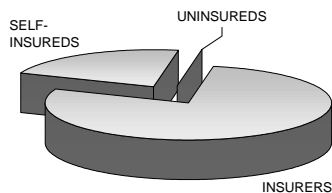
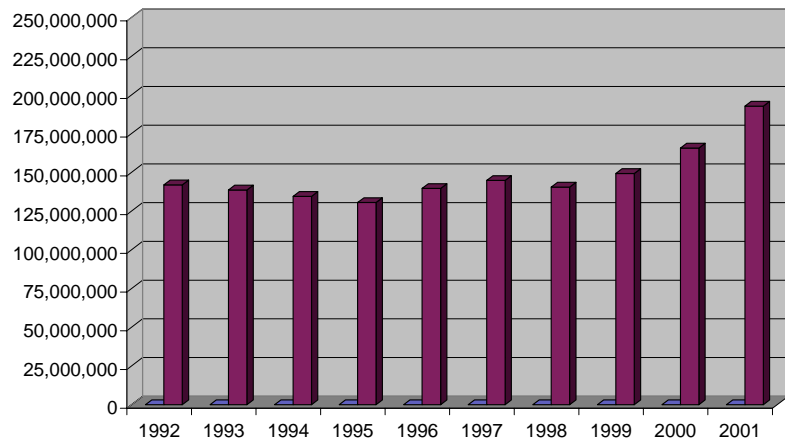


WORKERS' COMPENSATION 2001 ANNUAL REPORT

A total of \$192.7 million was paid in workers' compensation benefits during calendar year 2001. This is an increase of 16.4% over 2000's total of \$165.6 million, and compares to \$149.2 million in 1999, \$140.5 million in 1998, and \$144.7 million in 1997.

Insurance Companies reported payments of \$150.7 million in 2001, up 12.5% from \$134.0 million in 2000. This compares to \$117.5

Total Compensation Payments



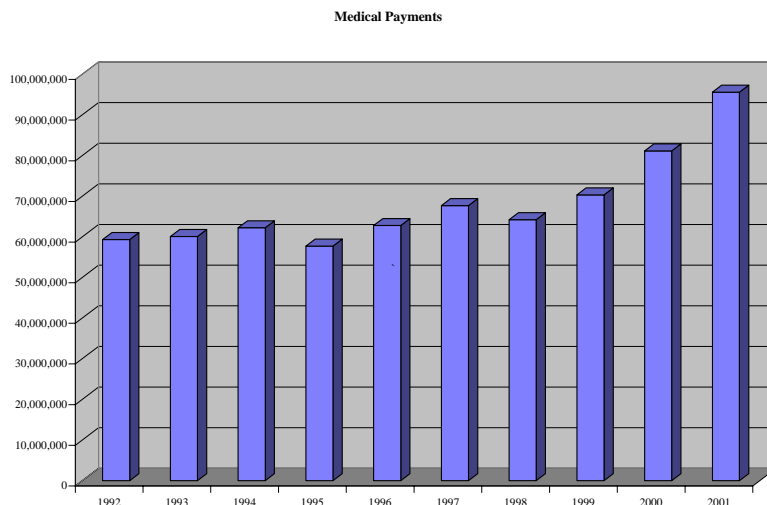
million in 1999, \$104.2 million in 1998, and \$110.6 in 1997. Self-Insured Employers reported total workers' compensation payments of \$41.8 million in 2001, up 24.4% from \$33.6 million in 2000. This compares to \$31.7 million in 1999, \$36.3 million in 1998, and \$34.1 million in 1997. Uninsured totals for 2001 were \$167,454, compared to \$27,448 in 2000, \$38,293 in 1999, \$183,511 in 1998, and \$14,763 in 1997.

In the past 10 years \$1.48 billion has been paid out in workers' compensation benefits. Of this amount, payments by Insurance Companies totaled \$1.17 billion or 79.1%, while Self-Insured Employers paid \$307.9 million, or 20.8% and Uninsured Employers reported payments of \$483,219, or 0.03%.

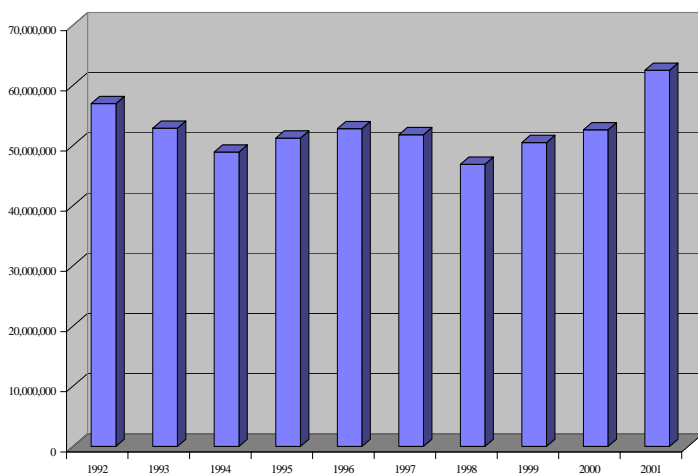
In 1992, Insurance Company payments were 82.8% of total compensation benefits paid, and Self-Insured Employers accounted for 17.2%. In 2001, Insurance Company payments had dropped to 78.2% of all payments and Self-Insured Employers were up to 20.8%. Payments reported by Uninsured Employers have risen marginally to .09%.

MEDICAL PAYMENTS

In 2001 medical payments totaled \$95.6 million, up 17.9% from \$81.1 million in 2000. This compares to \$70.3 million in 1999, \$64.2 million in 1998, and \$67.7 million in 1997. As a percentage of total payments, medical payments were 49.6% in 2001, compared to 49.0% in 2000, 47.1% in 1999, 45.7% in 1998, and 46.7% in 1997.



Indemnity Payments



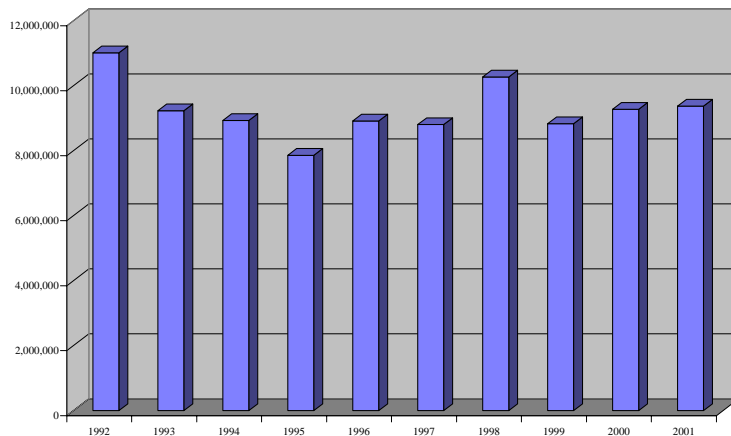
INDEMNITY PAYMENTS

Year 2001 indemnity payments (TTD, TPD, PPI, and PTD) totaled \$62.5 million, up 18.8% from \$52.6 million in 2000. Total indemnity payments were \$50.5 million in 1999, \$46.9 million in 1998, and \$51.8 million in 1997. TTD payments increased 25.3% to \$36.4 million from \$29.1 million in 2000; TPD payments increased 16.8% to \$1.3 million from \$1.1 million in 2000; PPI payments increased 11.6% to \$19.8 million from \$17.8 million in 2000; and PTD payments increased 5.71% to \$4.9 million from \$4.7 million in 2000.

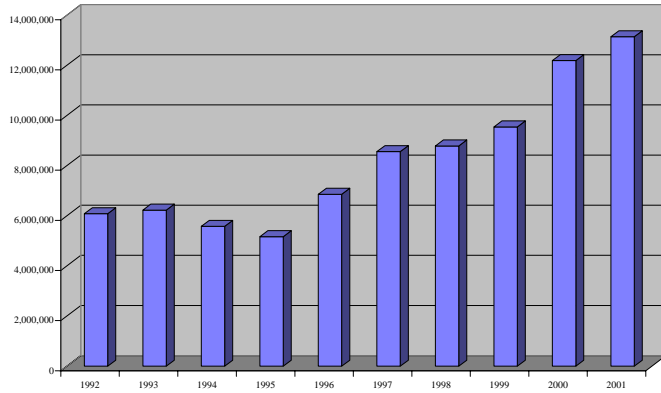
LEGAL EXPENSES

Legal expenses increased to \$9.4 million in 2001, up 1.1% from \$9.3 million in 2000. Employee attorney fees rose 8.12% to \$2.8 million from \$2.6 million in 2000; employer attorney fees rose 1.3%, to \$5.7 million from \$5.6 million; and litigation costs declined 18.9%, to \$805,221 from \$992,594.

Legal Payments



Rehab Payments



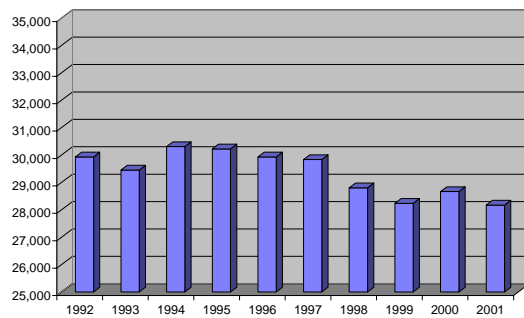
REEMPLOYMENT BENEFITS

Reemployment benefit payments increased 7.8% in 2001, from \$12.2 million to \$13.1 million. Wages paid while under rehabilitation, 041K wages, were the largest rehabilitation expense. 041K wages rose 10.2%, from \$7.7 million in 2000 to \$8.5 million in 2001. Employee evaluation costs declined 32.8%, to \$1.5 million from \$2.3 million. Rehabilitation specialist fees

increased 10.6%, to \$608,472 from \$550,323 in 2000. Plan development costs increased 41.5%, to \$1.8 million in 2001 from \$1.3 million in 2000. Plan monitoring fees increased 98.10%, from \$325,853 in 2000 to \$645,511 in 2001.

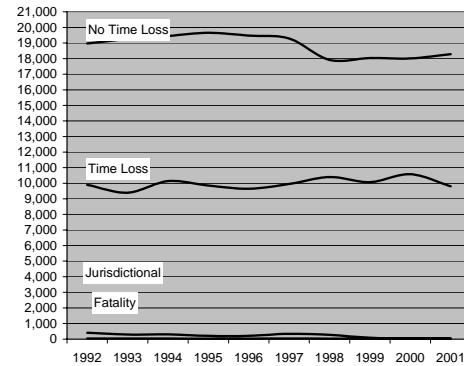
ANALYSIS OF WORKERS' COMP CLAIMS

Total Injury Reports Received

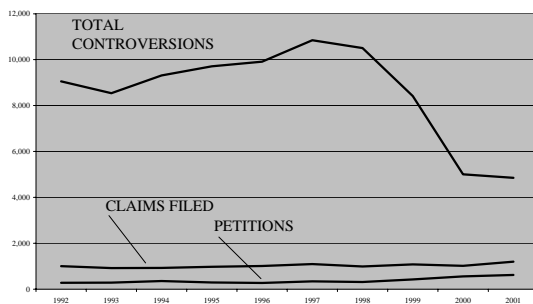


During Calendar Year 2001, the number of injuries and/or illness reported to the Workers' Compensation Division declined 1.71%, to 28,174 from 28,286 cases reported in 2000. This compares to 28,233 in 1999, 28,804 cases in 1998, and 29,833 in 1997.

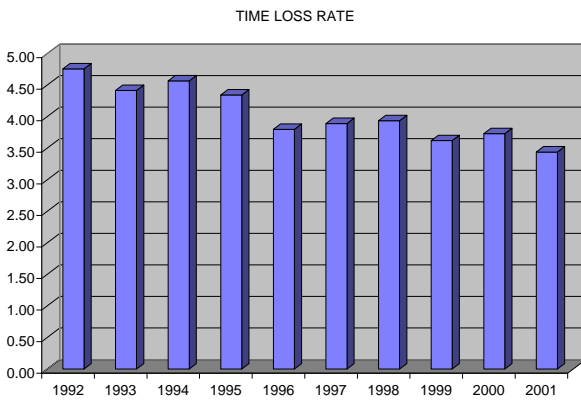
Of the claims reported to the Division in 2001, 18,281 were non time loss cases, 9,802 were time loss cases, 39 were fatalities, and 21 were jurisdictional claims.



CLAIMS & PETITIONS



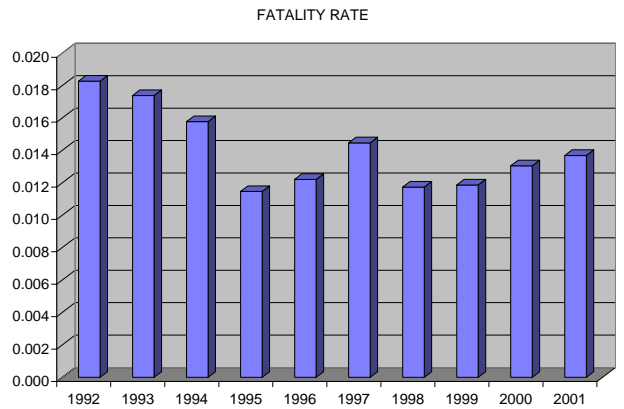
For the year, the number of claims filed increased 18.1%, from 1,014 in 2000 to 1,198 in 2001. The number of petitions filed increased 12.5%, from 554 to 623, and the total number of controversies filed decreased 3.0%, from 5,005 to 4,853.



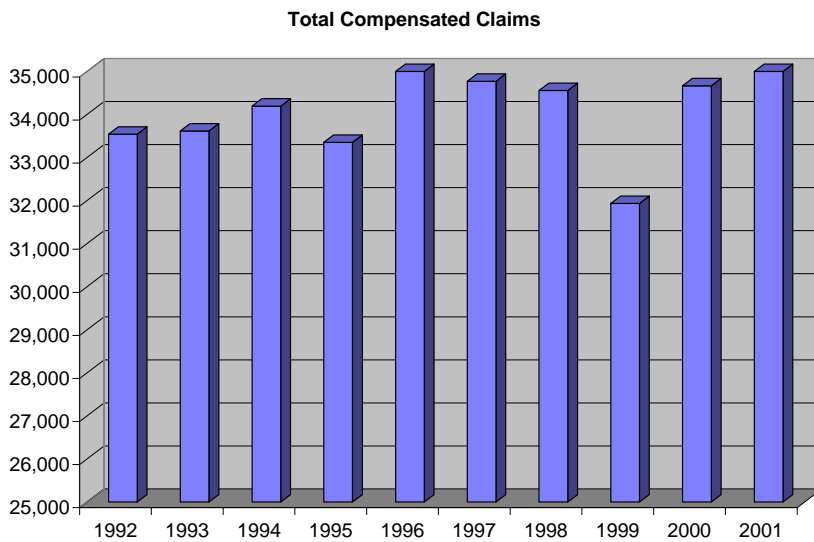
Based on Department of Labor, Research and Analysis Section data, total average employment in 2001 was estimated at 301,792, up .37% from 300,668 in 2000. Excluding 16,800 federal employees, the number of workers covered under the Alaska Workers' Compensation Act in 2000 would be approximately 284,992.

Using the number of time-loss claims established by the Workers' Compensation Division, the time loss rate per 100 employees in 2001 was 3.44. This compares to a time-loss rate of 3.73 in 2000, 3.62 in 1999, 3.94 in 1998, and 3.89 in 1997.

Using the number of fatalities established by the Workers' Compensation Division in 2001, the fatality rate per 100 employees in 2001 was .01, unchanged over the past 5 years.



ANALYSIS OF CLAIMS REPORTED ON ANNUAL REPORTS



Annual Reports filed by insurance companies and self insured employers list a total of 35,615 cases receiving benefit payments in calendar year 2001, up 2.73% from 34,668 cases in 2000. This compares to 31,934 cases in 1999, 34,556 in 1998, and 34,771 in 1997. Of those cases receiving compensation, 18,811 were time loss cases, 16,604 were non time loss cases, 197 cases were fatalities, and 3 cases involved jurisdictional claims.

OTHER

The top twenty insurers paid \$134.0 million or 69.57% of total workers' compensation payments made in 2001. This compares to \$125.5 million or 75.79% in 2000, \$114.8 million or 76.9% in 1999, \$104.8 million or 74.6% in 1998, and \$114.5 million, or 79.12% in 1997. The top five insurers by benefits paid in 2001 were Fremont Industrial Indemnity Co. at \$25.2 million, down 19.44% from \$30.1 million in 2000; Alaska National Insurance Co. at \$34.8 million, up 37.0% from \$25.4 million in 2000; State of Alaska at \$11.4 million, up 25.3% from \$9.1 million in 2000; Employers Insurance of Wausau at \$9.3 million, down 20.5% from \$11.7 million in 2000; and Pacific Employers Insurance Co. at \$4.8 million, up 108.7% from \$2.3 million in 2000.

For fiscal year 2001, the Division of Insurance reported 195 companies writing workers' compensation insurance in Alaska, with total net premiums written totaling \$140.9 million. During calendar year 2001, two insurance companies were found to be insolvent - Credit General Insurance Co, domiciled out of Ohio, and Reliance Insurance Company, domiciled out of Pennsylvania. In addition, Legion Insurance Company was placed under regulatory supervision by the State of Pennsylvania, joining Fremont Compensation Insurance Co and Frontier Insurance Company as workers' compensation insurers operating under state ordered rehabilitation.