



Your Trusted Provider

LM 2024

ANNUAL
REPORT

LAWYERS
MUTUAL | LIABILITY INSURANCE
COMPANY OF
NORTH CAROLINA

01 Message from Leadership



Dear Valued Policyholders,

Primarily due to our historical conservative claim reserving practices, Lawyers Mutual had a strong 2024. As a result, our Board was able to declare a policyholder dividend once again. The nearly \$1.5 million policyholder dividend represents approximately 8.1% of your final policy premium and will be paid in 2025 as your 2024 policy expires. Including this year's dividend, policyholders will have received a return of capital of nearly \$15.24 million over the last 14 consecutive years. As you've heard me say and write many times before, policyholder dividends are a major benefit of being insured by a mutual insurance company. When we do well, trust that we will continue to share our financial success with you by returning capital in the form of policyholder dividends.

Speaking of trust, as Don Peppers, American advertising executive and founding partner of Peppers & Rogers, once said, "Being trustworthy requires doing the right thing. And doing the right thing." Lawyers Mutual has insured and served North Carolina attorneys for nearly 48 consecutive years. You are the cornerstone of our mission to "partner with North Carolina attorneys." You are the focus of our core values – integrity, empathy, and transparency. For us, doing the right thing has always been to put our policyholders' interests first. (Being structured as a mutual insurance company makes this possible by eliminating the stockholder/policyholder conflict that exists with publicly traded insurance companies.) We believe that this is reflected in the strong relationships we enjoy with our insured attorneys and bar associations across the state, and hope that you believe we are doing the right things to maintain your trust.

We know you have choices. Thank you for letting Lawyers Mutual be your trusted legal malpractice insurance provider.

Daniel M Zureich
President and CEO



02 Community



DISASTER RECOVERY RESOURCES FOR WESTERN NC

In times of crisis, the legal community consistently unites to support those in need. Lawyers Mutual remained steadfast in its commitment of assisting insureds and their communities in Western North Carolina with disaster recovery following Hurricane Helene. In the wake of the unprecedented destruction in western North Carolina caused by Hurricane Helene, Lawyers Mutual acted swiftly to support both our insureds and the citizens affected by the storm. Our immediate response across multiple departments included a series of dedicated efforts ranging from countless check-in phone calls and tailored risk management alerts to providing critical resources aimed at supporting law firms and their clients during this challenging time. Additionally, we made financial contributions to legal and community organizations that were delivering essential aid to those in need. We stood beside our communities in times of crisis – a demonstration of how no other malpractice insurance provider offers the same level of dedication and service to North Carolina law firms as Lawyers Mutual.



STATE-WIDE LEGAL SPONSORSHIP

In 2024, Lawyers Mutual's robust community engagement reached insureds in 20 counties and judicial districts across North Carolina including Buncombe, Carteret, Catawba, Chatham, Craven, Davidson, Durham, Edgecombe, Forsyth, Guilford, Iredell, Mecklenburg, Moore, Nash, New Hanover, Pitt, Rowan, Rutherford, Wake, and Wilson.



SUPPORTING OUR MILITARY AND FIRST RESPONDERS

Lawyers Mutual is proud to support the brave men and women who have served our country in the military as well as the first responders in our communities. In collaboration with the North Carolina Bar Association/North Carolina Bar Foundation, we supported the Wills for Heroes program which provides free legal services, including estate planning and wills, to first responders, veterans, and active-duty military personnel. During the holidays, a group of our employees volunteered at the Raleigh Wreaths Across America: Honoring the Fallen by placing wreaths at the gravesites of veterans. These volunteer efforts reflect our gratitude and respect for the men and women who have served our country.

03 Department Reports



CLAIMS



For 2024, the Claims counts in the top 5 areas of practice were: Plaintiff Personal Injury: 31, Residential Real Estate: 30, Estates and Trusts: 22, Family Law: 20, and Litigation Other: 14.

For the fifth year in a row, we had the most claims reported in Plaintiff's Personal Injury. Missed deadlines continue to breed the most errors. The most common litigation

errors we see are missed statutes of limitations, lapsed alias and pluries summons, mistakes with underinsured/uninsured motorist cases and missed discovery deadlines. We did see an uptick in cyber and fraud claims in 2024 compared to the past few years.

Our year end claim count was 249, slightly up from year end 2023 at 245.

Of the claims closed in 2024, 75% were closed with no loss payment. The remaining 25% were closed with a loss payment.

CLIENT SERVICES

In 2024, Lawyers Mutual's robust community engagement reached insureds in 20 counties/judicial districts across North Carolina including Buncombe, Carteret, Catawba, Chatham, Craven, Davidson, Durham, Edgecombe, Forsyth, Guilford, Iredell, Mecklenburg, Moore, Nash, New Hanover, Pitt, Rowan, Rutherford, Wake, and Wilson. From CLE geared towards claims prevention, tech tips, and emerging ethics to general practice support to event sponsorships, our activities supported a host of legal organizations across North Carolina as listed below.



American Board of Trial Advocates	NCBA Minorities in the Profession 1L
Capital City Lawyer's Association	Summer Intern Program
NC Advocates for Justice	NC Law Schools
NC American College of Trial Lawyers	NC Chief Justice's Commission on
NC Association of Black Lawyers	Professionalism
NC Association of Defense Attorneys	NC Lawyer Assistance Program
NC Association of Municipal Attorneys	NC State Bar
NC Association of Women Attorneys	Real Estate Lawyers of North Carolina
NC Bar Association	WDNC Bankruptcy Bar

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. Over the past year we have seen cyber criminals expanding the monetization of compromised accounts, creating businesses focusing on certain aspects such as compromised credentials, phishing programs, bugs in code that create “back doors” into organizations, and even SMS broadcast tools such as those facilitating the toll road texts so many have received in the past few months – and then selling or licensing those to others who try to compromise accounts. The expansion of “artificial intelligence” and tools that allow for more natural sounding communications, voice cloning, and even video cloning create additional challenges for us all. It is more important than ever to take steps as simple as making a phone call to verify an email or text is legitimate before opening an attachment or link and utilizing multifactor authentication to help keep all of us safe.

UNDERWRITING



Underwriting has been focused on innovation and adding technologies that meets the needs of our insureds and improves how they do business with us. In 2022, we launched our online policy portal and mobile application allowing our insureds to:

- View and download their policy documents 24/7.
- Electronically submit add attorney and remove attorney requests.
- Make a payment online.
- Electronically submit requests to change their business name or address, cancel their policy, increase their coverage limits, and obtain tail coverage quotes.

In 2024, we created on an online reissue application. Every insured can now complete and electronically submit an online reissue application, including area of practice supplemental applications. The online reissue application contains the information submitted during the prior year, so that our insureds can simply review and update their application information.

Other underwriting accomplishments in 2024 include:

- 7,453 insured attorneys.
- 3,276 policies written.
- 90% retention rate.
- \$18.65M in premium.

As the trusted malpractice insurance provider in North Carolina, we continued to support small law firms with 2,126 policies issued to sole practitioners and 943 policies issued to law firms of 2 to 5 attorneys.

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, 2024. 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 2024 Annual Statement is available upon request.

Lawyers Mutual's financial health strengthened further in 2024, posting an Underwriting Gain and experiencing continued support from Investment income. As in 2023, the Company experienced lower reported claims compared to other recent years, but severity spiked in 2024 and continues a trend over the last three years. Even with inflation declining from record levels, the Company expects severity to continue to be a concern. The Company's financial results in 2024 and strong surplus position allowed us to declare a significant policyholder dividend.



FINANCIAL RESULTS

Lawyers Mutual recorded a Net Underwriting Gain of \$2,149,671 and \$2,749,171 for 2024 and 2023, respectively, on Direct Premiums Written and Assumed of \$18,867,866 and \$19,062,348. While Direct Premiums decreased slightly in 2024, Net Premiums Earned increased slightly after the impact of a reinsurance contract commutation. No similar commutation occurred in 2023. The increase in Claims Incurred was due mainly from increased severity in the 2024 Report Year, partially offset by favorable development on prior Report Years. The increase in Underwriting Expenses follows an expected return to pre-pandemic levels. Net Investment Gain continued to be strong in 2024 due to the current elevated interest rate environment. As a result, Lawyers Mutual recorded Net Income of \$6,587,345 and \$5,810,259 for 2024 and 2023.

Admitted assets totaled \$162 million at year end as Policyholder Surplus rose to \$121 million, an increase of 9.2%, 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 the Company to declare and pay an 8.1% policyholder dividend.

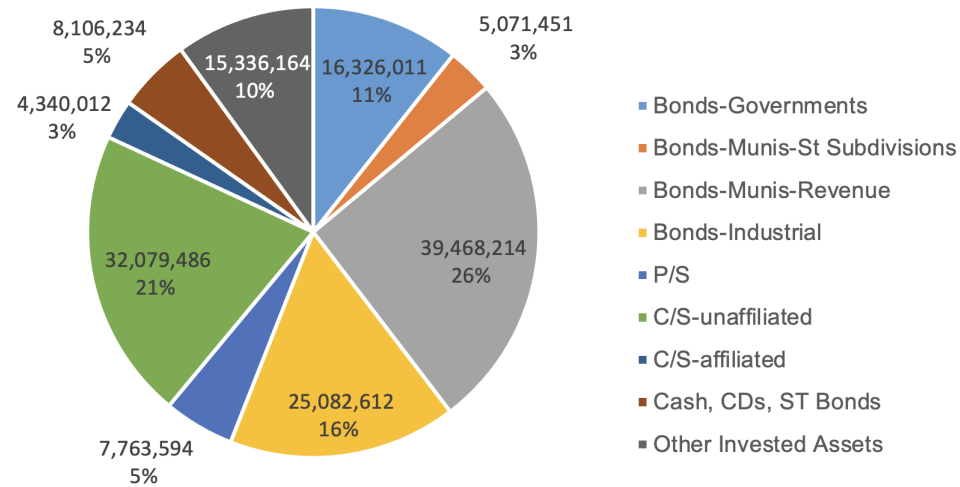
STATUTORY STATEMENTS OF INCOME

Years Ended December 31	2024	2023
<i>Underwriting Income</i>		
<i>Premiums earned</i>	15,193,021	14,991,483
<i>Underwriting deductions:</i>		
<i>Losses incurred</i>	3,646,372	2,090,132
<i>Loss adjustment expenses incurred</i>	4,716,539	5,757,290
<i>Other underwriting expenses incurred</i>	4,680,439	4,394,890
<i>Total underwriting deductions</i>	13,043,350	12,242,312
<i>Net underwriting gain</i>	2,149,671	2,749,171
<i>Investment income:</i>		
<i>Net investment income earned</i>	6,407,572	5,592,733
<i>Realized capital gains (losses) - net of tax (2024: (\$89,657); 2023: \$94,272)</i>	337,280	(354,644)
<i>Net investment gain</i>	6,744,852	5,238,089
<i>Other income / (expense):</i>		
<i>Loss from balances charged off</i>	(517)	(399)
<i>Finance and service charges not included in premiums</i>	278,483	262,217
<i>Other income / (expense)</i>	(419)	15,304
<i>Total other income</i>	277,547	277,122
 <i>Income before dividends to policyholders and federal income taxes</i>	9,172,070	8,264,382
<i>Dividends to policyholders</i>	1,477,124	1,478,993
<i>Income before federal income taxes incurred</i>	7,694,946	6,785,389
<i>Federal income taxes incurred</i>	1,107,601	975,130
<i>Net income</i>	\$ 6,587,345	\$ 5,810,259

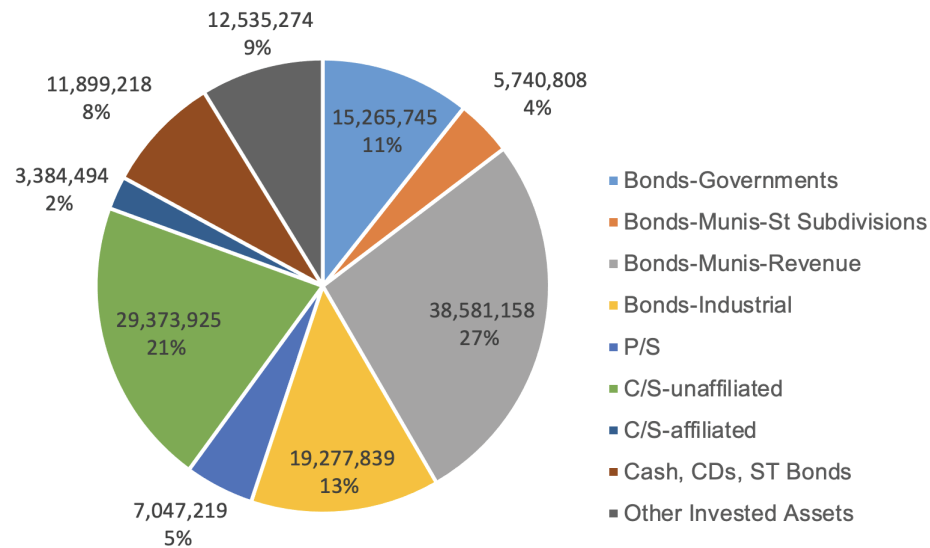
ADMITTED ASSETS, LIABILITIES & POLICYHOLDERS' SURPLUS

	As of December 31	
	2024	2023
Admitted Assets		
<i>Cash and investments:</i>		
Bonds	\$ 91,470,610	\$ 83,655,012
Common stocks	36,419,498	32,758,419
Preferred stocks	8,011,522	7,232,542
Cash and short-term investments	8,106,234	11,899,218
Other invested assets	13,589,402	11,146,479
Receivable for securities	-	72,658
Subtotals, cash and invested assets	157,597,266	146,764,328
Interest and dividend income due and accrued	1,001,088	909,061
Premiums in course of collection	2,722,049	2,617,329
Amounts recoverable from reinsurers	84,876	-
Current Net Federal income tax recoverable	136,636	455,925
Deferred Net Federal income tax asset	36,755	259,724
Receivable from subsidiaries	532,291	521,951
Other	146,212	142,256
Total admitted assets	\$ 162,257,173	\$ 151,670,574
Liabilities and Policyholders' Surplus	2024	2023
<i>Liabilities:</i>		
Unpaid losses	\$ 10,736,069	\$ 9,844,993
Unpaid loss adjustment expenses	15,158,000	15,589,485
Taxes, licenses, fees and other expenses payable	977,467	775,458
Unearned premiums	7,604,041	7,614,507
Advance premiums	1,061,517	1,163,847
Policyholder dividends declared and unpaid	1,586,737	1,556,384
Ceded reinsurance premiums payable, net of ceding commissions	719,881	714,291
Amounts withheld by company for account of others	2,853,168	2,732,671
Provision for reinsurance	-	89,376
Payable for securities	101,616	363,611
Total liabilities	40,798,496	40,444,623
<i>Policyholders' surplus:</i>		
Total Policyholders' surplus	121,458,677	111,225,951
Total Liabilities and Policyholders' Surplus	\$ 162,257,173	\$ 151,670,574

CASH & INVESTED ASSETS — Fair Value 12.31.2024



CASH & INVESTED ASSETS — Fair Value 12.31.2023



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At Lawyers Insurance, our customers place a lot of trust in us to provide solutions to their benefit and insurance needs. That places a big responsibility on us to repay that trust, and we take that responsibility very seriously. Firms and individuals participating in the NCBA Health Benefit Trust depend on us to help pay for their healthcare needs, some during the most difficult times of their lives. Our team has a deep well of experience in all a lawyer or law firm needs to protect their practice, their office and their cyber presence. We seek to serve our customers and earn their trust each day.



WILLIAM STROUD,
PRESIDENT



LM TITLE AGENCY, LLC

LM Title completed a strong second half of 2024 to produce a pre-dividend/pre-tax profit 221% higher than FY2023. We set records for Sales, Total Revenue, and Gross Profit. Total Revenue numbers were boosted by significant increases in Earned Interest and 1031 Fees/Interest. To summarize, we ended very strongly, after a slow start.

In 2024, our total file count increased 12% compared to 2023. The 4th Quarter was particularly strong, increasing 35% compared to the prior year.

While the macro-economic environment is a challenge, we have been able to locate two very talented salespeople as we are close to completing our marketing staff. The only area of the state which we do not regularly visit is the Northeastern corner, though the low population and attorney density makes it difficult to expand into the region.

Our online CLE attendance continues to grow, as our February 2025 program had 350 registrants. We are evaluating whether to continue in-person events in markets other than Raleigh given the resources required to provide quality events and the expectation of even lower attendance.

Our growth last year in such economic conditions is remarkable and shows the dedication of our team in a difficult market. We are investing in future growth and have now fully staffed our marketing team. This additional focus on market share will hurt short-term profitability but will best position us for future growth.

Going forward, we anticipate a challenging start to 2025 as interest rates remain high, loan originations are at 5+ year lows and existing home sales are down significantly even when compared to pre-pandemic levels.



TROY CRAWFORD
MANAGING COUNSEL

LAWYERS MUTUAL CONSULTING & SERVICES

In 2024, operations of LM Consulting & Services folded into the parent company to consolidate risk management and law practice management services. The mission of the Lawyers Mutual Risk & Practice Management department is to assist insureds throughout the life of the modern law practice: law firm startup, strategic growth and planning, technology innovations, compensation planning, path to partnership, and succession planning.



CAMILLE STELL,
PRESIDENT

HIGHLIGHTS OF 2024

Law Firm Consultations. 2024 saw the launch of free consulting as an added benefit to our insureds. Erik Mazzone and Camille Stell offered three free hours of consults to insureds in the areas of law firm startup, practice management, marketing, technology, compensation, path to partnership, succession planning and law firm winddown.

In 2024, we spoke with 340+ insureds via individual law firm virtual consults. Approximately one-third of the consults centered on technology issues, one-third on practice management issues (other than technology) such as marketing or process improvements, and one-third on issues relating to retirement and succession planning.

Risk Management Hotline. This resource has been available since the introduction of Lawyers Mutual's risk management services more than thirty years ago. Insureds can call and speak with risk management professionals or claims attorneys about risk issues such as disaster planning or handling red flag clients. Following the natural disaster of Hurricane Helene, we offered a virtual disaster planning CLE due to the increased risk management inquiries from our insureds across the state.

HELP. Handling Emergency Legal Problems or HELP sprung into action over a decade ago. In the event of the unexpected death or disability of a law firm owner, Lawyers Mutual can assist law firms in triage of sudden emergency situations. The best preparation is to have a disaster plan in place, but if there is no plan, Lawyers Mutual can guide a firm through those initial days and help bring order to chaos.

On-demand CLE Platform. In 2023, Lawyers Mutual launched our on-demand CLE platform. That year our insureds viewed 427 hours of on-demand CLE programming. In 2024, growth spiked 29% with insureds viewing 549 hours. In 2025, we will be increasing our on-demand library significantly with new CLE videos and learning opportunities.

Speaking Engagements, CLEs, Publications. We continue to deliver impactful content on topics that are important to legal professionals. With more than 50 speaking engagements, 50+ articles, risk management alerts, white papers, and risk management practice guides, education continues to be a cornerstone of our mission.

2024 Law Firm Management Conference. In December, we hosted a virtual practice management conference with 118 attorneys and 29 paralegals and staff in attendance. The conference was well received and will be offered again in 2025.

We enjoy collaborating with our insureds and encouraging them in their journey. In a world where change takes place lightning fast, Innovation in your law office is more important than ever.





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