

**STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA**

REPORT OF EXAMINATION

OF

**KNIGHTS OF PETER CLAVER, INC.
NEW ORLEANS, LOUISIANA**

AS OF

DECEMBER 31, 2021

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EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF MONTGOMERY**

Agnes Denise Riggins being duly sworn, states as follows:

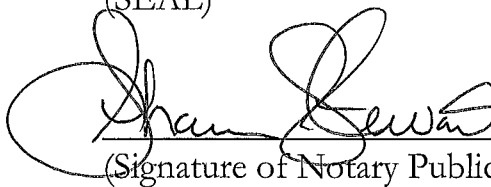
1. I have authority to represent Alabama in the examination of Knights of Peter Claver, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Knights of Peter Claver, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.


Agnes Denise Riggins
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 23rd day of May 2023.

(SEAL)


SHAWN STEWART
(Signature of Notary Public)

My commission expires _____ 10/09/2023 _____

EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA COUNTY
OF MONTGOMERY**

Francis Blase Abreo being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Knights of Peter Claver, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Knights of Peter Claver, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

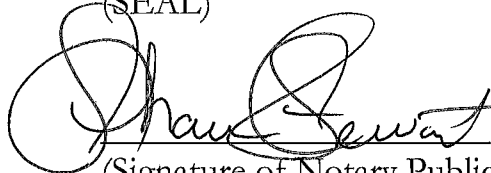
The affiant says nothing further.

Francis Blase Abreo

Francis Blase Abreo, CFE
Insurance Examination Supervisor
Alabama Department of Insurance

Subscribed and sworn before me by Francis Blase Abreo on this 23rd day of May 2023.

(SEAL)

 SHAWN STEWART
(Signature of Notary Public)

My commission expires 10 / 09 / 2023



KAY IVEY
GOVERNOR

MARK FOWLER
COMMISSIONER

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DEPARTMENT OF INSURANCE
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GENERAL COUNSEL
REYN NORMAN

May 23, 2023

Mark Fowler, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Fowler:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full scope financial and market conduct examination has been made as of December 31, 2021, has been made of

**Knights of Peter Claver, Inc.
New Orleans, Louisiana**

and was conducted remotely with support from the Order's management located in New Orleans, Louisiana. The Order's statutory home office is located at 1828 Orleans Avenue, New Orleans, Louisiana 70119. Where the description "Order" appears herein, without qualification, it will be understood to indicate Knights of Peter Claver, Inc.

SCOPE OF EXAMINATION

We have performed an examination of Knights of Peter Claver, Inc., a multi-state company. The last examination covered the period of January 1, 2016 through December 31, 2018. The current examination covers the period of January 1, 2019 through December 31, 2021.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Order and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Order were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Order's financial statements.

This examination report includes significant findings of fact, as mentioned in the Code of Alabama, 1975, as amended and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Order.

The Order's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Order's information technology systems (IT) was conducted concurrently with the financial examination. The IT examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Order's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, producers' licensing requirements, and privacy standards.

Bruno & Tervalon, LLP, was the Order's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2021.

This Report of Examination is qualified to the extent disclosed in Note 1 – Aggregate reserve for life contracts under the caption “Notes to Financial Statements” Page – 23

ORGANIZATION AND HISTORY

The Order was incorporated as a non-profit fraternal benefit society on November 7, 1909, in Mobile, Alabama, under the laws of the State of Alabama as “Knights of Peter Claver, Inc.” The objectives or purpose of the incorporation, as set forth in the Certificate of Incorporation, are as follows:

- The rendering of pecuniary aid to members of the Knights of Peter Claver and beneficiaries of the members.
- The rendering of mutual aid and assistance to the sick and disabled members of the Knights of Peter Claver.

- The promotion of such social and intellectual intercourse among its members as shall be desirable and proper and by such lawful means as may seem best.
- The location and establishment of subordinate councils or other branches or divisions thereof, composed of members of said corporation, in any town or city of this state, or any state of the United States, or any foreign country, and such councils, branches, or divisions so established shall be governed and managed by such laws, by-laws, rules and regulations as said corporation shall determine, and said corporation may enforce such laws, by-laws, rules and regulations against any subordinate council, branch or division by action at law in any court in this state or any state of the United States, or any court in any foreign country and all subordinate councils or other branches therefore established by said corporation shall be governed by such laws, by-laws, rules and regulations as are now in force, or which may hereafter be adopted by said corporation by suit at law in this state or any state of the United States, or any court in any foreign country.
- The establishment, accumulation and management of a reserve or other fund in such manner and such amount as it may determine for the purpose of more effectually rendering aid and assistance to the members.

There are three classes of membership in the Order:

1. Insured members entitled to all benefits of the Order.
2. Associate members entitled to all benefits of the Order with the exception of insurance.
3. Honorary members consisting of Priests, who may enjoy such membership without cost to themselves. Honorary members shall not be assessed nor shall they receive insurance benefits unless they elect to become insured members by meeting all the requirements of such members.

The Order's home office is in New Orleans, Louisiana. In 2005, Hurricane Katrina and its flood waters caused severe damage to the home office. The Order lost most of its original bookkeeping records including policyholders'/certificate holders' files and membership information. A policyholder/membership verification update form was developed by the Order in an attempt to validate the policyholders and membership records and to update the database. Management represented that over 90% of the policyholders/membership verification forms have been completed and returned to the Order.

MANAGEMENT AND CONTROL

Stockholders

The Order is a non-profit fraternal benefit society with a purpose to serve its members. The Order does not have stockholders.

Board of Directors

The legislative body governing the Order is the National Council Board of Directors. The Board of Directors meet immediately before and after the annual national conventions.

The following Board of Directors were elected and serving as of December 31, 2021:

<u>Name and Residence</u>	<u>Title</u>
James Kenneth Ellis Missouri City, Texas	*Supreme Knight, Chief Executive Officer
Alexander Landau Fabian Taylor Detroit, Michigan	National Secretary
Ricky Paul Sassau Breaux Bridge, Louisiana	National Treasurer
Oscar James Benoit Carencro, Louisiana	Deputy Supreme Knight
Corey Anthony Jeanlouis New Iberia, Louisiana	Deputy of Louisiana
Martin David Holley Pensacola, Florida	National Chaplain
Craig Anthony Guillory Lake Charles, Louisiana	Director General of the Junior Knights
Jari Christopher Honora New Orleans, Louisiana	Lay Member of the Board
Fredron DeKarlos Blackmon Pflugerville, Texas	Past Supreme Knight
Adrian Sylvester Adams Houston, Texas	Deputy of Texas
Carlton Adrian Robinson Montgomery, Alabama	Deputy of Gulf Coast
Bruce Daron Sampson	Deputy of Western States

North Las Vegas, Nevada	
Marvin James Bardo	Deputy of Northern States
Indianapolis, Indiana	
James Edward Callahan III	Deputy of Central States
Brentwood, Tennessee	
Arthur Cecil McFarland	National Advocate
Charleston, South Carolina	

*Effective July 2022, Dr. Christopher Aaron Pichon was elected Supreme Knight, Chief Executive Officer. This change was documented in the Subsequent Events section of this report on page 24.

Officers

Board Members elected as officers as of December 31, 2021:

<u>Officer</u>	<u>Title</u>
James Kenneth Ellis	Supreme Knight
Alexander Landau Fabian Taylor	National Secretary
Ricky Paul Sassau	National Treasurer

The examiners performed a review of the Order’s 2021 Annual Statement, Jurat Page. The review determined that the Order did not complete the Jurat Page appropriately. Two errors were identified 1) The Order did not place the # sign next to newly appointed directors and 2) The directors listed on the Jurat Page was incorrect. The Order was not in compliance with NAIC Annual Statement Instructions, which states:

Officers, Directors, Trustees

Show full name (initials not acceptable) and title (indicate by number sign (#) those officers and directors who did not occupy the indicated position in the prior annual statement.

Committees

The following committees were functioning as of December 31, 2021:

Audit Committee

Carlton Adrian Robinson
Bruce Daron Sampson
Adrian Sylvester Adams

The Audit Committee's meetings minutes for the period under examination were requested on March 15, 2022. Follow-up request was made on August 3, 2022. The Order's response received on October 20, 2022, indicated that the audit committee worked inconsistently due to personal matters of the committee chair, and COVID 19 limitations. Since the Order did not provide the requested information in a timely manner the order was not in compliance with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states:

The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner. When the requested record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

Except for the Audit Committee meeting minutes dated May 15, 2019, the Order was not able to provide the remaining Audit Committee meeting minutes. the Order was not in compliance with ALA. CODE § 27-27-29 (a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Executive Committee

James Kenneth Ellis
Oscar James Benoit
Alexander Landau Fabian Taylor
Ricky Paul Sassau
Arthur Cecil McFarland
Micaela JoAngel LeBlanc

Investment Committee

James Kenneth Ellis
Alexander Landau Fabian Taylor
Ricky Paul Sassau
Arthur Cecil McFarland
Fredron Dekarlos Blackmon
Micaela JoAngel LeBlanc
Donna Marie Williams

Conflict of Interest

Conflict of Interest Statements were reviewed for each director, officer, and key personnel. No material conflicts were noted.

Management and Service Agreements

The Order does not have any management and service agreements.

CORPORATE RECORDS

The Articles of Incorporation and By-Laws were inspected during the course of the examination and were found to provide for the Order's operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of the Board of Directors and committees were reviewed for the period under examination. The minutes appeared to be complete and provided for the operation of the Order in accordance with unusual practices and applicable statutes

and regulations with the exception as noted under Management and Control, Audit Committee – See page 6.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration

Effective January 1, 2016, the Order became subject to the Alabama Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1 (1975), as amended. The Order was not part of a holding company group, therefore there were no filings made during the examination period.

FIDELITY BONDS AND OTHER INSURANCE

The Order was a named insured on an insurance policy issued by Western Surety Company which included fidelity coverage. The amount of fidelity coverage maintained by the Order exceeded the minimum amount suggested in the NAIC *Financial Condition Examiners Handbook*. The Order's other insurance policies were reviewed and it was determined that the Order had adequate coverage in-force for the hazards to which the Order was exposed.

PENSION AND STOCK OWNERSHIP

The following benefits were available to full-time employees:

- Voluntary 401(k) Savings Plan
- Vacation Leave (after 1 year employment)
- Paid Holidays
- Sick/Personal Leave
- Workman's Compensation

COMPLIANCE WITH 18 U.S.C. § 1033

ALA. ADMIN. CODE 482-1-146-.11 (2009) states:

- (1) A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
 - (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.
 - (b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.
 - (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period employment or contracting.

The Order had internal procedures in place for determining if applicants for employment had been convicted of a Section 1033 offense and procedures were in place to periodically ascertain if existing employees had been convicted of a Section 1033 offense. The review determined that the Order was in compliance with 18 U. S. C. § 1033 and ALA. ADMIN CODE 482-1-146-11 (2009).

SCHEDULE OF SPECIAL DEPOSITS

At December 31, 2021, as required or permitted by law, the Order maintained deposits with the respective statutory authorities as follows:

Description	State	Book/Adjusted	Fair Value
		Carrying Value	
Certificate of Deposit	South Carolina	\$ <u>10,000</u>	\$ <u>10,000</u>
Total		\$ <u>10,000</u>	\$ <u>10,000</u>

The review of the Order's Annual Statements for 2019, 2020 and 2021 determined the Order did not complete Schedule E - Part 3 - Special Deposits in accordance with NAIC *Annual Statement Instructions, Schedule E – Part 3 – Special Deposits*, which states:

Deposits for the Benefit of All Policyholders

Report only the statutory deposit held for the benefit of all policyholders.

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Order for the examination period

	Admitted		Capital &	Premiums
	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Earned</u>
2021	\$3,318,344	\$ 1,239,101	\$2,079,243	\$536,101
2020	2,978,927	1,071,103	1,907,824	566,446
2019	2,868,262	898,058	1,970,204	1,224,602

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Order is a non-profit Fraternal Benefit Society. Membership in the Order is restricted to practicing Roman Catholics who at the time of initiation, are eighteen and over for Knights and Ladies. For Junior Knights and Junior Daughters, the prospective member must be between the ages of seven and eighteen. The Company writes group term life insurance.

Territory

As of December 31, 2021, the Order was licensed to transact business in the following states and district:

Alabama	Nebraska	Texas
District of Columbia	Oklahoma	Virginia
Louisiana	Pennsylvania	
Maryland	South Carolina	

The certificates of authority issued by the respective states and district were inspected for the period under review and found to be in order.

Advertising and Marketing

Advertising materials for each year under examination were reviewed. The Order's recruitment materials were located on the Order's website www.kopc.org. The recruitment materials consisted of flyers, business cards, brochures, booklets and pamphlets to increase the Order's membership. The advertising materials did not misrepresent policy benefits, forms or conditions, make unfair or incomplete comparisons with other policies, or make false, deceptive or misleading statements or representations.

Claims Handling

The examiners reviewed the Order's Death Benefits reported for each year under examination. The review determined the Order's Claim Expense spreadsheets for each year under examination did not match the amounts reported in the Order's Exhibit 8 Claims for Life and Accident and Health Contracts, Part 2 - Incurred During The Year for each year under examination. The review determined the Order was not in compliance with ALA. CODE § 27-27-29(a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Paid Claims

The Order had forty-five (45) Alabama claims during the examination period of January 1, 2019 through December 31, 2021. Due the small size of the total number of Alabama claims, the entire population of forty-five (45) Alabama claims were reviewed.

The review determined the Order was unable to provide the death certificate for one death benefit claim, the Order provided a Death Benefit Check Request dated March 23, 2023, and documentation of the death benefit claim amount of \$1,900.00 clearing the bank May 8, 2019.

The review determined the Order was not in compliance with ALA. CODE § 27-27-29(a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Denied and Closed Claims

The Order did not deny or close any claims during the examination period of January 1, 2019 through December 31, 2021.

Policyholders' Complaints

The Order maintained its complaint register in electronic format. There were no complaints from Alabama policy or certificate holders during the examination period.

Producers' Licensing Requirements

The Order does not utilize agents to distribute its insurance products. The Order does not have appointed agents, due to the Order's unique manner in distributing its insurance products agents are not necessary. All members are insured as a result of joining and remaining current with their dues payments from the date of joining the Order, with the exception of the following: junior members, associate members and Priests (with the exception of priests that opt for insurance).

Policy Forms and Underwriting

As of December 31, 2021, the Order provided its members group term life insurance in the states in which it was licensed to do business. The group policy form in use was approved by the Alabama Department of Insurance on July 9, 1997, and was effective January 1, 1998. Membership in the Order is the only prerequisite condition to obtain insurance and the amount of insurance coverage is based on the age of the insured at the time of joining the Order. The Order verifies the date of birth before paying the claims via the death certificate. The age of issue and the benefit are listed in the following table.

<u>Age at Issue</u>	<u>Benefits</u>
18 through 30	\$2,500
31 through 35	\$2,087
36 through 40	\$1,900
41 through 45	\$1,712
46 through 50	\$1,600
51 through 55	\$1,450
56 and older	\$1,225

No individual policies were issued during the period covered by the examination. No new policy form filings were pending approval as of December 31, 2021.

Privacy

The Order's privacy notice is distributed semi-annually to members in the Order's *The Claverite* publication. The privacy notice was revised February 2017 to include the following in bold print: *(New) We may share your information with non-affiliated third parties only for marketing products or services that we determine to be beneficial to our members.* The February 2017 revision also disclosed the type of information that may be shared. The Order's privacy notice disclosed the following: members' rights, types of information collected, the way the information is used, the manner which information is collected, how information is protected, and opt out information.

REINSURANCE

The Order did not utilize reinsurance during the examination period.

ACCOUNTS AND RECORDS

The Order's principle accounting and policy records were maintained in electronic format. The Order was audited by Bruno & Tervalon, LLP for the examination period. Edward Mire, FSA, MAAA of Rudd and Wisdom, Inc. prepared the Actuarial Reports and Statements of Opinion for the examination period.

Initial Request #1 was provided to the Order on March 15, 2022. Additional follow-up requests were made for the following items: 1) Examination Planning Questionnaire (EPQ), 2) Trial Balances for each year under examination, 3) Board and Committee minutes and 4) Conflict of Interest Statements. and 5) various meeting minutes were not provided. The Order did not provide the requested items within ten (10) working days, the Order was not in compliance with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states:

The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner. When the requested record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an

extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

General Interrogatories

The review of the Order's 2019, 2020 and 2021 Annual Statement, General Interrogatories determined the Order did not provide a response to various questions in the NAIC *Annual Statement, General Interrogatories* which relate to the Order.

External Auditor - 2021 Communication of Significant Deficiencies and Material Weaknesses

The review of the external auditor's 2021 Communication of Significant Deficiencies and Material Weaknesses to management and the Board of Directors noted the following:

- An overstatement of death benefits expense and claims payable in the 2021 Annual Statement by approximately \$58,000 due to lack of procedures and training for users on the new third-party platform, Bill.Com.
Bruno & Tervalon LLP recommended that written policies and procedures be established for processing payments via the Bill.com platform and that management ensure that employees that access the Bill.com be afforded the proper training in the processing and accounting for payments processed through third-party platforms.
- Subsidiary ledgers and journals of certain general ledger control accounts (i.e., accounts payable) generals of certain are not periodically (i.e., monthly) reviewed for accuracy and reasonableness which resulted in unidentified amount(s) of approximately \$13,000.
Bruno & Tervalon LLP recommended subsidiary ledgers and journals be reviewed on a periodic basis for accuracy and reasonableness.
- Payroll costs per the IRS 941 Employer's Quarterly Federal Tax Returns and employee W-2 wage statements were understated in comparison to the payroll register by approximately \$11,800.
Bruno & Tervalon LLP recommended that, at least on a quarterly basis, that payroll costs per the payroll register be reconciled to the IRS quarterly 941s. Additionally, the external auditor recommended that the quarterly

IRS 941s and employee W-2 wage statements be revised to accurately reflect payroll costs.

COMPLIANCE WITH ESCHEAT LAWS

The examiners reviewed the Order's outstanding check listing to determine if the Order was in compliance with escheat laws. The review determined the Order voided checks outstanding greater than ninety (90) days totaling \$1,004.99 back to the Order, of which \$17.60 should have been escheated to the state of Alabama, \$307.80 should have been escheated to the appropriated state, and \$679.59 the Order was unable to provide supporting documentation to determine the appropriate state the funds should be escheated to.

Review of 2016 Checks Voided Back to the Order - \$326.54

The oldest check was dated May 24, 2016. The review determined there were six (6) checks with 2016 dates which totaled \$326.54 that were voided back to the Order December 2020. The Order was unable to provide supporting documentation for these six (6) checks, the examiner was unable to determine the appropriate state the funds should be escheated to.

Review of 2019 Outstanding Check Listing - Checks Voided Back to the Order - \$289.05

The review of the Order's 2019 outstanding check listing determined twelve (12) checks totaling \$289.05 was voided back to the Order December 2020. The Order was unable to provide documentation of checks clearing the bank or documentation supporting reissuance of the outstanding checks. The review of the Order's 2019 outstanding check listing determined one (1) check dated July 3, 2018, in the amount of \$17.60 which should have been escheated to the state of Alabama, the Order was unable to provide supporting documentation for four (4) checks totaling \$91.45, the examiner was unable to determine the appropriate state the funds should be escheated to, the review of the documentation of seven (7) checks totaling \$180.00 determined the Order had sufficient documentation to escheat the funds to the appropriate states.

Review of the 2020 Outstanding Check Listing - Checks Voided Back to the Order - \$389.40

The review of the Order's 2020 outstanding check listing determined ten (10) checks totaling \$389.40 was voided back to the Order December 2020. The Order was unable to provide documentation of checks clearing the bank or documentation supporting reissuance of the outstanding checks. The review of the Order's 2020 outstanding check listing determined the Order was unable to provide supporting documentation for two (2) checks totaling \$261.60, the examiner was unable to determine the appropriate state the funds should be escheated to, the review of the documentation of eight (8) checks totaling \$127.80 determined the Order had sufficient documentation to escheat the funds to the appropriate states.

On February 8, 2023, during the examination, the Order reissued two (2) checks totaling \$239.20 that was voided back to the Order December 2020 to the appropriate payees.

The review determined the Order was not in compliance with ALA. CODE § 27-27-29 (a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted

The review determined the Order was not in compliance with ALA. CODE § 35-12-76 (a) (2004), which states:

A holder of property presumed abandoned shall make a report to the Treasurer concerning the property. The report shall be filed electronically and the monies remitted electronically. The Treasurer may grant an exception upon written request as established by rule. A report should contain only tangible property or intangible property. If a holder possesses both property types, two reports shall be filed.

The review determined the Order was not in compliance with ALA. CODE § 35-12-76 (a) (2004). that the Order was not in compliance with ALA. CODE § 35-12-76 (c) (2004) which states:

The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year.

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Order with the Alabama Department of Insurance and present the financial condition of the Order for the period ending December 31, 2021. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

Statement of Assets.....20
Statement of Liabilities, Surplus and Other Funds.....21
Summary of Operations and Surplus Account.....22

KNIGHTS OF PETER CLAVER, INC.
STATEMENT OF ASSETS
For the Year Ended December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets	Prior Year Net Admitted Assets
ASSETS				
Bonds	\$ 1,185,434	\$ -0-	\$ 1,185,434	\$ 1,107,837
Stocks:				
Common stocks	1,080,814		1,080,814	769,528
Real estate:				
Properties occupied by the company	375,816	209,899	165,917	143,413
Properties held for the production of income	58,862		58,862	59,823
Cash, cash equivalents and short-term investments	803,744		803,744	864,143
Aggregate write-ins for invested assets	2,586		2,586	
Investment income due and accrued	5,128		5,128	6,115
Uncollected premiums and agents' balance in the course of collection	1,500		1,500	27,922
Aggregate write-ins for other-than-invested assets	14,359		14,359	146
TOTAL ASSETS	\$ 3,528,243	\$ 209,899	\$ 3,318,344	\$ 2,978,927

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.**

KNIGHTS OF PETER CLAVER, INC.
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2021

Liabilities:	Current Year	Prior Year
Aggregate reserve for life contracts	\$ 346,131	\$ 384,402
Contract claims:		
Life	257,599	232,877
Premiums and annuity considerations for life and accident and health contracts received in advance	63	627
General expenses due or accrued	174,068	114,834
Taxes, licenses and fees due or accrued, excluding federal income taxes	680	1,041
Amounts withheld or retained by reporting entity as agent or trustee		7,145
Borrowed money	193,689	155,600
Miscellaneous liabilities:		
Assets valuation reserve	196,434	139,021
Aggregate write-ins for liabilities	70,437	35,556
Total Liabilities	\$ <u>1,239,101</u>	\$ <u>1,071,103</u>
Unassigned funds (surplus)	2,079,243	1,907,824
Total	\$ 3,318,344	\$ 2,978,927

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.

KNIGHTS OF PETER CLAVER, INC.
SUMMARY OF OPERATIONS AND SURPLUS ACCOUNT
For the Years Ended December 31, 2021, 2020, 2019

SUMMARY OF OPERATIONS	<u>2021</u>	<u>2020</u>	<u>2019</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 536,101	\$ 566,446	\$ 1,224,602
Net investment income	69,741	54,742	102,214
Miscellaneous Income:			
Aggregate write-ins for miscellaneous income	<u>1,212,442</u>	<u>1,161,267</u>	<u>957,457</u>
Totals	\$ 1,818,284	\$ 1,782,455	\$ 2,284,273
Death benefits	\$ 529,554	\$ 556,801	\$ 481,828
Increase in aggregate reserve for life and accident and health contracts	<u>(38,271)</u>	<u>(56,884)</u>	<u>(51,189)</u>
Totals	\$ 491,283	\$ 499,917	\$ 430,639
General insurance expenses and fraternal expenses	\$ 1,282,363	1,359,324	1,814,939
Insurance taxes, licenses and fees excluding federal income taxes	<u>26,097</u>	<u>26,111</u>	<u>30,068</u>
Totals	\$ 1,799,743	\$ 1,885,352	\$ 2,275,646
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	\$ 18,541	\$ (102,897)	\$ 8,627
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	\$ 18,541	\$ (102,897)	\$ 8,627
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	\$ 18,541	\$ (102,897)	\$ 8,627
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax	<u>48,731</u>	<u>30,230</u>	<u>4,431</u>
Net income	\$ 67,272	\$ (72,667)	\$ 13,058

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$ 1,907,824	\$ 1,907,204	\$ 1,878,184
Net income	67,272	(72,667)	13,058
Change in net unrealized capital gains (losses) less capital gains tax	185,000	13,868	125,132
Change in nonadmitted assets	(23,440)	10,661	12,366
Change in assert valuation reserve	(57,413)	(6,147)	(58,536)
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>(8,095)</u>	<u>-</u>
Net change in capital and surplus for the year	\$ 171,419	\$ (62,380)	\$ 92,020
Capital and surplus, December 31, current year	\$ 2,079,243	\$ 1,907,824	\$ 1,970,204

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Aggregate reserve for life contracts

\$346,131

The above captioned amount is the same as reported by the Order in its 2021 Annual Statement.

A sample size of one hundred seventeen policies from the Order's in-force listing were reviewed. The review consisted of the verification of insured name, date of birth, join date and face amount to original membership applications/verification forms. The review determined the following: the in-force listing contained policies which the Order was unable to provide membership applications/verification forms in order to verify the accuracy and completeness of the in-force data. Additionally, the review of the ETI In-force sample selection determined: one (1) ETI In-Force had a date of birth that did not match the source document, the Order corrected the date of birth during the course of the examination; the date of birth was blank for one insurer, management indicated this was a data merging error on the verification form and provided the date of birth; one policy number was shown twice on the in-force listing, management confirmed this was a duplicate listing. The actuarial examiner recalculated the reserves amount for the sample selection and determined that the reserves were calculated correctly.

In 2005 the Order lost original membership application forms due to flooding caused by Hurricane Katrina. The Order requested its members complete "Member Verification Forms" to update the information in the Order's database. The Order's database is 90% complete per management. The review determined in-force data is not complete or accurate nor consistent with accounting records.

It was determined that the Order was not in compliance with ALA. CODE § 27-27-29(a) (1975) which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, Of kinds, of insurance transacted.

Actuary Presentation

The review of the Order's Board of Directors and Audit Committee meeting minutes during the examination period of January 1, 2019 through December 31, 2021, did not reflect the presentation by the Appointed Actuary concerning the items within the scope of the Actuarial Opinion in accordance with NAIC *Annual Statement Instructions, Actuarial Opinion*.

Note 2 – Analysis of Changes to Surplus

There were no adjustments made to surplus.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included a review of the statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. The reviews did not disclose any items that would have a material effect on the Order's financial condition.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2021, examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Order's financial condition in the event of an adverse outcome.

July 2022: Dr. Christopher Aaron Pichon was elected Supreme Knight.

The COVID-19 pandemic continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Order regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Order and will take necessary action if a solvency concern arises.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

It is again recommended that the Order continue its ongoing project to verify the accuracy of the reserve determinants in its database to obtain verification forms from policy and certificate holders that have not return verifications forms, in accordance with ALA. CODE § 27-27-29(a)(1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, of kinds, of insurance transacted.

It is again recommended that the Order should review the laws of the other states in which the Order has policies and remit the benefits due to the insured or beneficiary of the insured.

COMMENTS AND RECOMMENDATIONS

Officers, Directors, Trustees – Page 4

It is recommended that the Order show the full name (initials not acceptable) and title (indicate by number sign (#) those officers and directors who did not occupy the indicated position in the prior annual statement) in accordance with NAIC *Annual Statement Instructions*, which states:

Officers, Directors, Trustees

Show full name (initials not acceptable) and title (indicate by number sign (#) those officers and directors who did not occupy the indicated position in the prior annual statement).

Corporate Records – Page 7

It is recommended that the Order comply with ALA. CODE § 27-27-29 (a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its

assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Schedule of Special Deposits – Page 10

It is recommended that the Order complete Schedule E - Part 3 - Special Deposits in accordance with NAIC *Annual Statement Instructions, Schedule E – Part 3 – Special Deposits*, which states:

Deposits for the Benefit of All Policyholders

Report only the statutory deposit held for the benefit of all policyholders.

Claims Handling – Page 12

It is recommended that the Order compile with ALA. CODE § 27-27-29(a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Paid Claims – Page 12

It is recommended that the Order comply with ALA. CODE § 27-27-29(a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Accounts and Records – Page - 14

It is recommended that the Order comply with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states:

The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner. When the requested record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

General Interrogatories – Page 15

It is recommended that the Order comply with NAIC, Annual Statement Instructions, General Interrogatories

External Auditor – 2021 Communication of Significant Deficiencies and Material Weaknesses – Page 15

It is recommended that the Order comply with the external auditor's recommendation that written policies and procedures be established for processing payments via the Bill.com platform and that management ensure that employees that access the Bill.com be afforded the proper training in the processing and accounting for payments processed through third-party platforms.

Compliance with Escheat Laws – Page 16

It is recommended that the Order comply with ALA. CODE § 27-27-29 (a) (1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

It is recommended that the Order comply with ALA. CODE § 35-12-76 (a) (2004), which states:

A holder of property presumed abandoned shall make a report to the Treasurer concerning the property. The report shall be filed electronically and the monies remitted electronically. The Treasurer may grant an exception upon written request as established by rule. A report should contain only tangible property or intangible property. If a holder possesses both property types, two reports shall be filed.

It is recommended that the Order comply with ALA. CODE § 35-12-76 (a) (2004). that the Order was not in compliance with ALA. CODE § 35-12-76 (c) (2004) which states:

The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year.

It is again recommended that the Order should review the laws of the other states in which the Order has policies and remit the benefits due to the insured, beneficiary of the insured, payee or appropriate state.

Actuary Presentation – Page 24

It is recommended that the Order comply with NAIC *Annual Statement Instructions, Actuarial Opinion*, which states:

1. The Appointed Actuary must report to the Board of Directors or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The minutes of the Board of Directors shall indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee.


CONCLUSION

Acknowledgment is hereby made of the courtesy and cooperation extended by the management and employees of Knights of Peter Claver, Inc. during this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned Harland Dyer, ASA, MAAA, all representing the Alabama Department of Insurance, participated in certain phases of this examination.

Respectfully submitted,



Agnes Denise Riggins
Examiner-in-Charge
State of Alabama Department of Insurance