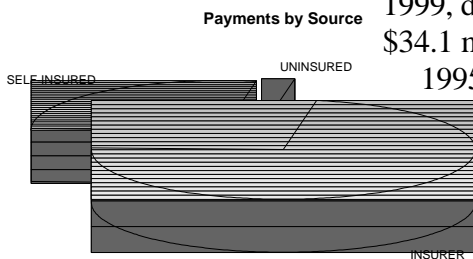


WORKERS' COMPENSATION 1999 ANNUAL REPORT

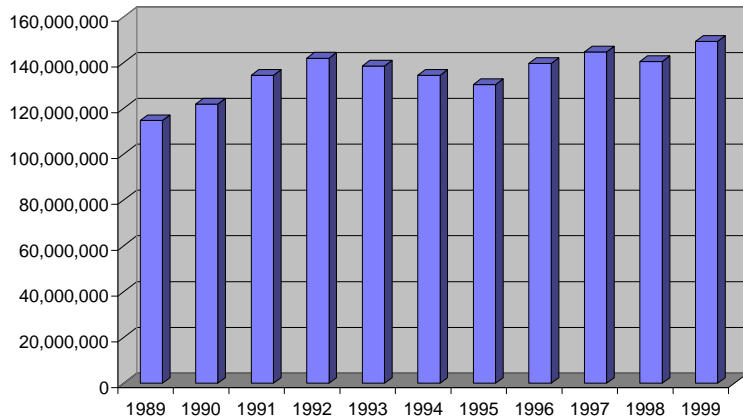
A total of \$149.2 million was paid in workers' compensation payments during calendar year 1999. This is an increase of 6.19% over 1998's total of \$140.5 million, and compares to \$144.7 million in 1997, \$139.6 million in 1996, and \$130.5 million in 1995.

Insurance Companies reported payments of \$117.5 million in 1999, up 12.76% from \$104.2 million in 1998. This compares to

insurance company payments of \$110.6 in 1997, \$110.1 million in 1996, and \$103.0 million in 1995. Self-Insured Employers reported total workers' compensation payments of \$31.7 million in 1999, down 12.67% from \$36.3 million in 1998. This compares to \$34.1 million in 1997, \$29.5 million in 1996, and \$27.2 million in 1995. Uninsured totals for 1999 were \$38,293, compared to \$183,511 reported in 1998, \$14,763 in 1997, and \$2,100 in 1996.



Total Compensation Payments

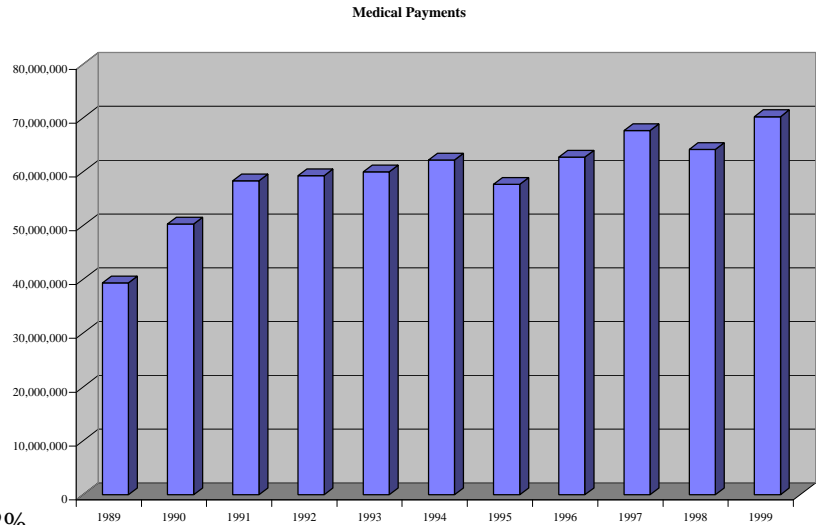


In the past 10 years, insurers have paid a combined total of \$1.49 billion in workers' compensation payments. During this time period Insurance Companies reported total payments of \$1.20 billion or 80.5%, while Self-Insured Employers paid \$289.6 million, or 19.4% and Uninsured Employers reported payments of \$320 thousand, or 0.02%.

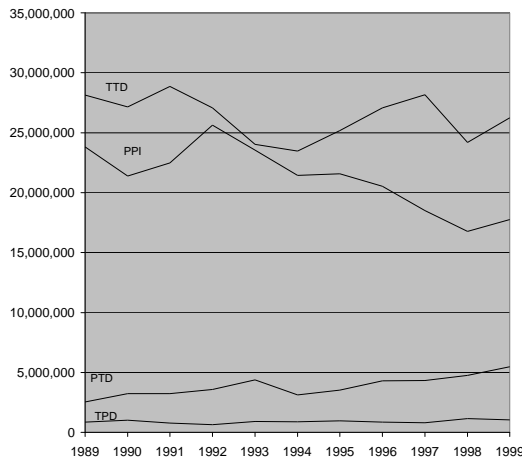
In 1989, Insurance Companies reported 84.4% of total compensation payments and Self-Insured Employers paid 15.6%. In 1999, Insurance Company payments had dropped to 78.7% of all payments and Self-Insured Employers were up to 21.2%. Payments reported by Uninsured Employers have risen marginally to .03%.

MEDICAL PAYMENTS

In 1999, total medical payments were \$70.3 million, up 9.5% from \$64.2 million in 1998. This compares to total medical payments of \$67.7 million in 1997, \$49.8 million in 1996, and \$44.8 million in 1995. Insurance Companies increased the amount of medical payments paid by 25.51% in 1999, while Self-Insured Employers decreased medical payments by 25.09%. As a percent of total payments, medical payments were 47.1%, compared to 45.7% in 1998, 46.7% in 1997, 44.9% in 1996, and 44.2% in 1995.



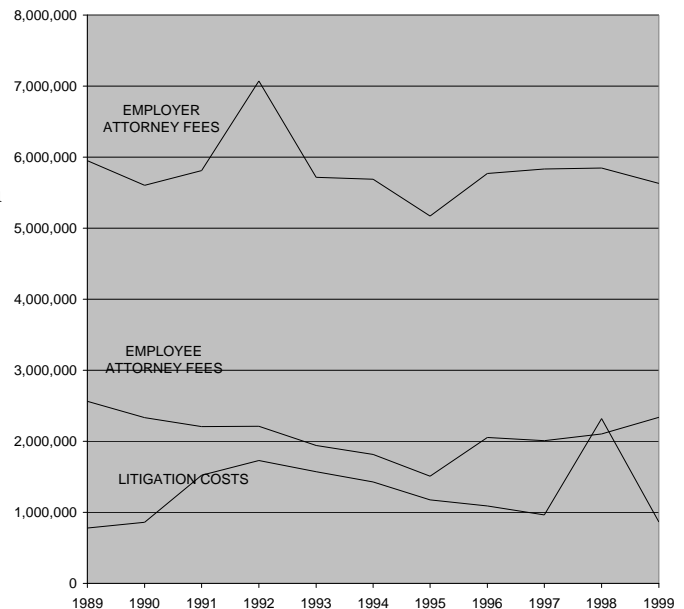
INDEMNITY PAYMENTS



1999 indemnity payments (**TTD, TPD, PPI, and PTD**) totaled \$50.5 million up 7.7% from \$46.9 million in 1998. Total indemnity payments were \$51.8 million in 1997, \$52.8 million in 1996, and \$51.2 million in 1995. TTD payments increased 8.3% to \$26.2 million from \$24.2 million in 1998; TPD payments decreased 9.1% to \$1.0 million from \$1.1 million in 1998; PPI payments increased 6.0% to \$17.8 million from \$16.8 million in 1998; and PTD payments increased 14.6% to \$5.5 million from \$4.8 million in 1998.

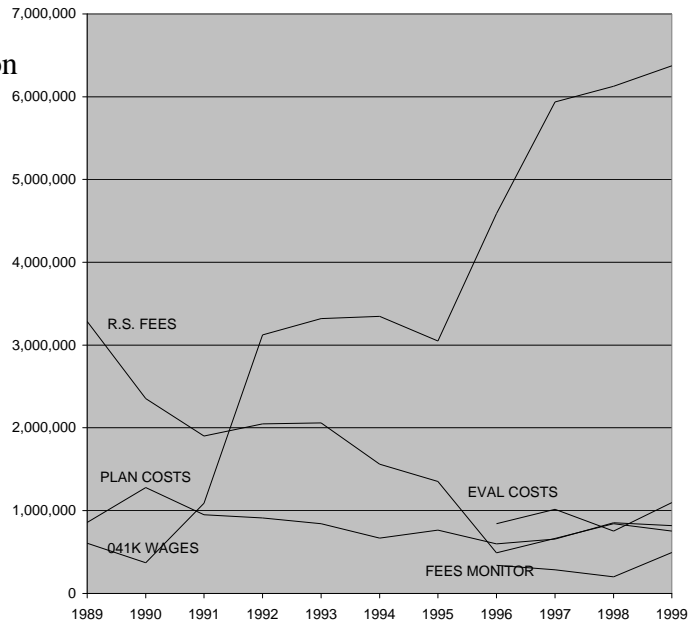
LEGAL EXPENSES

Legal expenses decreased 17.0% in 1999, from \$10.3 million in 1998 to \$8.8 million in 1999. Employee attorney fees rose 9.5% to \$2.3 million from \$2.1 million in 1998. For the same period, employer attorney fees declined by 3.5%, to \$5.8 million from \$5.6 million. Litigation costs declined 62.6% to \$861 thousand in 1999 from \$2.3 million in 1998.



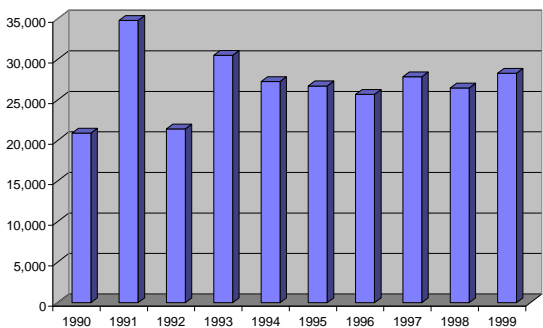
REEMPLOYMENT BENEFITS

Reemployment benefit payments increased 7.9% in 1999, to \$9.5 million from \$8.8 million in 1998. Wages paid while under rehabilitation, 041K wages, was the largest rehabilitation expense. 041K wages rose 4.1% to \$6.4 million in 1999, up from \$6.1 million in 1998. Employee evaluation costs rose 45.5%, to \$1.1 million in 1999 from \$755 thousand in 1998. Rehabilitation specialist fees declined 10.4%, to \$755 thousand in 1999 from \$843 thousand in 1998. Plan development costs declined 4.0%, to \$819 thousand in 1999 from \$853 thousand in 1998. Plan monitoring fees rose 143.4% to \$493 thousand in 1999 from \$202 thousand in 1998.



ANALYSIS OF CLAIMS

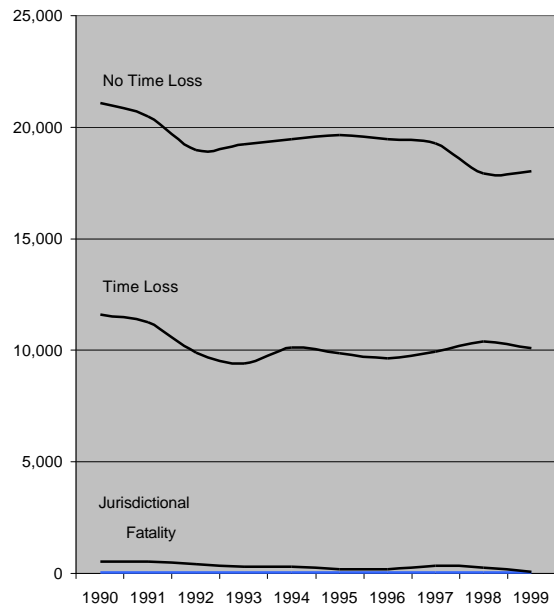
During Calendar Year 1999, the Workers' Compensation Division



established 28,235 claims, compared to 28,804 claims in 1998, 29,833 claims in 1997, 29,930 claims in 1996, and 30,220 claims in 1995. The number of claims decreased 1.97% in 1999, compared to a decrease of 3.4% in 1998, a decrease of .32% 1997, a .96% decrease in 1996, and a 0.29% decrease in 1995. Of the claims reported to the Division in 1999, 10,073 were time loss cases,

18,040 were no time loss cases, 33 were fatalities, and 9 were jurisdictional claims. This compares to 10,397 time loss cases, 17,920 no time loss cases, 31 fatalities, and 273 jurisdictional cases in 1998.

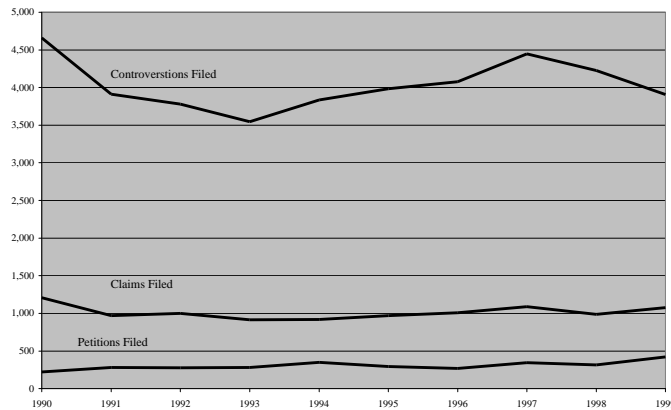
The Annual Reports filed by insurers in 1999 showed a total of 31,335 claims, compared 34,556 claims in 1998 34,771 claims in 1997; 37,676 claims in 1996; and 33,354 claims in 1995. The number of annual report claims decreased 9.32%, compared to a .62% decrease in 1998, a decrease of 7.71% in 1997, an increase of 12.96% in 1996, and a 2.47% decrease in 1995.



Of the claims reported on the Annual Report, 16,656 were time loss claims, 14,517 were no time loss claims, 153 were fatalities, and 9 were jurisdictional claims. This compares to 17,978 time loss, 16,191 no time loss cases, 224 fatalities, and 77 jurisdictional cases in 1998.

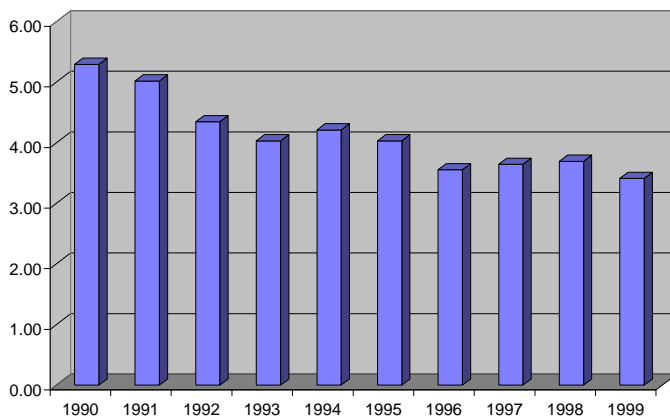
There were 1,078 claims for benefits filed in 1999, up 9.0% from 989 claims in 1998. There were 425 petitions filed, up 35.3% from 314 petitions in 1989. There were 4,338 injuries that were controverted in 1999, down 12.2% from 4,940 injuries controverted in 1998. This compares to 5,211 injuries controverted in 1997, 4,840 in 1996, and 4,755 in 1995. There were 8,405 total controversions filed in 1999, down 19.98% from 10,504 controversions filed in 1998. This compares to 10,843 controversions filed in 1997, 9,913 filed in 1996, and 9,709 filed in 1995.

CLAIMS & PETITIONS



The top twenty insurers paid 76.9%, or \$114.8 million of the total workers' compensation payments in 1999 vs. 74.6% or \$104.8 million in 1998. This compares to 79.12%, or \$114.5 million in 1997; 80.12%, or \$111.8 million in 1996; and 79.7%, or \$104.0 million in 1995. The top five private insurers by benefits paid in 1999 were Fremont Indemnity (formerly Industrial Indemnity) at \$24.4 million, up 86.26% from \$13.1 million in 1998; Alaska National at \$23.4 million, up 25.1% from \$18.7 million in 1998; Employers Insurance of Wausau, at \$10.6 million, down 13.6% from \$12.3 million in 1998; State of Alaska at \$8.1 million, down 10% from \$9.0 million in 1998; and Ace USA (formerly Cigna Property & Casualty) at \$7.0 million, down 35.2% from \$10.8 million in 1999.

CLAIMS RATE



Based on Department of Labor, Research and Analysis Section, total average employment in 1999 was estimated at 295,137, up 7.44% from 275,000 in 1998. Excluding 16,800 federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 1999 would be approximately 278,337.

Using the number of time-loss claims established by the Workers' Compensation Division, the claims rate per 100 employees in 1999 was 3.41. This compares to a time-loss rate of 3.70 in 1998, 4.0 in 1997, 3.9 in 1996, and 4.0 in 1995.