

STATE OF ARIZONA
STATEMENTS OF OPERATIONS
AND CHANGES IN POLICYHOLDERS' SURPLUS
COMPONENT UNIT
STATE COMPENSATION FUND
FOR THE YEAR ENDED DECEMBER 31, 1998
(Reported on Statutory Basis of Accounting)
(Expressed in Thousands)

	NON-GAAP BASIS
Premiums earned	\$ 206,370
Compensation and medical benefits incurred	206,844
Loss expenses incurred	32,281
Underwriting and administrative expenses	19,936
Taxes and fees	3,673
Total Expenses	262,734
Net underwriting loss	(56,364)
Investment income	163,263
Investment expense	(4,865)
Net investment income	158,398
Other Income	7,854
NCCI assigned risk pool income	197
Net income before policyholders' dividends	110,085
Provision for policyholders' dividends	(81,500)
Net Income	\$ 28,585

STATEMENT OF CHANGES
IN POLICYHOLDERS' SURPLUS

Balance, beginning of year	\$ 272,715
Net income	28,585
Change in non-admitted assets	173
Net unrealized capital gains	18,934
Balance, end of year	\$ 320,407

The Notes to the Financial Statements are an integral part of this statement.