



Investing in our Community

LM 2023

ANNUAL
REPORT

**LAWYERS
MUTUAL** | LIABILITY INSURANCE
COMPANY OF
NORTH CAROLINA

01 Message from Leadership



Dear Valued Policyholders,

To reflect strategic developments made in 2023, we selected “Investing in Our Community” as the theme of this year's Annual Report. When insurance company leadership mentions investing in their company, technology is usually the first thing mentioned. Technology does play a critical role in insurance as it creates efficiencies and improves data capture, decision making, and the customer experience. Technology is a major investment and focus for Lawyers Mutual as well. For example, in 2023 we launched an insured portal and a free on-demand CLE platform. Moving forward, we will continue to improve your experience and create internal efficiencies through strategic, cost-effective investments in technology. However, insurance is not just about technology. Most importantly, it is about people.

One of the most important investments we make is in our people – the heart and soul of Lawyers Mutual. You know and trust our people. Our people live out our company mission to serve North Carolina attorneys day in and day out. You may recall that in 2022 we partnered with Erik Mazzone, founding director of the North Carolina Bar Association's Center for Practice Management, to provide three one-hour law practice management consults annually to insureds at no charge. In 2023, we made the strategic decision to expand our law practice management offerings in 2024. As of January 1st, Camille Stell, President of Lawyers Mutual Consulting and Services, began offering insureds, again at no cost, three one-hour consults annually on succession, retirement, and compensation planning. With the addition of Camille, we are now with you every step of the way during your legal career.

While not the focus of this message, I would be remiss if I did not spotlight another major benefit of being insured with a mutual company – policyholder dividends. This year, you will receive a dividend check at policy expiration of your 2023 policy equal to approximately 7.8% of your final policy premium. A benefit of being insured with a mutual insurance company is that we avoid the burden, distraction, and influence of Wall Street. We focus on serving you.

Thank you for your trust and confidence. We are grateful for your business. You have my word that we will continue to work hard to be your legal malpractice insurer of choice.

Daniel M Zureich



02 Community Initiatives



COMMUNITY BOARDS

In 2023, Lawyers Mutual reintroduced our Community Boards in all three regions of the state: Western, Charlotte/Piedmont, and Eastern, and completed a successful year of meetings. These meetings served as a valuable platform for gathering feedback from insureds to generate new risk management resources. Topics encompassed a wide range of pertinent issues, including talent management and hiring concerns, professionalism among seasoned members of the bar, maintaining civility in the courtroom, navigating eCourts, and the implications of the Corporate Transparency Act.

All three Community Boards strongly encouraged Lawyers Mutual to continue with value-added services, recognizing these offerings are a key differentiator from competitors and a significant factor in insured retention.

02 Community Initiatives



STATE-WIDE LEGAL SPONSORSHIP

Lawyers Mutual's risk management activity reached twenty (20) counties in North Carolina. This activity includes collaboration with the following organizations:

- NC State Bar
- NCLAP
- NCBA
- NC Chief Justice's Commission on Professionalism
- NCAWA
- NCADA
- NCAJ
- Law Schools
- NC Local Bar Groups

We were founded in North Carolina by lawyers for lawyers, and continue to operate with that mission today.

WELLNESS

In 2023, Lawyers Mutual focused many efforts on Wellness. We initiated a new Wellness article and blog series, publishing articles in our newsletter, and offering CLE programming focused on attorney wellness.

Will Graebe, LM claims attorneys and resident wellness expert, wrote and presented numerous CLEs on the benefits of applying wellness activities to a busy law life. When sharing advice on meditation and mindfulness with his fellow attorneys, Will often draws upon his own experiences while examining the neuroscience behind the practices.

03 Department Reports



CLAIMS

We are pleased to report that we met our key goals for the 2023 fiscal year. This includes a reduction in cyber-related claims, as well as our ability to establish ultimate case reserves quickly and accurately, with no prior year case reserve development. We also successfully reduced our open claim count from 245 to 240, in line with our target.

We also saw a decline in overall claims volume, reversing a recent trend when court closures, extensions, and other pandemic-related delays contributed to a steady increase in our open claim count.

For the fourth consecutive year, we experienced the highest volume of claims reported in Plaintiff's Personal Injury practice area. Missed deadlines continued to be the primary driver of these errors, with the most common issues being missed statutes of limitations, lapsed appearances and pleadings summons, mistakes handling underinsured/uninsured motorist cases, and missed discovery deadlines.



CLIENT SERVICES

In addition to spearheading Lawyers Mutual's community outreach, especially with Community Boards and North Carolina legal associations, in 2023 we launched a CLE on demand platform, refocused efforts on in-person CLE, continued to write, evaluate and publish risk management resources, and returned to law offices for speaking engagements addressing practice management topics.

Following the successful launch of the CLE on demand platform, our numbers of on demand views and programs continue to climb.

We continue to work closely with our Claims team to update the Practice Guides available on the company website. These guides help our insureds stay current on evolving best practices and procedures, with the aim of further preventing the errors that have historically driven our highest-volume claims.

ENTERPRISE & OPERATIONAL RISK MANAGEMENT (EORM)

In 2023, EORM monitored state and federal legislation to ensure Lawyers Mutual policies and procedures remain on track with recommended guidelines. The NAIC Model Cybersecurity Law was not introduced in North Carolina in 2023, nor has there been progress on a comprehensive privacy bill. However, various state and federal bills address privacy and security continued to emerge.

We continue to expand the use of the ERM/vendor management platform, LogicManager, to meet NCDOL recommendations. The “Most Dangerous Risks” survey results indicate industry-wide concerns about cybersecurity, IT risks, and runaway claims.

In addition to evaluating technology platforms and data security systems, EORM provided important business analytics to other company departments in support sales and retention efforts.



UNDERWRITING

Our 2023 underwriting results were similar to fiscal year 2022. We met our direct written premium goal due to continued pricing increases in higher risk practice areas, such as estates and trusts, plaintiff bodily injury, and real estate. This is reflected in our average exposure-adjusted premium.

We had a 2023 goal for a 93% retention rate, and although our retention rate was up from 2021, we fell just short of that goal. The top reasons for attorney lapse were death, disability, retirement, and expiration. In collaboration with Client Services, we continue to focus on new business to replace those attorneys lapsing in order to insure that moving forward we achieve growth in our number of insured attorneys.

04 By the Numbers

FINANCIALS

Lawyers Mutual continued to maintain a strong financial position in 2023. The Company recorded a 7.35% increase to surplus. For the thirteenth consecutive year, Lawyers Mutual's Board of Directors declared a policyholder dividend – approximately 8.1% of the final premium on the 2023 policy – which represents a 50% increase over the dividend declared in 2022.

STATUTORY STATEMENTS OF INCOME

	2023	2022
Years Ended December 31		
<i>Underwriting Income</i>		
<i>Premiums earned</i>	14,991,483	15,363,124
<i>Underwriting deductions:</i>		
<i>Losses incurred</i>	2,090,132	3,455,851
<i>Loss adjustment expenses incurred</i>	5,757,290	4,530,611
<i>Other underwriting expenses incurred</i>	4,394,890	3,840,295
Total underwriting deductions	12,242,312	11,826,757
Net underwriting gain	2,749,171	3,536,367
<i>Investment income:</i>		
<i>Net investment income earned</i>	5,592,733	5,458,143
<i>Realized capital gains - net of tax (2023: \$94,272; 2022: (\$195,959))</i>	(354,644)	(573,544)
Net investment gain	5,238,089	4,884,599
<i>Other income / (expense):</i>		
<i>Loss from balances charged off</i>	(399)	(1,493)
<i>Finance and service charges not included in premiums</i>	262,217	255,647
<i>Other income / (expense)</i>	15,304	(705)
Total other income	277,122	253,449
Income before dividends to policyholders and federal income taxes	8,264,382	8,674,415
<i>Dividends to policyholders</i>	1,478,993	973,248
Income before federal income taxes incurred	6,785,389	7,701,167
<i>Federal income taxes incurred</i>	975,130	1,655,588
Net income	\$ 5,810,259	\$ 6,045,579

ADMITTED ASSETS, LIABILITIES & POLICYHOLDERS' SURPLUS

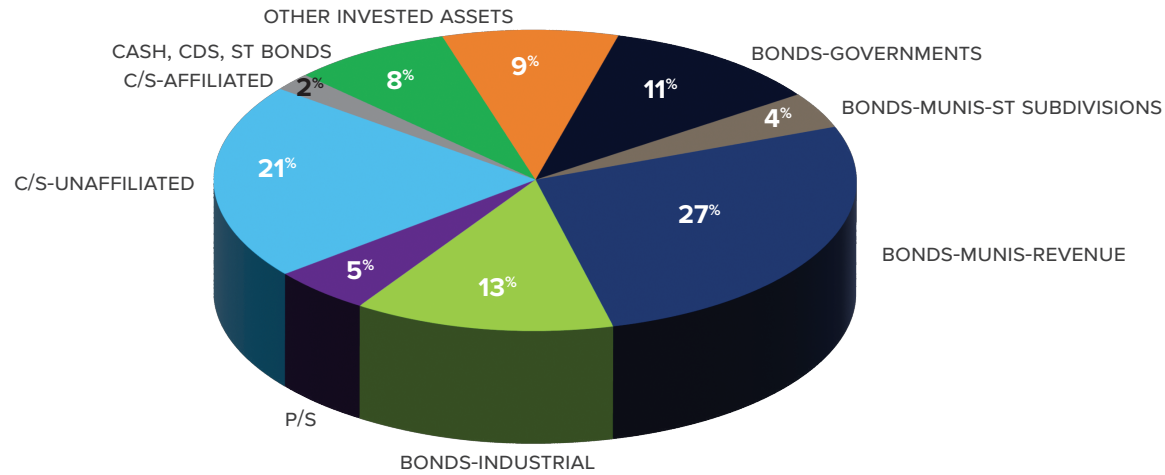
	As of December 31	
	2023	2022
Admitted Assets		
Cash and investments:		
<i>Bonds</i>	\$ 83,655,012	\$ 75,541,369
<i>Common stocks</i>	32,758,419	31,163,092
<i>Preferred stocks</i>	7,232,542	6,868,992
<i>Cash and short-term investments</i>	11,899,218	7,810,216
<i>Other invested assets</i>	11,146,479	16,469,123
<i>Receivable for securities</i>	72,658	-
Subtotals, cash and invested assets	146,764,328	137,852,792
<i>Interest and dividend income due and accrued</i>	909,061	866,146
<i>Premiums in course of collection</i>	2,617,329	2,489,292
<i>Current Net Federal income tax recoverable</i>	455,925	-
<i>Deferred Net Federal income tax asset</i>	259,724	707,422
<i>Receivable from subsidiary</i>	521,951	547,594
<i>Other</i>	142,256	90,325
Total admitted assets	\$ 151,670,574	\$ 142,553,571
Liabilities and Policyholders' Surplus		
Liabilities:		
<i>Unpaid losses</i>	\$ 9,844,993	\$ 10,369,370
<i>Unpaid loss adjustment expenses</i>	15,589,485	14,387,645
<i>Taxes, licenses, fees and other expenses payable</i>	775,458	834,614
<i>Current Federal Income Taxes</i>	-	87,229
<i>Unearned premiums</i>	7,614,507	7,684,550
<i>Advance premiums</i>	1,163,847	1,210,693
<i>Policyholder dividends declared and unpaid</i>	1,556,384	1,044,173
<i>Ceded reinsurance premiums payable, net of ceding commissions</i>	714,291	700,237
<i>Amounts withheld by company for account of others</i>	2,732,671	2,112,556
<i>Provision for reinsurance</i>	89,376	455,099
<i>Payable for securities</i>	363,611	54,640
Total liabilities	40,444,623	38,940,806
Policyholders' surplus:		
Total Policyholders' surplus	111,225,951	103,612,765
Total Liabilities and Policyholders' Surplus	\$ 151,670,574	\$ 142,553,571



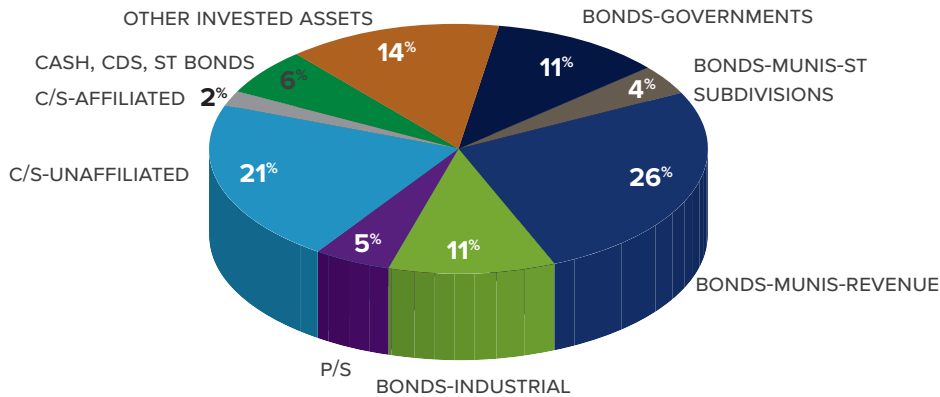
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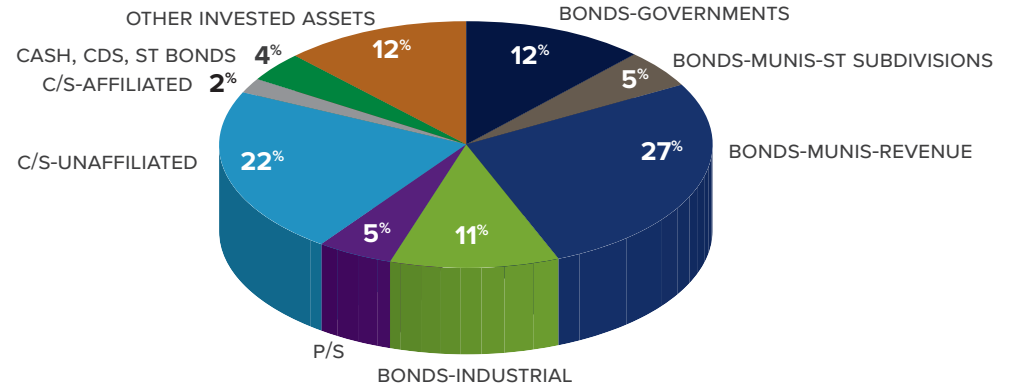
CASH & INVESTED ASSETS – Fair Value 12.31.2023



CASH & INVESTED ASSETS – Fair Value 12.31.2022



CASH & INVESTED ASSETS – Fair Value 12.31.2021



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William R. Stroud, Jr.

President, Lawyers Insurance Agency

Troy Crawford

Managing Counsel, LM Title Agency, LLC



LAWYERS INSURANCE AGENCY, LLC

Lawyers Insurance Agency continues to grow with overall growth up 5.6%. The Health Benefit Trust continues to do well. Court bonds grew slower than last year; however, this did not impact the overall growth numbers.



WILLIAM STROUD,
PRESIDENT



LAWYERS MUTUAL CONSULTING & SERVICES

Lawyers Mutual Consulting & Services continues to provide consulting services to LM Insureds as well as members of the legal community, focusing on succession planning and compensation plans. Consults in 2023 were up from previous years. We also continued to publish articles in legal publications educating lawyers about life after law and options for winding down their practice and/or retirement.



CAMILLE STELL,
PRESIDENT



LM TITLE AGENCY, LLC

LM Title continued its strong performance in 2023 and posted a profit despite a challenging market. We opened 3424 files in 2023 which is consistent with our 2022 performance. We continue to focus on marketing and added staff in the western part of North Carolina, where there is currently a strong real estate market. Our educational outreach continued with “Parapalooza” presentations for real estate support staff and online CLE webinars that emphasize technology usage in real estate practices.



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919.677.8900 1.800.662.8843
www.lawyersmutualinc.com

