

Statutory Financial Examination of  
**Tongass Timber Trust**

FE 010-03

as of December 31, 2009

Issued by  
**STATE OF ALASKA**  
**DEPARTMENT OF COMMERCE, COMMUNITY, AND**  
**ECONOMIC DEVELOPMENT**  
**DIVISION OF INSURANCE**

NAIC Company Code: 000  
NAIC Group Code: 000

**FINAL REPORT:**  
April 14, 2011

**RECEIVED**

SEP 07 2011

**SOA - DCCED**  
**DIVISION OF INSURANCE**  
**JUNEAU OFFICE**

1  
2  
3 CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

4  
5 STATE OF ALASKA  
6 DEPARTMENT OF COMMERCE, COMMUNITY AND  
7 ECONOMIC DEVELOPMENT  
8 DIVISION OF INSURANCE  
9 550 WEST 7TH AVENUE, SUITE 1560  
10 ANCHORAGE, AK 99501-3567

8 Order FE 10-03 )  
9 In the Matter of Examination of )  
Tongass Timber Trust )  
\_\_\_\_\_ )

11 FINDINGS OF FACT

12 1. A report of examination of Tongass Timber Trust, domiciled in the State of  
13 Alaska, has been issued by the State of Alaska, Division of Insurance, to Tongass Timber  
Trust.

14 2. The Report of Examination of Tongass Timber Trust (FE 10-03) has been  
15 transmitted to Mr. Owen Graham, Executive Director, Tongass Timber Trust (Examinee),  
16 and Examinee has been accorded at least 30 days opportunity to review and comment on  
this Report of Examination. A response from the examinee was received on *September*  
*2, 2011*.

17 3. The Director of the Division of Insurance has fully considered and reviewed  
18 the report, the examinee response and any relevant portions of the examiner's work  
papers to the extent she considered necessary.

19 CONCLUSIONS OF LAW

20 1. The written Report of Examination referred to in Finding of Fact No. 1 was  
issued in accordance with Alaska Statute (AS) 21.06.150(b).

21 2. The actions set forth in finding of Fact No. 2 were conducted in accordance  
22 with AS 21.06.150(b).

23 3. The Director of the Division of Insurance has reviewed the Report of  
24 Examination, the examinee response and any other relevant work papers as set forth in  
Finding of Fact No. 3 to the extent she considered necessary in accordance with  
25 AS 21.06.150(b).  
26

**RECEIVED**

SEP 07 2011

SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE

STATE OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT  
DIVISION OF INSURANCE  
550 WEST SEVENTH AVENUE, SUITE 1560  
ANCHORAGE, ALASKA 99501-3567  
PHONE: (907) 269-7900  
FAX: (907) 269-7910  
TDD: (907) 465-5437

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT  
DIVISION OF INSURANCE  
550 WEST SEVENTH AVENUE, SUITE 1560  
ANCHORAGE, ALASKA 99501-3567  
PHONE: (907) 269-7900  
FAX: (907) 269-7910  
TDD: (907) 465-5437

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

ORDER

IT IS ORDERED

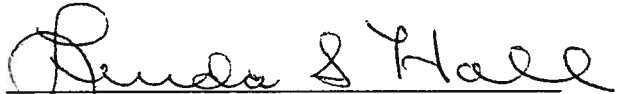
1. Pursuant to AS 21.06.150(b)(1), the Report of Examination of Tongass Timber Trust (FE 10-03) is approved as filed.

2. Pursuant to AS 21.06.060, the Report of Examination shall be kept in the Office of the Director of the Division of Insurance and be open to public inspection.

3. The Examinee will implement all recommendations within a reasonable amount of time but no later than one year from the issue date of this examination report, unless otherwise recommended in the Report of Examination. Failure to implement compliance recommendations may result in action against the Examinee for violation of this order.

This order is effective September 6, 2011.

Dated this 6<sup>th</sup> day of September, 2011 at Anchorage, Alaska.



Linda S. Hall, Director  
State of Alaska  
Division of Insurance

**RECEIVED**

SEP 07 2011

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**

TABLE OF CONTENTS

Salutation ..... 1  
Scope of Examination ..... 1  
Summary of Examination Findings ..... 2  
    Significant Findings ..... 2  
    Subsequent Events ..... 2  
Description of Company ..... 2  
    Company History ..... 2  
    Corporate Records ..... 2  
    Management and Control ..... 3  
    Fidelity Bond and Other Insurance ..... 3  
    Officers' and Employees' Welfare and Pension Plans ..... 3-4  
    Territory and Plan of Operation ..... 4  
    Growth of Company ..... 4  
    Claims Experience ..... 4  
    Stop-Loss Coverage ..... 4  
    Accounts and Records ..... 5  
    Statutory Deposits ..... 5  
Summary of Actuarial Review ..... 5  
Financial Statements ..... 5  
    Statement of Assets, Liabilities and Surplus ..... 6  
    Statement of Operations ..... 7  
    Statement of Surplus and Reserve Account ..... 8  
Analysis of Changes in Financial Statements Resulting from Examination ..... 9  
Compliance with Recommendations in Prior Report of Examination ..... 9  
Examination Findings and Recommendations ..... 10-11  
Closing ..... 12  
Affidavit ..... 13

**RECEIVED**

SEP 07 2011

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**



STATE OF ALASKA  
DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT  
Alaska Division of Insurance

*Sean Parnell, Governor*  
*Susan K. Beil, Commissioner*  
*Linda S. Hall, Director*

April 14, 2011

Ms. Linda S. Hall, Director  
Division of Insurance  
Department of Commerce, Community  
and Economic Development  
State of Alaska  
550 West 7<sup>th</sup> Avenue, Suite 1560  
Anchorage, AK 99501-3567

**RECEIVED**

**SEP 07 2011**

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**

Dear Director Hall:

In accordance with your instructions and authorizations, and in accordance with statutory requirements, an examination has been made of the financial condition and business affairs of:

Tongass Timber Trust  
111 Stedman Street, Suite 200  
Ketchikan, Alaska 99901

(NAIC CoCode 000; Group Code 000)

**SCOPE OF EXAMINATION**

The examination of Tongass Timber Trust covers a three-year period from January 1, 2007 to December 31, 2009. The last financial examination of the Trust was completed as of December 31, 2006. Transactions subsequent to this period were reviewed where deemed appropriate.

Procedures of the examination followed standards established by the NAIC Financial Condition Examiners Handbook and the rules, regulations and directives of the State of Alaska, Division of Insurance. The examination was planned and performed to evaluate the financial condition and identify prospective risks of the Trust by obtaining information about the Trust including corporate governance, identifying and assessing inherent risks within the company and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Trust were considered in accordance with the risk-focused examination process. Key activities included: Investments, Premiums, Claims and Actuarially Determined Liabilities, Affiliated Parties, Debt and Surplus, Taxes, Expenses, Management and Control. The workpapers of independent certified public accountants, Milner, Howard, Mortensen, Palmer & Johnson (PC), CPAs were reviewed and relied upon where appropriate.

An actuarial evaluation of the reserves as of December 31, 2009, was performed by Katie S. Campbell, FSA, MAAA, Actuary for the Division of Insurance, State of Alaska, as a part of this examination.

## SUMMARY OF EXAMINATION FINDINGS

### Significant Findings

Four findings were cited as a result of this examination. Two involved the investment policy and reporting. One finding was cited for the lack of disclosures regarding conflicts of interest by trustees and officers. Also, an exam finding regarding auditor independence was cited. Adjustments to the following investment accounts were made:

- Bonds decreased from \$47,716 to "0"
- Common Stocks decreased from \$988,679 to "0"
- Mutual Funds decreased from \$1,550,924 to "0"
- Receivable for securities increased from "0" to \$2,587,319

**RECEIVED**

**SEP 07 2011**

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**

### SUBSEQUENT EVENTS

No activities or events subsequent to the examination were identified as material and requiring disclosure.

## DESCRIPTION OF COMPANY

### Company History

Tongass Timber Trust (the Trust) is an Alaska-domiciled multiple employer welfare arrangement (MEWA) organized pursuant to Title 21, Chapter 85, of the Alaska Statutes. Tongass Timber Trust was originally established as an employee health and welfare plan in 1964 by the Alaska Loggers Association, Inc., the precursor to the Alaska Forest Association, Inc. (AFA), in order to provide group health, life insurance and accidental death and dismemberment benefits for workers employed by member firms. The AFA, is considered the "plan sponsor" according to the Employee Retirement Income Security Act (ERISA) of 1974.

On June 14, 2005, the State of Alaska issued a Certificate of Authority to the Trust authorizing them to act as a multiple employer welfare arrangement.

Pursuant to a Trust Agreement dated May 1, 1964, the affairs of the Trust Fund and the Group Insurance Plan are administered by their board of trustees.

### Corporate Records

All Trust business records are maintained at its home office in Ketchikan, Alaska in accordance with state regulations. Board minutes are also maintained at the Trust's home office and were reviewed during this examination. All actions of the Trust that require board approval were taken by resolution at the meetings.

The Trust Agreement requires that the Trustees hold regular periodic meetings consistent with the needs of the Trust Fund business, provided that there are at least two regular meetings held during each calendar year. All elections were held in accordance with the agreement and statute.

**Management and Control**

Trustees of Tongass Timber Trust and the AFA entered into an Administrative Services Agreement whereby AFA provides the Trustees with certain administrative services for the operation of the Trust. The Trust's Executive Director, Owen Graham, serves in this capacity. He supervises the personnel who perform the daily operations of the Trust. Mr. Graham represents AFA and though not a Trustee, attends all Board of Trustee meetings.

During the period under examination, Tongass Timber Trust's Board of Trustees increased from four to six trustees. The Board of Trustees approved the increase at its December 10, 2008 meeting. It was subsequently approved by participating employers by written ballot at the March 6, 2009 Alaska Forest Association Board of Directors meeting.

Trustees and their term of service are listed below.

NAME	TITLE	AS OF
Keaton Gildersleeve	Trust Chairman	1993 - Present
George Baggen	Trustee	2008 - Present
Robert Byers	Trustee	2004 - Present
Leo Gellings	Trustee	1984 - Present
Jerry Larrabee	Trustee	1977 - Present
Linda Lewis	Trustee	2008 - Present

The Board of Trustees supervise the business of the Trust. Trustees are charged with the following responsibilities: receive contributions and create and administer the Benefit Plan; establish a basis of payments to and from the Trust Fund; follow fiduciary standards in carrying out their duties; deposit contributions or any other monies received; invest contributions; retain records of their administration of the Trust Fund; engage an independent qualified public accountant to conduct an annual financial examination of the Trust Fund; prepare a Plan Description and prepare and file an Annual Report.

**Fidelity Bonds and Other Insurance**

The Trust is insured under a Fiduciary Liability Policy through CHUBB for up to an aggregate of \$2,000K. The policy does not include dishonest, fraudulent or criminal acts. The Trust has a fiduciary dishonesty policy issued by CHUBB. It is limited to \$300K that covers fraudulent or criminal acts. The policy covers all employees while in the service of any Employee Benefit Plan. Coverage is deemed adequate.

Directors and Officers are covered by a separate insurance policy with CHUBB.

**Officers' and Employees' Welfare and Pension Plans**

Tongass Timber Trust, through AFA, maintains a voluntary 401(k) retirement plan for its employees. Under the provisions of the 401(k) plan, eligible participants may contribute up to 15% of their salaries subject to certain limitations. AFA matches 3% of each participant's salary.

Through July 31, 2003, Tongass Timber Trust contributed to a defined benefit retirement plan for its employees. On August 1, 2003, the Trustee froze the defined benefit plan and replaced it with a defined contribution plan. On January 1, 2005, the trustees increased the contribution rate to the plan from \$1 to \$3 per hour for covered employees; of which \$2.50 of the contribution was allocated to the defined benefit plan in order to make up the plan's unfunded liability, with the remaining \$.50 credited to the individual accounts of covered participants in the defined contribution plan.

As of July 1, 2005, the contributions to the defined benefit plan ceased, the hourly rate was dropped back to .50 cents per hour where it remains today for participants in the defined contribution plan

**Territory and Plan of Operation**

The Trust provides health benefits medical, prescription, dental, vision, death benefits and accidental death and dismemberment to full-time employees of member companies of the AFA, and to their beneficiaries and covered dependents. Short term disability benefits are available to employees only. Employees must work at least 100 hours per month for two-consecutive months to begin eligibility and 100 hours per month thereafter to maintain eligibility.

**Growth of Company**

Results of the Trust's operation for the period of December 31, 2007 to December 31, 2009 are shown in the following exhibit. Figures presented are from the Trust's Annual Statements as filed for the years 2007, 2008 and 2009.

Year	Admitted Assets	Liabilities	Surplus
2007	\$6,377,619	\$587,752	\$5,789,867
2008	\$4,828,159	\$578,265	\$4,249,894
2009	\$4,678,976	\$543,929	\$4,135,047

**RECEIVED**  
 SEP 07 2011  
 SOA - DCCED  
 DIVISION OF INSURANCE  
 JUNEAU OFFICE

**Claims Experience**

The following schedule shows the claims experience of the Trust during the period of examination:

Year	Contributions Earned	Claims Incurred	Ratio	Expenses Incurred	Ratio
2007	\$ 2,531,108	\$ 2,445,720	96.6%	\$ 623,077	24.6%
2008	2,589,218	2,678,110	103.4%	712,582	27.5%
2009	2,490,319	2,432,704	97.7%	677,586	27.2%

**Stop-Loss Coverage**

As a MEWA, the Trust provides for pass-through of life insurance premiums to a group life policy underwritten by Mutual of Omaha. Additionally, the Trust maintains a stop-loss policy



underwritten by QBE Insurance Corporation covering \$1 million per covered person excess of \$200,000, the Trust's maximum retention per covered individual.

The Trust does not cede any business and maintains no credit for ceded reserves.

### **Accounts and Records**

The Trust utilizes a Dell T 300 Server as its hardware platform. Claims are processed using the Logical Claims Solutions software by vendor Plexis Healthcare Systems Inc. Financial account information, check registers, and bank reconciliations are processed using Quickbooks. These records are backed up nightly on the network server and separate back-up tape is also generated. The back-up tape is stored off-site.

### **Statutory Deposits**

A \$200,000 statutory deposit is maintained by the Trust at a bank in Ketchikan, Alaska.

## **SUMMARY OF ACTUARIAL REVIEW**

Ms. Katie Campbell, FSA, MAAA, Actuary with the State of Alaska, Division of Insurance reviewed the adequacy of Tongass Timber Trust's claims and claims adjustment expense reserves. In performing the analysis, reliance was placed on the claims and claims expense data provided by the Trust's consulting actuaries, and on the data contained in the Annual Statement. The actuarial analysis performed as part of this financial examination resulted in the following conclusion:

With the minor exception below, it is my opinion that the reserve assumptions and methodology are reasonable and the resulting unpaid claim reserve is in compliance with AS 21.85. The actuary appropriately added additional margin to the unpaid claim reserve to reflect that the Trust is small and experience volatile and not fully credible. Historical claim data shows that the unpaid claim reserves have been sufficient in the past five years.

Based on the historical claim and expense data in the 2009 financial statement the claim adjustment expense reserve estimate may be understated. The independent actuary did not include the utilization review/case management expenses in determining the reserve estimate and in the future the independent actuary should include all claim administration expenses in calculating the reserve as stated above. However, the amount of understatement is relatively small and Tongass Timber Trust has sufficient excess surplus to cover additional claim administration expenses.

## **FINANCIAL STATEMENTS**

The following pages contain statutory financial statements for the Trust as of December 31, 2009 as reported to the division and as determined by the examiners.

**RECEIVED**

**SEP 07 2011**

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**

**FINANCIAL STATEMENTS**  
**STATEMENT OF ASSETS, LIABILITIES AND SURPLUS**  
As of December 31, 2009

	<u>As Reported</u>	<u>Adjustments</u>	<u>Finding No.</u>	<u>As Adjusted</u>
<u>Assets</u>				
Bonds	\$ 47,716	(47,716)	2	\$ 0
Stocks				
Preferred stock	0			0
Common stock	988,679	(988,679)	2	0
Cash on hand and on deposit	46,444			46,444
Short-term investments	1,761,135			1,761,135
Receivable for securities	0	2,587,319	2	2,587,319
Deposit with Alaska Division of Insurance	200,000			200,000
Mutual funds	1,550,924	(1,550,924)	2	0
Subtotal, cash and invested assets	4,594,898			4,594,898
Uncollected contributions	1,166			1,166
Interest and other investment income due and accrued	5,222			5,222
Furniture and equipment	47,880			47,880
Prepaid insurance	29,810			29,810
	<u>\$ 4,678,976</u>	<u>0</u>		<u>\$ 4,678,976</u>
<u>Liabilities, Surplus and Other Funds</u>				
<u>Liabilities:</u>				
Claims and claims adjustment expenses	\$ 464,100			\$ 464,100
Unearned contributions	1,356			1,356
Other expenses due or accrued	78,473			78,473
Total Liabilities	<u>\$ 543,929</u>	<u>0</u>		<u>\$ 543,929</u>
<u>Surplus(Reserves)</u>				
Paid in and contributed surplus	\$ 0			\$ 0
Earned surplus	4,135,047			4,135,047
Total Surplus (Reserves)	<u>\$ 4,135,047</u>	<u>0</u>		<u>\$ 4,135,047</u>
Total Liabilities and Surplus	<u>\$ 4,678,976</u>	<u>0</u>		<u>\$ 4,678,976</u>

**RECEIVED**

SEP 07 2011

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**

**FINANCIAL STATEMENTS**  
**STATEMENT OF OPERATIONS**  
as of December 31, 2009

	<u>As Reported</u>	<u>Adjustments</u>	<u>Finding Number</u>	<u>As Adjusted</u>
<u>Underwriting Income</u>				
<u>Revenue</u>				
Contributions earned	\$ 2,490,319			\$ 2,490,319
Total Revenue	\$ 2,490,319			\$ 2,490,319
<u>Deductions</u>				
Claims incurred	\$ 2,432,704			\$ 2,432,704
Expenses incurred	677,586			677,586
Total underwriting deductions	\$ 3,110,290			\$ 3,110,290
Net underwriting gain or loss	\$ (619,971)			\$ (619,971)
<u>Investment Income</u>				
Net investment income earned	\$ 121,530			\$ 121,530
Net realized capital gains or (losses)	(134,213)			(134,213)
Net investment gain or (loss)	\$ (12,683)			\$ (12,683)
<u>Other Income</u>				
	\$ 19,990			\$ 19,990
Net income before dividends	\$ (612,664)			\$ (612,664)
Dividends to policyholders	0			0
Net Income (Loss)	\$ (612,664)			\$ (612,664)
<u>Reconciliation of Reserves</u>				
Total Reserves, December 31, prior year	\$ 4,249,894			\$ 4,249,894
<u>Gains and (Losses) in Reserves</u>				
Net gain (loss)	\$ (612,664)			\$ (612,664)
Net unrealized capital gains or (losses)	497,817			497,817
Change in reserves for the year	\$ (114,847)			\$ (114,847)
Total reserves, December 31, 2009	\$ 4,135,047			\$ 4,135,047

**RECEIVED**  
SEP 07 2011  
**SOA - DCCED**  
**DIVISION OF INSURANCE**  
**JUNEAU OFFICE**

**FINANCIAL STATEMENTS**  
**STATEMENT OF SURPLUS AND RESERVE ACCOUNT**  
 As of December 31, 2009

	RESERVES		TOTAL
	Paid-In	Earned	
Balance at December 31, 2006	\$ 0	\$6,012,772	\$ 6,012,772
Net gain (loss) - 2007		199,223	199,223
Net unrealized capital gains or (losses)		(422,128)	(422,128)
Balance at December 31, 2007	\$ 0	\$5,789,867	\$ 5,789,867
Net gain (loss) -2008		(855,099)	(855,099)
Net unrealized capital gains or (losses)		(684,874)	(684,874)
Balance at December 31, 2008	\$ 0	\$ 4,249,894	\$ 4,249,894
Net gain (loss) - 2009		(612,664)	(612,664)
Net unrealized capital gains or (losses)	0	497,817	497,817
Balance at December 31, 2009	\$ 0	\$4,135,047	\$ 4,135,047

**RECEIVED**  
 SEP 07 2011  
**SOA - DCCED**  
**DIVISION OF INSURANCE**  
**JUNEAU OFFICE**

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS  
RESULTING FROM THE EXAMINATION**

The following changes were made to the financial statements as a result of this examination: Bonds, Common Stocks and Mutual Funds were reduced by \$47,716, \$988,679 and \$1,550,924 respectively. These securities were sold on December 29, 2009 and the trade did not settle until January 4, 2010. Receivable for Securities was increased by \$2,587,319. There was no change in surplus as a result of these examination adjustments.

**COMPLIANCE WITH RECOMMENDATIONS IN  
PRIOR REPORT OF EXAMINATION**

All recommendations in the prior report of examination were found to have been implemented or the issue was no longer present.

Prior Finding 1 – Use of Independent Auditor

Prior Finding 2 – Loss Reserves Not Adjusted Throughout the Year

Prior Finding 3 – Attendance of Governing Board of Trustees

Prior Finding 4 – Self-Funding Business Outside Allowed Lines

Prior Finding 5 – Abandoned Property Subject to Escheatment

Prior Finding 6 – Investment Reporting Not Provided in Substance Nor Format Required by Director.

**RECEIVED**

**SEP 07 2011**

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**

## EXAMINATION FINDINGS AND RECOMMENDATIONS

### Finding 1 – Investment Policy

Tongass Timber Trust's Investment Policy does not include guidelines for maturity of investments as required by Alaska regulation 3AAC 21.211. The written investment plan must include guidelines for quality, maturity, and diversification of investments.

Recommendation: It is recommended that the Board of Trustees specify guidelines for the maturity of investments as appropriate for the trust as required by 3 AAC 21.211 in its Investment Policy.

### Finding 2 – Receivable for Securities

Security trades in process of settling were not correctly reported. Approximately \$2,597,721 in securities was sold on December 29, 2009 and the trade was settled on January 4, 2010. The trust reported these trades in process of settling as investments. The proper classification for these unsettled trades is receivable for securities.

Recommendation: It is recommended that the trust properly report securities sold but not settled as receivable for securities.

### Finding 3 – Nonconflict of Interest Disclosures

During the examination period, the Trust did not require board members or officers to submit statements disclosing any conflicts of interest with their duties as trustees/officers of Tongass Timber Trust.

Recommendation: It is recommended that trustees and key employees of the Trust annually complete conflict of interest statements to ensure that all potential conflicts are properly disclosed.

### Finding 4 – Use of Independent Auditor

The Trust utilizes its independent auditor to verify accounting records and as a last-stop reviewer. CPA Milner, Howard, Mortensen, Palmer and Johnson serve as the Trust's independent auditor and regulatory financial report preparer. Alaska regulation 3 AAC 21.720(g) and (h) states, in part, the following:

“(g) The director will not recognize as a qualified independent certified public accountant, or accept an annual audited financial report prepared by, in whole or in part, an accountant who provides to an insurer, contemporaneously with the audit, any of the following non-audit services:

- (1) Bookkeeping or other services related to the accounting records or financial statements of the insurer...”

**RECEIVED**

SEP 07 2011

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**

“(h) The director will not recognize as a qualified independent certified public accountant, or accept an annual audited financial report prepared by, in whole or in part, an accountant who

- (1) functions in the role of management for the insurer;
- (2) audits the accountant’s own work; or
- (3) serves in an advocacy role for the insurer ...”

Recommendation: It is recommended that the Trust comply with Regulation 3 AAC 21.720 (g) and (h) and cease using their independent auditor for other financial reporting tasks if the auditor is going to continue to perform future annual audits of the Trust.

**RECEIVED**  
**SEP 07 2011**  
**SOA - DCCED**  
**DIVISION OF INSURANCE**  
**JUNEAU OFFICE**

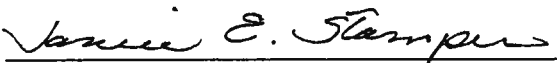
**CLOSING**

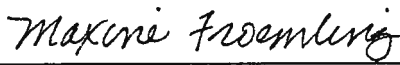
This examination was conducted in accordance with practices and procedures promulgated by the NAIC. This examination also includes a compliance review of applicable Alaska Statutes and Regulations.

In addition to the undersigned, Division of Insurance Actuary Katie Campbell, FSA, MAAA participated in the examination.

We wish to express our appreciation for the courteous cooperation and assistance extended to us by the management and staff of Tongass Timber Trust during the course of this examination.

This report is respectfully submitted,

  
\_\_\_\_\_  
Janice E. Stamper, CFE  
Examiner-in-Charge

  
\_\_\_\_\_  
Maxine L. Froemling, CFE  
Chief Financial Examiner

**RECEIVED**

SEP 07 2011

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**



AFFIDAVIT

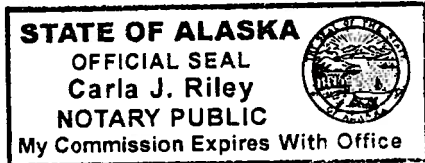
Anchorage, Alaska )  
May 25, 2011 )  
STATE OF ALASKA )  
THIRD JUDICIAL DISTRICT )

We, the undersigned, being duly sworn, do verify that the report of examination as of December 31, 2009, of Tongass Timber Trust, an Alaska domiciled company holding Certificate of Authority D-10557, is true to the best of our knowledge and belief.

Janice E. Stamper  
Janice E. Stamper, CFE  
Examiner-in-Charge

Maxine L. Froemling  
Maxine L. Froemling, CFE  
Chief Financial Examiner

Subscribed and sworn to before me this 8 day of August, 2011.



Carla J. Riley  
Notary Public for the State of Alaska

My commission expires: with office

**RECEIVED**

**SEP 07 2011**

**SOA - DCCED  
DIVISION OF INSURANCE  
JUNEAU OFFICE**