

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

REPORT OF EXAMINATION

OF

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

AS OF

DECEMBER 31, 2018

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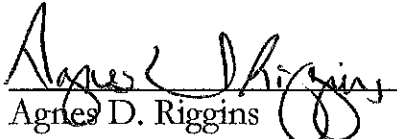
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF MONTGOMERY**

Agnes D. Riggins being duly sworn, states as follows:

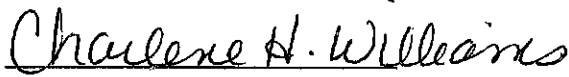
1. I have authority to represent Alabama in the examination of Knights of Peter Claver, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the 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 D. Riggins
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 12th day of August 2019.

(SEAL)


(Signature of Notary Public)

My commission expires 1-22-23



KAY IVEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
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STATE FIRE MARSHAL
SCOTT F. PILGREEN
GENERAL COUNSEL
REYN NORMAN

August 12, 2019

Jim L. Ridling, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

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), an examination has been made of the affairs and financial condition of

Knights of Peter Claver, Inc.
New Orleans, Louisiana

as of December 31, 2018 at its home office located at 1825 Orleans Avenue, New Orleans, Louisiana 70116. The report of examination is submitted herewith.

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, 2013 through December 31, 2015. The current examination covers the period of January 1, 2016 through December 31, 2018.

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.

The Order did not provide the completed Information Technology Planning Questionnaire (ITPQ). The ITPQ was not completed therefore an Information Technology (IT) review was not performed, however, based on the previous examination review the Order is a small Company with limited resources and does not have a reliable IT environment.

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, 2018.

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 – 19

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 establish 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 95% 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. All executive authority of the National Council is vested between conventions in a Board of Directors, which meets immediately before and after the annual national conventions. The following were members of the Board of Directors of the National Council at December 31, 2018:

<u>Name and Residence</u>	<u>Title</u>
James Kenneth Ellis Missouri City, Texas	Supreme Knight
Oscar James Benoit Carencro, Louisiana	Deputy Supreme Knight
William Toussaint Everette* New Orleans, Louisiana	National Secretary
Ricky Paul Sassau Breaux Bridge, Louisiana	National Treasurer
Omar Khalid Mason* New Orleans, Louisiana	National Advocate
Christopher Aaron Pichon Fresno, Texas	Director General Jr. Knights
Jari Christopher Honora New Orleans, Louisiana	Lay Board Member
Fredron Dekarlos Blackmon Pflugerville, Texas	Past Supreme Knight
Reverend Shelton Joseph Fabre Schriever, Louisiana	National Chaplain
James Edward Callahan, III Brentwood, Tennessee	District Deputy of Central States
Carlton Adrian Robinson Montgomery, Alabama	District Deputy of Gulf Coast
Joseph Renard Bradfield	District Deputy of Northern States

Chicago, Illinois
Corey Anthony Jeanlouis
New Iberia, Louisiana
Adrian Sylvester Adams
Houston, Texas
Bruce Daron Sampson
North Las Vegas, Nevada

State Deputy of Louisiana

State Deputy of Texas

District Deputy Western States

*Effective January 30, 2019, the following changes occurred and were documented in the Subsequent Events section of this report on page 22: Omar Khalid Mason resigned, William Toussaint Everette was appointed as National Advocate and Athanase Joseph Jones, Jr. was appointed as National Secretary.

Committees

The following committees were functioning as of December 31, 2018:

Executive Committee

James Kenneth Ellis
Oscar James Benoit
Athanase Joseph Jones, Jr.
Ricky Paul Sassau
William Toussaint Everette
Micaela JoAngel LeBlanc

Investment Committee

James Kenneth Ellis
Athanase Joseph Jones, Jr.
Ricky Paul Sassau
William Toussaint Everette
Fredron Dekarlos Blackmon
Micaela JoAngel LeBlanc

Audit Committee

Carlton Adrian Robinson
Bruce Daron Sampson
Adrian Sylvester Adams

Officers

The following board members elected as officers as of December 31, 2018:

<u>Officer</u>	<u>Title</u>
James Kenneth Ellis	Supreme Knight
William Toussaint Everette	National Secretary
Ricky Paul Sassau	National Treasurer

Conflict of Interest

The Order has an established procedure for the disclosure of conflict of interest by its board members for the two-year period in which the board members were elected to serve.

The conflict of interest statements for the period 2016 – 2018 were reviewed. All board members signed a conflict of interest statement.

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 meetings 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 usual corporate practices and applicable statutes and regulations.

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.

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.

The Order had internal procedures in place for determining if applicants for employment had been convicted of a Section 1033 offense. The Order also had

procedures in place to periodically ascertain if existing employees had been convicted of a Section 1033 offense after initial employment or contracting.

SCHEDULE OF SPECIAL DEPOSITS

At December 31, 2018, as required or permitted by law, the Order maintained deposits with the respective statutory authorities as follows:

Description	State	Book/Adjusted	
		Carrying Value	Fair Value
Certificate of Deposit	South Carolina	\$ <u>12,883</u>	\$ <u>12,883</u>
Total		\$ <u>12,883</u>	\$ <u>12,883</u>

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the period under review.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Funds</u>	<u>Premiums Earned</u>
2018	\$ 2,852,001	\$ 973,817	\$ 1,878,184	\$ 1,269,898
2017	3,017,554	1,242,421	1,775,133	1,111,842
2016	3,047,169	1,401,906	1,645,263	1,166,983

MARKET CONDUCT ACTIVITIES

Plan of Operation

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 assessments and dues are collected by the financial secretaries of the subordinate councils and courts and are reported monthly to the Order's home office. The Order has also engaged a third party to collect dues and premiums. The

third party collects electronic payments directly from the members and remits the payments to the Order, less its fees.

Territory

As of December 31, 2018, 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. There were no pending applications at December 31, 2018.

Advertising and Marketing

The examiners reviewed marketing and sales materials used to recruit new members and promote the Order. Marketing and promotion of the Order is accomplished primarily through the publication of *The Claverite* magazine and pamphlets. *The Claverite* is published and distributed to the Order's members semi-annually. Issues of *The Claverite* can be located on the Order's home page (www.kofpc.org) under Claverite Archives. Pamphlets are provided to members and prospective members at events throughout the year. *The Claverite* magazines and pamphlets were reviewed for compliance with ALA. ADMIN. CODE 482-1-132-.05 (2005), which states:

(1) Advertisements shall be truthful and not misleading in fact or by implication. The form and content of an advertisement of a policy shall be sufficiently complete and clear so as to avoid deception...

The review of the Order's home page, www.kofpc.org contained links to the following tabs: The Order, Divisions, Districts/States, History, Headquarters, News and KPC Store as well as the Order's contact information, privacy notice, information concerning joining the Order, printable membership forms, upcoming events, emerging leaders, member benefits and the Order's Charitable Works.

Claims Handling

Paid Claims

The Order had thirty-nine Alabama claims during the examination period of January 1, 2016 through December 31, 2018. The examiners reviewed each claim. The claims were reviewed for compliance with the Order's policy provisions, timeliness of payments and adequacy of documentation. The review determined the claims were handled appropriately and in accordance with the Order's claims handling process, claims documentation was sufficient and death certificates were on file for all thirty-nine claims.

Denied and Closed Claims

The Order had three denied and closed claims during the examination period of January 1, 2016 through December 31, 2018. The examiners reviewed each claim. The claims were reviewed for compliance ALA. ADMIN. CODE 482-1-124-.04 (9) (2005), which states:

When a claim is denied, written notice of denial shall be sent to the claimant within fifteen (15) days of the determination that the claim should be denied. The insurer shall state the reasons why the claim has been denied.

The review determined the Order provided the claimants with a reasonable basis for the denial and notice was provided to the claimants within 15 days of the Order's determination. No exceptions were noted.

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 producers to distribute its insurance products. The Order does not have appointed producers, due to the Order's unique manner in distributing its insurance products producers 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, 2018, 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.

Age of Issue	Benefits
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, 2018.

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.

James C. Harrison, FSA, MAAA of Harrison & Associates, Inc. prepared the Actuarial Reports and Statements of Opinion for the examination period.

Information Technology Planning Questionnaire (ITPQ)

The Order did not provide the completed Information Technology Planning Questionnaire (ITPQ). The ITPQ was not completed therefore an Information Technology (IT) review was not performed, however, based on the previous examination review the Order is a small Company with limited resources and does not have a reliable IT environment. The Order did complete the ITPQ questionnaire as requested by the examiners, 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.

It is recommended that the Order complete the ITPQ questionnaire as requested by the examiners.

Compliance with Escheat Laws

The examiner reviewed the Order's in-force file to determine if there were any policies that had reached the age of limitation. The ordinary policies were sorted for members with an attained age of 100. The review noted twenty-six files with members with the attained age of 100 and older.

An inquiry concerning benefits due to members with the attained age of 100 and the Order's escheat process to other states for members with an attained age of 100 was made. The Order responded, "The Order reached out to the units to ascertain the status of members with the attained age of 100 and a number of the members with the attained age of 100 and older were alive and well and the Order will create an escheat process for the other nine states."

The review determined the Order was in compliance with ALA. CODE § 27-15-53 (1975). The review of the Order's in-force file listing noted twenty-six members in other states with attained ages 100 and older. 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 the beneficiary of the insured.

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, 2018. 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.

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KNIGHTS OF PETER CLAVER, INC.
STATEMENT OF ASSETS
For the Year Ended December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets	Prior Year Net Admitted Assets
ASSETS				
Bonds	\$ 1,834,182	\$ -0-	\$ 1,834,182	\$ 1,627,129
Stocks:				
Preferred stocks				71,906
Common stocks	565,369		565,369	646,059
Real estate:				
Properties occupied by the company	349,568	198,690	150,878	152,358
Properties held for the production of income	10,796	10,796		
Cash, cash equivalents and short-term investment	285,601		285,601	498,661
Investment income due and accrued	10,880		10,880	10,031
Uncollected premiums and agents' balance in the course of collection	5,091		5,091	11,401
Non-dues Accounts Receivable				
Deferred acquisition cost	0	0	0	9
TOTAL ASSETS	\$ 3,061,487	\$ 209,486	\$ 2,852,001	\$ 3,017,554

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, 2018

Liabilities:	<u>Current Year</u>	<u>Prior Year</u>
	<u>Total</u>	<u>Total</u>
Aggregate reserve for life contracts	\$ 492,475	\$ 709,237
Contract claims: Life	196,642	177,030
Premiums and annuity considerations for life and accident and health contracts received in advance	287	565
General expenses due and accrued	169,260	190,884
Taxes, licenses and fees due and accrued	2,654	2,183
Amounts withheld or retained by Society as agent or trustee	16,137	12,750
Borrowed money	19,840	20,000
Assets valuation reserve	74,338	129,772
Aggregate write-ins for liabilities	<u>2,184</u>	<u>0</u>
Total Liabilities	\$ <u>973,817</u>	\$ <u>1,242,421</u>
Unassigned funds (surplus)	1,878,184	1,775,133
Total	\$ <u>2,852,001</u>	\$ <u>3,017,554</u>

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, 2018, 2017, 2016

SUMMARY OF OPERATIONS	2018	2017	2016
Premiums and annuity considerations for life and accident and health contracts	\$ 1,269,898	\$ 1,111,842	\$ 1,166,983
Net investment income	72,676	68,871	64,225
Miscellaneous Income:			
Aggregate write-ins for miscellaneous income	<u>613,296</u>	<u>632,199</u>	<u>693,948</u>
Totals	\$ <u>1,955,870</u>	\$ <u>1,812,912</u>	\$ <u>1,925,156</u>
Death benefits	\$ 444,112	\$ 422,096	\$ 396,955
Increase in aggregate reserve for life and accident and health contracts	<u>-216,762</u>	<u>-279,106</u>	<u>-66,858</u>
Totals	\$ <u>227,350</u>	\$ <u>142,990</u>	\$ <u>330,097</u>
General insurance expenses and fraternal expenses	\$ 1,596,035	1,600,674	1,493,201
Finance and services charges not included in premiums	<u>27,362</u>	<u>22,745</u>	<u>26,281</u>
Totals	\$ <u>1,850,747</u>	\$ <u>1,766,409</u>	\$ <u>1,849,579</u>
Net gain from operations before refunds to members	\$ 105,123	\$ 46,503	\$ 75,577
Net realized capital gains (losses) less capital gains tax	<u>-21,118</u>	<u>33,521</u>	<u>-1,751</u>
Net income	\$ <u>84,005</u>	\$ <u>80,024</u>	\$ <u>73,826</u>
SURPLUS ACCOUNT			
Surplus, December 31, prior year	\$ 1,775,133	\$ 1,645,263	\$ 1,508,471
Net income from operations	84,005	80,024	73,826
Change in net unrealized capital gains (losses) less capital gains tax	-44,740	77,257	51,147
Change in nonadmitted assets	8,368	11,112	17,128
Change in asset valuation reserve	55,434	-9,601	25,833
Aggregate write-ins for gains and losses in surplus	16	<u>-28,922</u>	<u>-32,142</u>
Net change in surplus for the year	\$ 103,051	\$ 129,870	\$ 136,792
Surplus December 31, current year	\$ <u>1,878,184</u>	\$ <u>1,775,133</u>	\$ <u>1,645,263</u>

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

\$492,475

The above captioned amount is the same as reported by the Order in its 2018 Annual Statement.

A sample size of sixty policies from the Order's in-force listing were reviewed. The review consisted of the verification of policy number, issue age, sex, policy type and benefit amount to original membership applications/verification forms. The review noted the date of birth on five policies did not match the source document and there was one unsigned verification form.

The actuarial examiner recalculated the reserves amount for the sample items and determined that the reserves were calculated correctly. The calculations were performed assuming the in-force listing provided by the Order was complete, and the reserve determinants: i) date of birth, ii) issue date, iii) sex and iv) amount of insurance in the database was accurate. The examination determined that the Order did not have the original documents because these documents were lost during Hurricane Katrina flooding in New Orleans in 2005. The examiners obtained the "Member Verification Update" forms which the Order requested its members to complete in order to update the information in the database. As of the examination, the staff represented that the Order's home office has received 95% of the forms to the accuracy of its database. In the testing performed by the examiners, the reserve determinants were compared to the Member Verification Updates.

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.

Note 2 - General expenses due or accrued

\$169,260

Aggregate write-ins for liabilities

\$ 2,184

The captioned amounts are the same as reported by the Order in its 2018 Annual Statement, however, the General expenses due or accrued is \$10,380 more than the \$158,880 determined by the examination and the Aggregate write-ins for liabilities is \$10,380 less than the \$12,564 determined by the examination. Due to the reclassification error no changes were made to the Order's surplus.

The Order's external auditor determined the Order reported \$10,380 due to Saint Peter Claver Foundation as General expenses due or accrued and proposed a journal entry to properly classify the \$10,380 due to the Saint Peter Claver Foundation. For each category of liability for which there is no pre-printed line, the Order should follow the guidance provided by the NAIC *Annual Statement Instructions for Fraternal Organization*, which states:

Details of Write-ins Aggregated at Line 22 for Liabilities
List separately each category of liability for which there is no pre-printed line on Page 3.

Note 3 – Analysis of Changes to Surplus

There were no adjustments made to surplus as a result of the examination.

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.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The Order complied with all of the previous examination report recommendations with the following exceptions:

It is recommended that (1) 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 returned verification forms; (2) the Order identify the correct reserve determinants applicable to each policy and certificate that

will result in accurate policy and certificate reserves, 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 recommended that the Order properly classify its obligations due to the Saint Peter Claver Foundation and other charities as Grants and donations in accordance with the NAIC *Annual Statement Instructions* which states:

Details of Write-ins Aggregated at Line 22 for Liabilities
List separately each category of liability for which there is no pre-printed line on Page 3.

COMMENTS AND RECOMMENDATIONS

Information Technology Planning Questionnaire (ITPQ) – Page 13

It is recommended that the Order complete the ITPQ questionnaire as requested by the examiners, 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.

Compliance with Escheat Laws - Page 13

It is 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.

Aggregate reserve for life contracts – Page 19

It is recommended the Order (1) 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 and (2) the Order identify the correct reserve determinants applicable to each policy and certificate that will result in accurate policy and certificate reserves, 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.

General expenses due or accrued /Aggregate write-ins for liabilities – Page 19

It is recommended that the Order properly classify its obligations due to the Saint Peter Claver Foundation as General expenses due or accrued in accordance with the NAIC *Annual Statement Instructions for Fraternal Organization*, which states:

Details of Write-ins Aggregated at Line 22 for Liabilities
List separately each category of liability for which there is no pre-printed line on Page 3.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2018, 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.

The following changes to the Order's Board of Directors were effective January 30, 2019:

Omar Kalid Mason - Resigned

William Toussaint Everette was appointed as National Advocate

Athanase Joseph Jones, Jr. was appointed as National Secretary

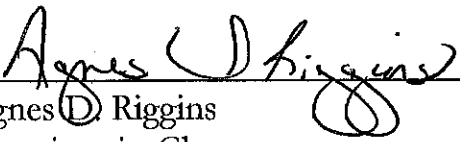
CONCLUSION

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. **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 – 19**

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

Respectfully submitted,



Agnes D. Riggins
Examiner-in-Charge
State of Alabama Department of Insurance

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION**

**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 12th day of August 2019.

(SEAL)

Charlene H. Williams

(Signature of Notary Public)

My commission expires 1-22-23