



# Investing in our Community

LM 2023

**ANNUAL  
REPORT**

# 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 managements 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.

## 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 attorney 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 had a successful 2023 fiscal year. Our open claim count remained low at 242.

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 alias and pluries summons, mistakes handling underinsured/uninsured motorist cases, and missed discovery deadlines. The other areas of practice with the most reported claims continue to be Residential Real Estate, Family law and Estates & Trusts.



## 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)

The Enterprise and Operational Risk Management Team operates largely in the background with tasks such as maintaining the technology and security programs, supporting other departments through business analytics, and developing and testing policies and procedures to maintain operations through unexpected events.

We understand privacy and information security is important to you and we work to keep our systems and your information protected. We also share tips and lessons learned that may be helpful in your technology journey through live and on-demand CLE's and website content. Cyber criminals continue to increase their activity and target small and medium sized businesses. We must work together to avoid being an easy target – steps as simple as making a phone call to verify an email is legitimate before opening an attachment or link and utilizing mutli-factor authentication can go a long way in keeping all of us safe.



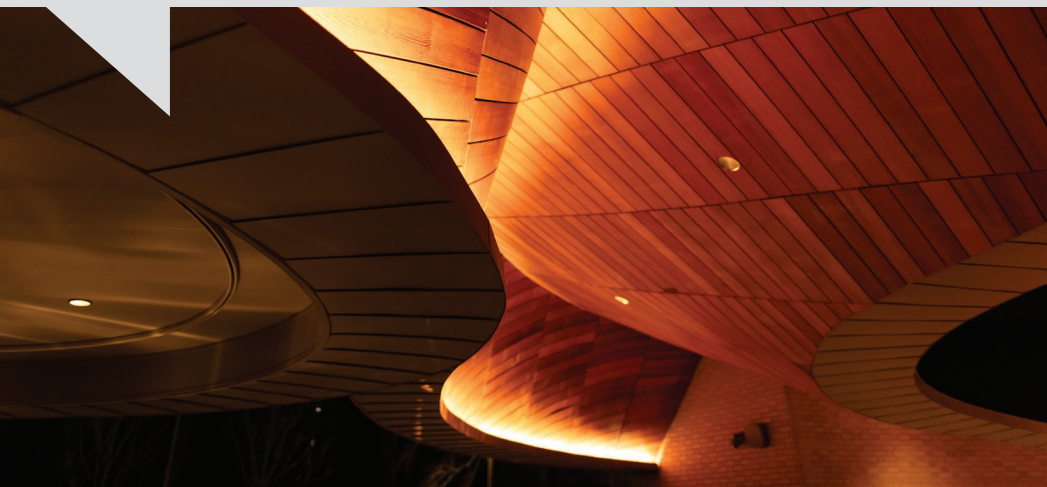
## UNDERWRITING

There is nothing more important than the partnerships we make with our insureds. Our underwriting accomplishments in 2023 were the result of those partnerships:

- 7,472 insured attorneys
- 3,340 policies written
- 90% retention rate
- \$18.86M in premium.

We continued to support the insurance needs of North Carolina attorneys in 2023 by writing 2,188 policies insuring sole practitioners and 959 policies insuring small law firms consisting of two to five attorneys.

In 2024, we will continue to support North Carolina attorneys by making conservative underwriting decisions that serve all our policyholders and promote the financial strength of the Company. We also plan to bring additional technology to our insureds, by adding the reissue application to our online portal.





## 04 By the Numbers

### FINANCIALS

The following information summarizes the financial position and operations of Lawyers Mutual Liability Insurance Company of North Carolina for the two years ending December 31, 2023. This information is based on statutory accounting principles codified by the National Association of Insurance Commissioners and subject to any deviations prescribed or permitted by the North Carolina Department of Insurance. An electronic copy of the Company's 2023 Annual Statement is available upon request.

Lawyers Mutual's financial health strengthened further in 2023, posting an Underwriting Gain and experiencing continued support from investment income. The Company experienced significantly lower reported claims compared to recent years, but severity in the three most recent report years continued to be elevated compared to prior years. Even with inflation declining from record levels, the Company expects severity to continue to be a concern. The Company's financial results in 2023 and strong surplus position allowed us to declare a significant policyholder dividend.

#### FINANCIAL RESULTS

Lawyers Mutual recorded a Net Underwriting Gain of \$2,749,171 and \$3,536,368 for 2023 and 2022, respectively, on Direct Premiums Written and Assumed of \$19,062,348 and \$19,021,485. While the number of Claims Incurred in 2023 was similar to the prior year, Ceded Premiums and Underwriting Expenses increased, accounting for most of the change in Net Underwriting Gain compared to the prior year. (Ceded Premiums in 2022 were favorably impacted by a reinsurance contract commutation. No similar commutation occurred in 2023.) The increase in Underwriting Expenses follows an expected return to pre-pandemic levels. Net Investment Gain continued to be strong in 2023 due to the current elevated interest rate environment. As a result, Lawyers Mutual recorded Net Income of \$5,810,259 and \$6,045,579 for 2023 and 2022.

Total admitted assets topped \$151 million at year end as Policyholder Surplus rose to \$111 million, an increase of 7.3%, keeping pace with claims inflation and providing protection against economic and other potential risks, including those associated with the investment markets. Strong underwriting and investment performance, including distributions from subsidiaries, provided sufficient growth in policyholders' surplus and enabled us to declare and pay an 8.1% policyholder dividend.

Please see the accompanying summary financial statements for more information. Please see the accompanying summary financial statements for more information.

## STATUTORY STATEMENTS OF INCOME

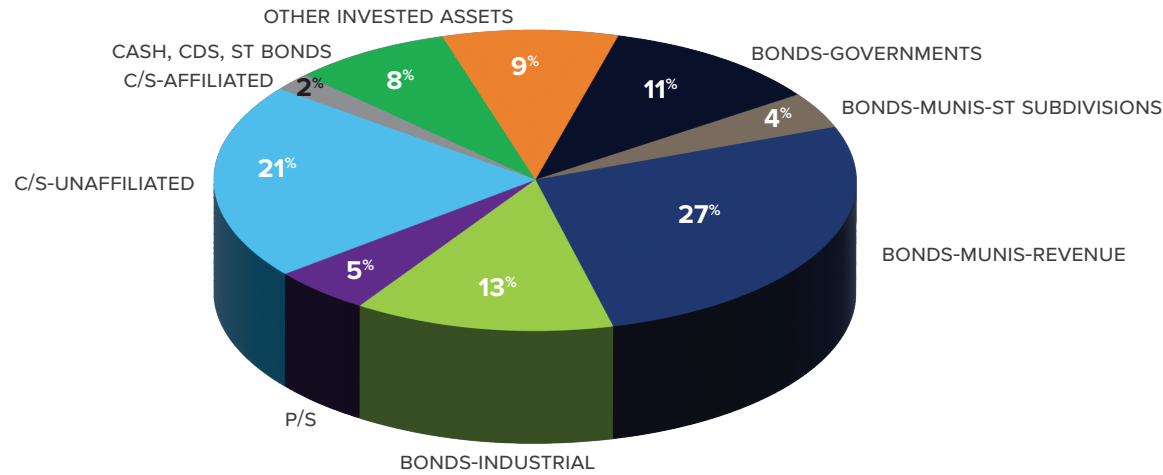
<b>Years Ended December 31</b>	<b>2023</b>	<b>2022</b>
<i>Underwriting Income</i>		
<i>Premiums earned</i>	14,991,483	15,363,124
<i>Underwriting deductions:</i>		
<i>Losses incurred</i>	2,090,132	3,455,851
<i>Loss adjustment expenses incurred</i>	5,757,290	4,530,611
<i>Other underwriting expenses incurred</i>	4,394,890	3,840,295
<b><i>Total underwriting deductions</i></b>	<b>12,242,312</b>	<b>11,826,757</b>
<b><i>Net underwriting gain</i></b>	<b>2,749,171</b>	<b>3,536,367</b>
<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)
<b><i>Net investment gain</i></b>	<b>5,238,089</b>	<b>4,884,599</b>
<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)
<b><i>Total other income</i></b>	<b>277,122</b>	<b>253,449</b>
 <b><i>Income before dividends to policyholders and federal income taxes</i></b>	 <b>8,264,382</b>	 <b>8,674,415</b>
<i>Dividends to policyholders</i>	1,478,993	973,248
<b><i>Income before federal income taxes incurred</i></b>	<b>6,785,389</b>	<b>7,701,167</b>
<i>Federal income taxes incurred</i>	975,130	1,655,588
<b><i>Net income</i></b>	<b>\$ 5,810,259</b>	<b>\$ 6,045,579</b>



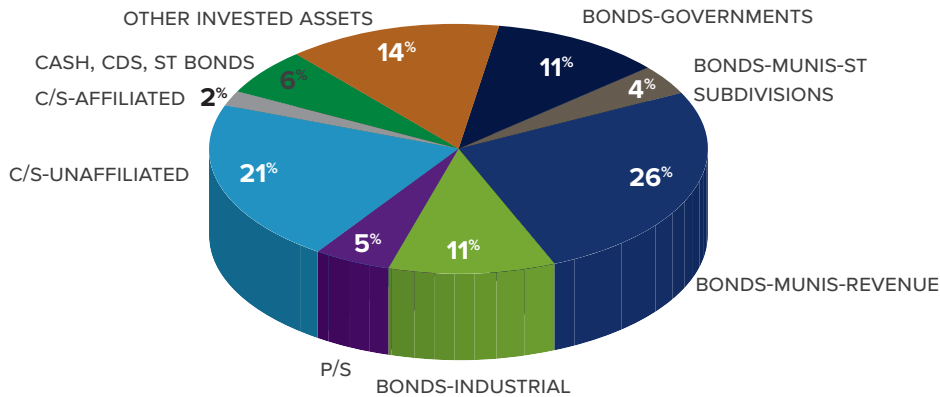
## ADMITTED ASSETS, LIABILITIES & POLICYHOLDERS' SURPLUS

Admitted Assets	As of December 31	
	2023	2022
<b>Cash and investments:</b>		
<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	-
<b>Subtotals, cash and invested assets</b>	<b>146,764,328</b>	<b>137,852,792</b>
<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
<b>Total admitted assets</b>	<b>\$ 151,670,574</b>	<b>\$ 142,553,571</b>
<b>Liabilities and Policyholders' Surplus</b>		
<b>Liabilities:</b>		
<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
<b>Total liabilities</b>	<b>40,444,623</b>	<b>38,940,806</b>
<b>Policyholders' surplus:</b>		
<i>Total Policyholders' surplus</i>	111,225,951	103,612,765
<b>Total Liabilities and Policyholders' Surplus</b>	<b>\$ 151,670,574</b>	<b>\$ 142,553,571</b>

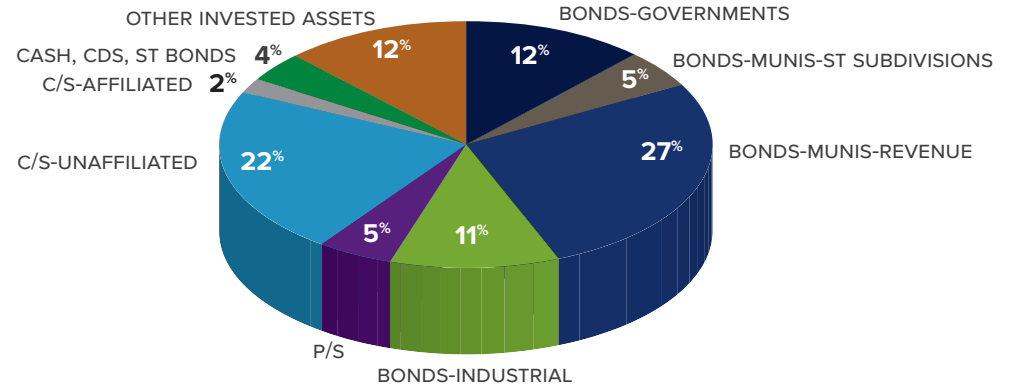
## CASH & INVESTED ASSETS – Fair Value 12.31.2023



## CASH & INVESTED ASSETS – Fair Value 12.31.2022



## CASH & INVESTED ASSETS – Fair Value 12.31.2021



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## LAWYERS INSURANCE AGENCY, LLC

Lawyers Insurance completed its 21st year managing the NC Bar Association Health Benefit Trust, which covers almost 1,000 North Carolina law firms, both small and very large. The Trust is financially sound, with surplus of about \$24 million and annual member contributions of almost \$60 million. Surplus as a percentage of contributions is at the high end of a range that the Trust's independent actuary has identified as financially secure. The Trust uses Blue Cross of NC's largest provider network – the only network that can comprehensively serve a plan with members in almost all 100 counties. Plan administrative expenses are less than 10% of member contributions and mostly stable. The Trust engages a pharmacy expert to obtain the best pharmacy contract possible, and all manufacturer rebates negotiated go back into the plan. The Trust protects against claims over \$400,000 with stop loss coverage. Given the substantial surplus, Trust investment income also offsets plan costs. In sum, the Trust provides health coverage in a highly efficient manner.

Lawyers Insurance can also assist with any other coverages that law firms and lawyers might need. Our Court Bond program is highly successful, and we offer excellent Cyber Liability protection, which is essential in today's cyber threat environment. We assist lawyers daily with life, dental and disability coverage, having identified the most valuable offerings for lawyers. We also assist dozens of lawyers every year to make the transition to Medicare. Please see more at [www.lawyersinsuranceagency.com](http://www.lawyersinsuranceagency.com).



**WILLIAM STROUD,**  
PRESIDENT

## LAWYERS MUTUAL CONSULTING & SERVICES

Lawyers Mutual Consulting & Services, celebrated 5 years in business in 2023. We are helping create the modern law practice through law firm startup, strategic planning, path to partnership, compensation plans, and succession planning. In 2023, we consulted with dozens of lawyers across the state using a paid model. Beginning in 2024, we are going to offer consulting as an added benefit to our insureds and they will have three free hours of consults in law firm startup, practice management, or succession planning.

We continued to deliver impactful content on topics that are important to legal professionals. With more than 20 speaking engagements, 30+ articles, and a book on law firm succession planning and another on compensation, education continued to be a cornerstone of our mission.

We enjoy collaborating with our clients and encouraging them in their journey.



**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.



**TROY CRAWFORD**  
MANAGING COUNSEL





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