012
12	14	Pennsylvania	2.15	114%	April 1, 2011
12	19	Wisconsin	2.15	114%	October 1, 2011
13	26	Washington	2.11	112%	January 1, 2012
14	18	Vermont	2.07	110%	April 1, 2011
15	25	Louisiana	2.06	110%	October 1, 2011
16	12	South Carolina	2.04	109%	July 1, 2011
17	16	Minnesota	2.03	108%	January 1, 2012
19	20	Tennessee	2.02	107%	November 1, 2011
19	29	Idaho	2.02	107%	January 1, 2012
20	28	Rhode Island	1.99	106%	June 1, 2011
21	10	Alabama	1.97	105%	March 1, 2011
22	15	Kentucky	1.96	104%	October 1, 2011
23	28	South Dakota	1.91	102%	July 1, 2011
25	36	Iowa	1.90	101%	January 1, 2012
25	23	North Carolina	1.90	101%	April 1, 2011
27	24	Georgia	1.88	100%	March 1, 2011
27	32	New Mexico	1.88	100%	January 1, 2012
28	17	Ohio	1.84	98%	July 1, 2011
29	40	Florida	1.82	97%	January 1, 2012
30	34	Delaware	1.77	94%	December 1, 2011
31	37	Wyoming	1.74	92%	January 1, 2012
32	23	Michigan	1.73	92%	January 1, 2012
33	30	Nebraska	1.71	91%	February 1, 2011
34	42	Maryland	1.68	89%	January 1, 2012
35	40	Hawaii	1.66	88%	January 1, 2012
36	33	Missouri	1.62	86%	January 1, 2012
37	38	Arizona	1.61	86%	January 1, 2012
38	12	Texas	1.60	85%	June 1, 2011
39	41	OREGON	1.58	84%	January 1, 2012
40	35	West Virginia	1.55	82%	November 1, 2011
41	43	Kansas	1.54	82%	January 1, 2012
42	31	Mississippi	1.49	79%	March 1, 2012
43	47	Colorado	1.42	76%	January 1, 2012
44	44	Massachusetts	1.37	73%	September 1, 2011
45	45	Utah	1.35	72%	December 1, 2011
46	21	Nevada	1.33	71%	March 2, 2011
47	48	District of Columbia	1.28	68%	November 1, 2011
48	47	Virginia	1.20	64%	April 1, 2011
49	49	Arkansas	1.19	63%	July 1, 2011
50	50	Indiana	1.16	62%	January 1, 2012
51	51	North Dakota	1.01	53%	July 1, 2011

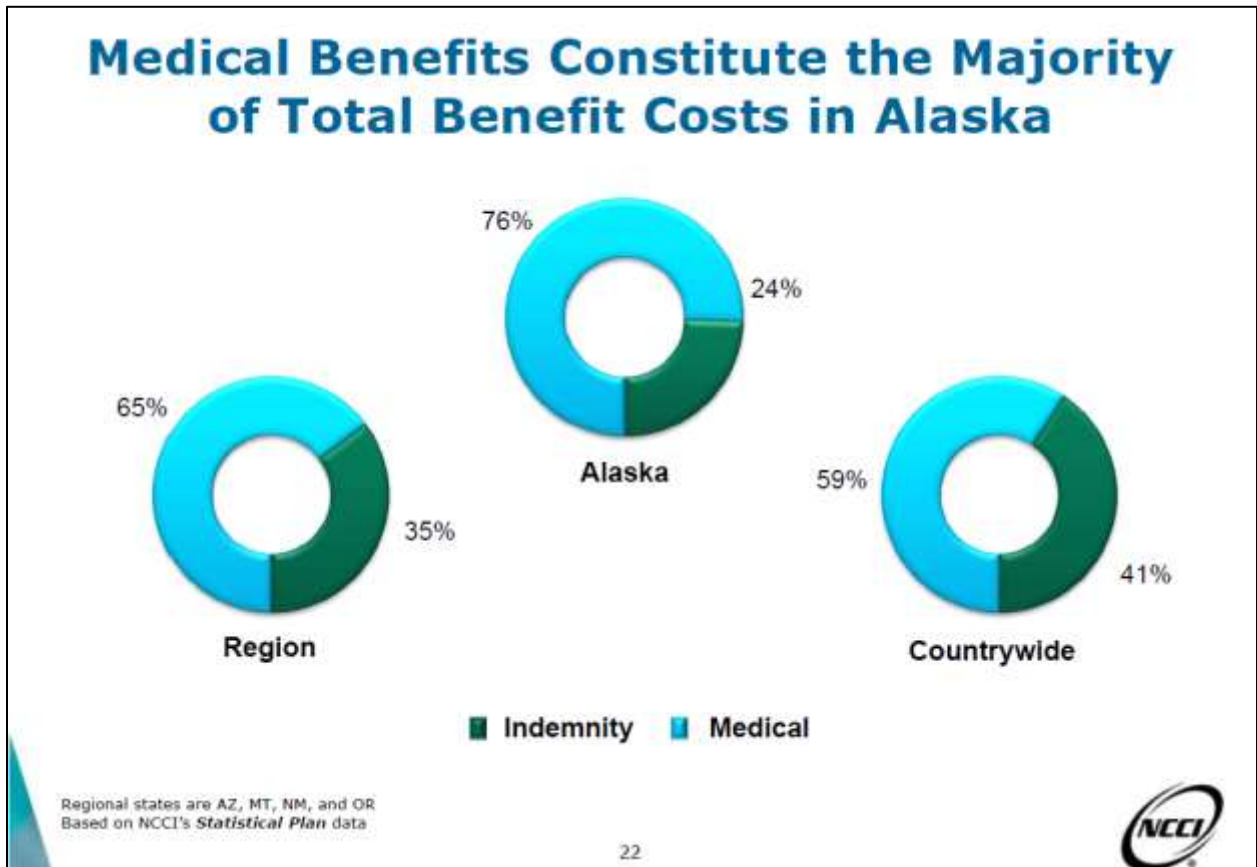
2012 Oregon Workers' Compensation Premium Ranking Summary
 Courtesy Oregon Department of Consumer & Business Services



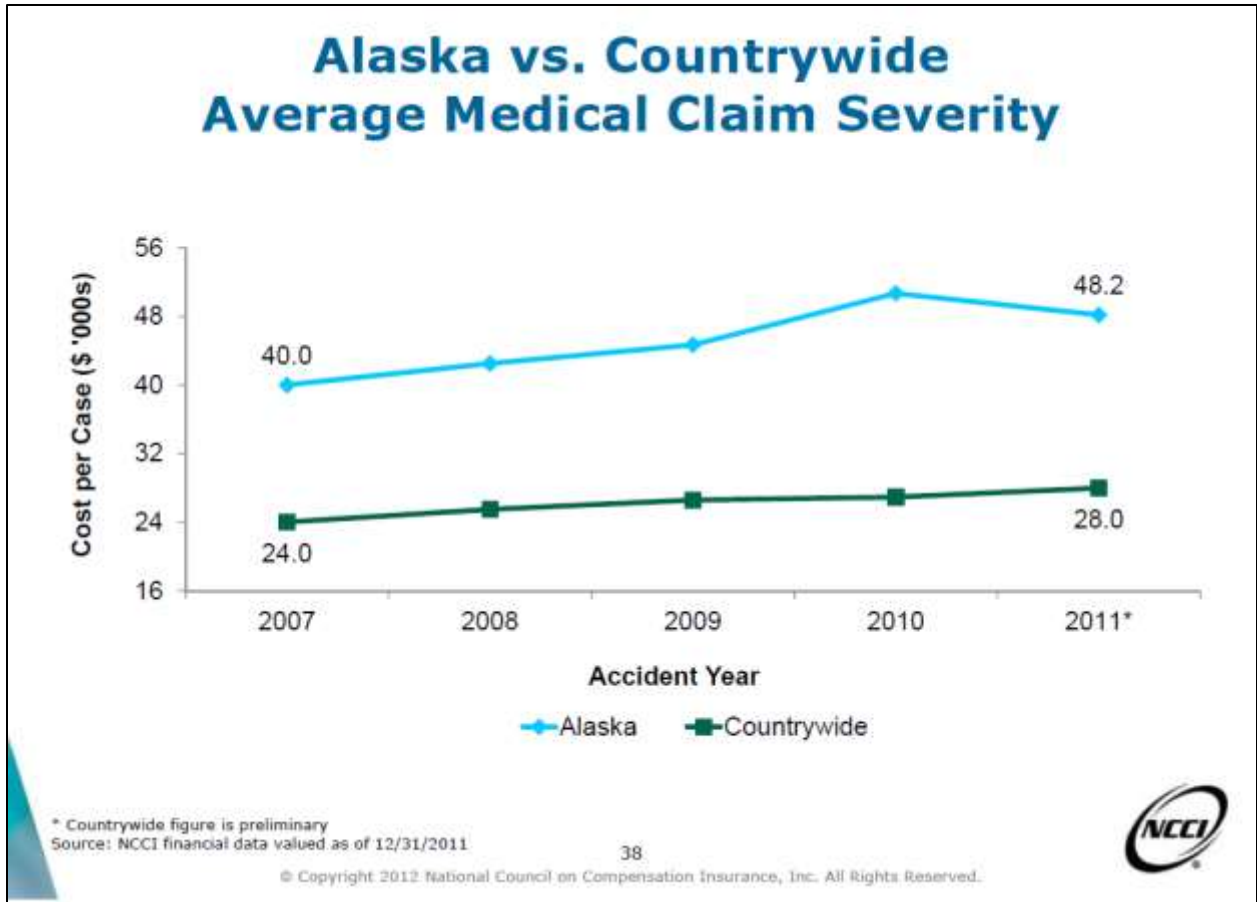
Courtesy 2012 Alaska State Advisory Forum, National Council on Compensation Insurance



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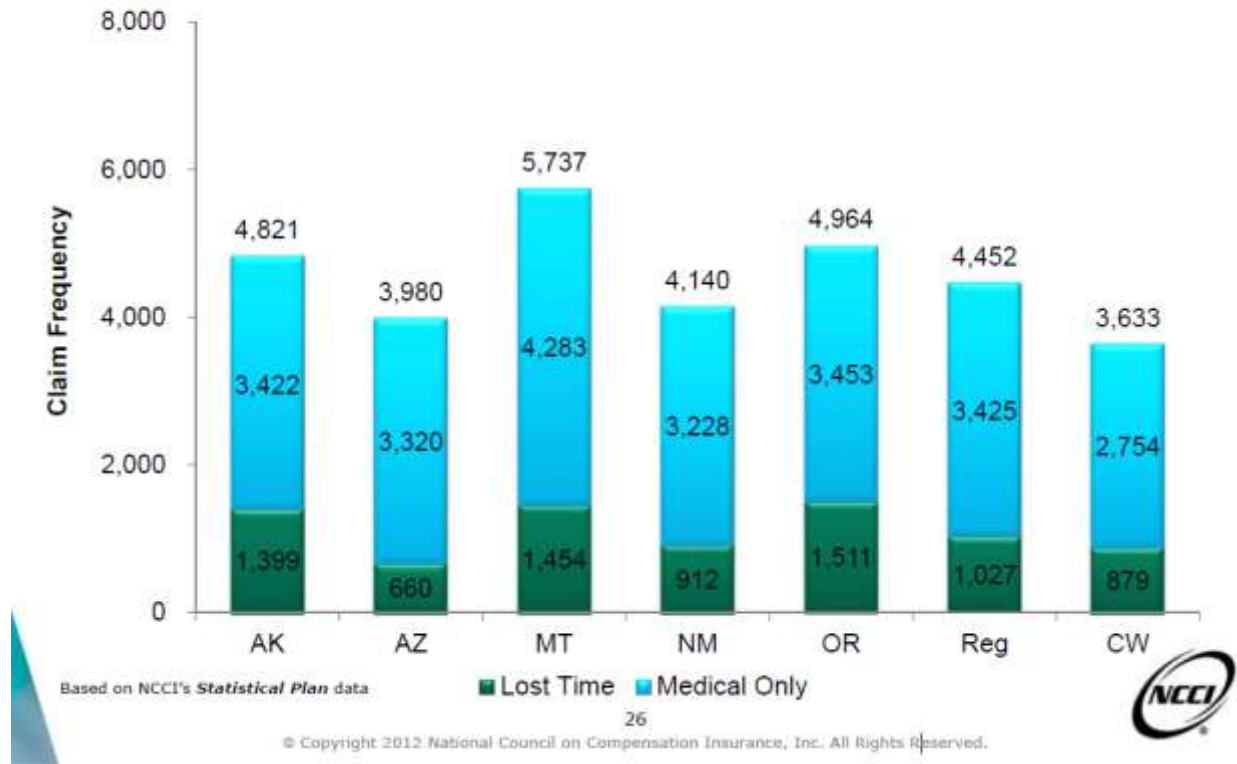
Courtesy 2012 Alaska State Advisory Forum, National Council on Compensation Insurance



Courtesy 2012 Alaska State Advisory Forum, National Council on Compensation Insurance

Alaska's Average Claim Frequency

Frequency per 100,000 Workers—All Claims



Courtesy 2012 Alaska State Advisory Forum, National Council on Compensation Insurance

NCCI's full report, Alaska State Advisory Forum 2012, is available on NCCI's website at www.ncci.com.