



I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused Lawyers Mutual Liability Insurance Company of North Carolina as of December 31, 2021 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 18th day of November, 2022.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE
Deputy Commissioner
North Carolina Department of Insurance

Lawyers Mutual Liability Insurance Company of North Carolina

Cary, North Carolina

Report on Examination

As of December 31, 2021

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	1
REPORT ACRONYMS	3
SUMMARY OF SIGNIFICANT FINDINGS	3
Comments, Recommendations and Directives.....	3
ORGANIZATIONAL STRUCTURE	3
Organizational Chart	3
COMPANY HISTORY	4
Dividends to policyholders.....	4
MANAGEMENT AND CONTROL	5
Corporate Governance.....	5
Code of Conduct and Conflict of Interest.....	6
Corporate Records.....	7
Statutory Deposits	7
Fidelity Bonds and Other Insurance	7
Employee Benefits and Pension Plans	7
Related Party Agreements	7
TERRITORY AND PLAN OF OPERATION	8
Trends of the Company	8
Actuarial Opinion	9
REINSURANCE PROGRAM OVERVIEW	9
Reinsurance Ceded.....	9
Reinsurance Assumed	10
FINANCIAL STATEMENTS	10
COMMENTS ON FINANCIAL STATEMENTS	16
SUBSEQUENT EVENTS	20
DISTRIBUTION OF REPORT ON EXAMINATION	21
CONCLUSION	22

October 20, 2022

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina

Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Lawyers Mutual Liability Insurance Company of North Carolina

(hereinafter referred to as the “Company”), at its main administrative and statutory home office located at 1001 Winstead Drive, Suite 285, Cary, North Carolina. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2017, to December 31, 2021, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2016.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“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 Company, 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 Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Claims Handling and Reserves
Investments
Premiums and Underwriting
Reinsurance Ceding
Related Parties
Surplus Management

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This 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 from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Johnson Lambert LLP of Raleigh, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2021.

REPORT ACRONYMS

Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes	“GS”
Hanover Re (Ireland), Ltd	“Hanover”
Lake Crabtree Holding Co., LLC	“LCHC”
Lawyers Insurance Agency, Inc.	“LIA”
Lawyers Mutual Consulting & Services LLC	“LMCS”
Lawyers Mutual Liability of North Carolina	“Company”
Lawyers Reinsurance Company	“LRC”
LM Title Agency, LLC	“LMTA”
National Association of Insurance Commissioners	“NAIC”
Weston Real Estate Holding Company, LLC	“WREHC”
Wisconsin Lawyers Mutual Insurance Company	“WLMIC”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

- a. At December 31, 2021, the Company maintained fidelity bond coverage of \$500,000, which was less than the NAIC’s recommended minimum. We recommend that the Company maintain fidelity bond coverage of \$600,000 to \$700,000 as recommended by the NAIC.

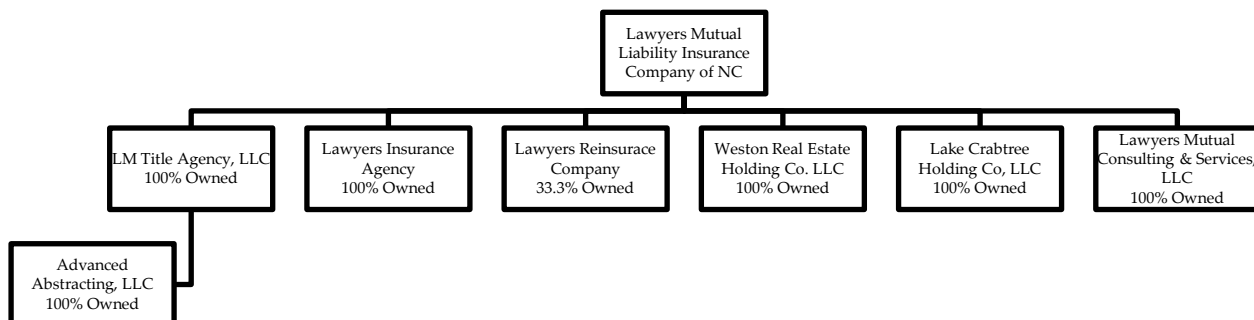
ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19, in which the Company is the ultimate controlling entity. The holding company system consists of five wholly owned subsidiaries: Lawyers Insurance Agency, Inc. (“LIA”); Weston Real Estate Holding Company, LLC (“WREHC”); Lake Crabtree Holding Company, LLC (“LCHC”); Lawyers Mutual Consulting & Services, LLC (“LMCS”); and LM Title Agency, LLC (“LMTA”). The Company also owns 33.3% of Lawyers Reinsurance Company (“LRC”).

ORGANIZATIONAL CHART

The Company’s 2021 Annual Statement Schedule Y contains a complete organizational chart.

The following is a summarized organizational chart of the Lawyers Mutual Group as of December 31, 2021:



COMPANY HISTORY

The Company is a non-assessable mutual insurer that was incorporated on September 19, 1977, and commenced business on May 1, 1978. In 2001, WREHC was formed to hold interest in real estate and real estate related assets. In 2009, LCHC was formed as a limited liability company to hold a 50% ownership interest in Weston CLAM LLC, which owns 100% of the Company’s previous home office. LCHC’s operations are currently in run-off after the sale of the home office in 2018.

In 1984, LIA was formed to market health insurance and other personal and commercial lines of insurance to North Carolina attorneys, and in 1997, LRC was formed to provide reinsurance to the Company and other members of the National Association of Bar Related Insurance Companies.

In 2018, LMCS was formed to provide various services to lawyers such as continuing professional education, starting a law firm, and succession planning. LMTA was also formed in 2018 to provide title services to real estate lawyers.

DIVIDENDS TO POLICYHOLDERS

Dividends are paid as declared by the Board of Directors (“Board”) of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to policyholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. The Company paid dividends totaling \$533,712 and \$571,890 in 2021 and 2020, respectively.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

The bylaws of the Company provide that each named insured designated in the declarations page of the insurance policy shall be a member of the Company as of the effective date of the insurance evidenced by said policy and shall remain a member until said policy evidencing the insurance expires without renewal, is cancelled, or otherwise terminated

The bylaws of the Company provide that an annual meeting of the members be held at such time and place as the Board may appoint. Special meetings of the members may be called at any time by the president whenever ten percent (10%) or more of the members or a majority of the directors shall so request in writing.

Board of Directors

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws specify that the number of directors shall be twelve. Directors are elected annually, at the annual meeting of member shareholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors at December 31, 2021:

Name	Location	Principal Occupation
John Babcock	Winston-Salem, NC	Partner - Waldrep Wall Babcock & Bailey, PLLC
June Basden	Greensboro, NC	Attorney - Carruthers & Roth, P.A.
Michael Colombo	Greenville, NC	Partner - Columbo Kitchin Dunn Ball & Porter, LLP
Ronald Gibson	Charlotte, NC	Partner - Ruff Bond Cobb Wade & Bethune, LLP
Valerie Johnson	Durham, NC	Shareholder - Johnson & Groninger, PLC
John May	Pinehurst, NC	Partner - Robbins May & Rich, LLP
Angela McIlveen	Gastonia, NC	Partner - McIlveen Family Law Firm
William Pappas	Raleigh, NC	Partner - Parker Poe Adams & Bernstein, LLP
Sharon Parker	Marion, NC	Partner - Sharon L. Parker, P.A.
Sarah Thornburg	Asheville, NC	Partner - McGuire, Wood & Bisette, P.A.
Grover Wilson	Winston-Salem, NC	Senior Partner - Wilson Helms & Cartledge, LLP
Ellen Wortman	Wilmington, NC	Partner – Marshall, Williams & Gorham, LLP

The Board has the authority to establish committees to manage the business of the Company. The Board has established several committees including a Claims Committee, Corporate Governance Committee, Executive Committee, Finance and Audit Committee, and a Personnel Committee to act on behalf of the Company.

The following individuals served on committees at December 31, 2021:

Claims Committee

Ronald Gibson, Chair
June Basden
Michael Colombo
Gray Wilson
Valerie Johnson
John May
Angela McIlveen
Sharon Parker (Ex officio)

Corporate Governance Committee

John May, Chair
Valerie Johnson
William Pappas
Sarah Thornburg
Gray Wilson
Ellen Wortman
Sharon Parker (Ex officio)

Executive Committee

Sharon Parker, Chair
John Babcock
John May
William Pappas
Ronald Gibson
Valerie Johnson
June Basden

Finance & Audit Committee

William Pappas, Chair
John Babcock
Ronald Gibson
Michael Colombo
Angela McIlveen
Sarah Thornburg
Sharon Parker (Ex officio)

Personnel Committee

John Babcock, Chair
Michael Colombo
June Basden
Sarah Thornburg
Sharon Parker (Ex officio)

Officers

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a president, a secretary, a treasurer, and any other officers deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two or more offices may be held by the same person except the offices of president and secretary, and no officer may act in more than one capacity where action of two or more officers is required.

The following individuals served as officers of the Company at December 31, 2021:

Name	Title
Daniel Zureich	President and Chief Executive Officer
Robert Neal	Senior Vice President, Chief Financial Officer, and Treasurer
Christopher Brown	Vice President Enterprise and Operational Risk Management and Secretary
William Stroud	Senior Vice President
Katherine Fisher	Vice President of Underwriting
Claire Modlin	Vice President of Claims

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed the Company acted in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events and that the directors approved these transactions and events.

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. On December 7, 2021, the Company amended and reinstated its bylaws to change the Company's address, allow remote meetings, amend the meeting schedule for both the Board and the annual meeting of the members, and to align the election of the Company officers with the election of the directors. The Department approved the amended bylaws on January 19, 2022.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2021 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. The Company only maintains a statutory deposit in North Carolina.

FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$500,000 in aggregate, which is less than the minimum amount of fidelity bond coverage recommended by the Handbook. (Refer to the Summary of Significant Findings)

In addition, the Company is a named insured on various corporate property and liability policies, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company sponsors a "Safe Harbor" 401(k) defined contribution plan covering substantively all employees of the Company and its wholly owned subsidiaries. The Company contributes 13% of each eligible participant's compensation. Contributions to the plan totaled \$344,470 and \$349,975 in 2021 and 2020, respectively.

RELATED PARTY AGREEMENTS

The Company has a services agreement with LIA, effective January 1, 2009, and amended March 1, 2018, whereby the Company provides various operational and administrative services to LIA including information technology, management, accounting, payroll, investment reporting, and human resources. Settlements are to be made monthly. Under this agreement, the Company earned \$48,000 in management fees in 2020 and 2021, respectively.

The Company has a service agreement with LMTA, effective October 1, 2021, whereby the Company provides various operational and administrative services to LMTA including information technology, management, accounting, payroll, and human resources. Settlements are to be made monthly. Under this agreement, the Company earned \$5,874 in management fees in 2021.

The Company has a service agreement with LMCS, effective October 1, 2021, whereby the Company provides various operational and administrative services to LMCS including information technology, management, accounting, payroll, and human resources. Settlements are to be made monthly. Under this agreement, the Company earned \$1,071 in management fees in 2021.

The Company has a service agreement with LCHC, effective January October 1, 2021, whereby the Company provides management and accounting services to LMTA. Settlements are to be made quarterly. Under this agreement, the Company earned \$3,000 and \$2,000 in management fees in 2020 and 2021, respectively.

The Company is included in a consolidated income tax return in accordance with a tax sharing agreement with LIA, effective February 25, 1992. The provisions for federal income tax are computed as if the Company were filing separate income tax returns. Benefits, which arise from tax credits and net operating losses, are allocated to the entity producing such results to the extent they are utilized in the consolidated income tax provisions. Intercompany tax balances are to be settled at the same time a deficiency is paid to or a refund is due from the Internal Revenue Service.

The Company has a shareholder’s agreement with LRC, effective April 1, 1997, and amended on October 23, 1997. The Company owns 33.3% of outstanding shares of LRC as of December 31, 2021. LRC Re is currently in run-off.

In the first quarter of 2021, the Company made capital contributions to LMCS totaling \$1,000,000.

TERRITORY AND PLAN OF OPERATION

The Company writes lawyer’s professional liability insurance primarily on a claims-made basis, with an extended reporting endorsement available. At December 31, 2021, the Company was licensed only in North Carolina.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended 2021:

Year	Net Admitted Assets	Surplus	Gross Premiums Written	Net Earned Premiums	Net Income
2021	\$140,906,441	\$102,485,483	\$18,446,042	\$15,238,378	\$4,456,767
2020	\$132,721,189	\$96,307,044	\$18,116,084	\$14,762,979	\$5,526,694
2019	\$124,603,514	\$93,243,692	\$18,193,667	\$15,187,027	\$3,977,110
2018	\$114,815,447	\$86,786,613	\$18,188,346	\$15,524,658	\$9,817,338
2017	\$109,466,258	\$81,345,462	\$18,239,273	\$15,553,066	\$4,927,426

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2021 were reviewed and certified by the Company's Appointed Actuary, Chad Karls, FCAS, MAAA of Milliman, Inc. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

Excess of Loss

The Company has an excess of loss contract with various reinsurers ("Reinsurers"), effective January 1, 2021, whereby the Reinsurers provide coverage up to the Company's policy limits. The Company recovers 100% of each loss that exceeds \$750,000 and up to \$4,250,000 for professional liability losses, subject to an occurrence limit of \$4,250,000 each policy. The Company ceded written premiums totaling approximately \$2.0 million and \$1.6 million in 2021 and 2020, respectively, under this contract.

Casualty Excess of Loss

The Company has two facultative casualty excess of loss reinsurance contracts with Reinsurers, effective January 1, 2021, whereby the Reinsurers indemnify the Company for any loss or losses occurring under policies classified by the Company as professional liability with limits greater than \$5 million.

The following table summarizes each layer of coverage provided by the contracts:

Casualty Excess of Loss			
Layer	Company Retention	Reinsurance Coverage per Occurrence	Maximum Occurrence Limit
First	\$5,000,000	\$5,000,000 net loss in excess of \$5,000,000	\$5,000,000 each policy
Second	\$10,000,000	\$10,000,000 net loss in excess of \$10,000,000	\$10,000,000 each policy

The Company ceded written premiums totaling approximately \$946,000 and \$937,000 in 2021 and 2020, respectively, under these contracts.

Aggregate Stop Loss Excess of Loss

The Company has a two-year aggregate stop loss excess of loss contract with Hanover Re (Ireland), Ltd (“Hanover”), effective January 1, 2021, whereby Hanover indemnifies the Company for any loss or losses occurring under policies classified by the Company as professional liability.

The following table summarizes the coverage provided by the contract:

Company Retention	Reinsurance Coverage per Occurrence	Maximum Occurrence Limit
61.5 % of Subject Net Earned Premium	25% of the Subject Net Earned Premium during any one Contract Year	20% of the Subject Net Earned Premium during the 24-month term of the Contract

The Company ceded written premiums totaling approximately \$419,000 and \$795,000 in 2021 and 2020, respectively, under this contract.

REINSURANCE ASSUMED

The Company began assuming business from Wisconsin Lawyers Mutual Insurance Company (“WLMIC”), effective January 1, 2021. WLMIC is liable for the first \$250,000 of the ultimate net loss on each claim made for each policy. The Company is then liable for the amount by which the ultimate net loss exceeds WLMIC’s retention, but the liability of the Company shall not exceed \$500,000 on each claim made for each policy. The Company assumed premiums of approximately \$175,000 under this contract in 2021.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2020, are unexamined and are presented for comparative purposes only.

Lawyers Mutual Liability Insurance Company of North Carolina
Statutory Statement of Admitted Assets
December 31, 2021

	2021	2020 <i>(unexamined)</i>
Bonds	\$73,632,846	\$ 74,833,605
Preferred stocks	7,274,374	6,885,658
Common stocks	34,631,218	23,475,907
Cash and short-term investments	5,864,783	9,124,325
Other invested assets	15,952,616	14,654,224
Receivables for securities	-	16,090
Total cash and invested assets	137,355,837	128,989,809
Investment income due and accrued	778,175	789,919
Premiums and agents' balances in course of collection	2,390,897	2,291,542
Other amounts receivable under reinsurance contracts	-	6,200
Federal income tax recoverable	97,910	117,232
Net deferred tax asset	-	248,913
Electronic data processing equipment and software	16,526	24,395
Receivable from parent, subsidiaries, and affiliates	188,506	169,107
Deductibles receivable	50,293	84,072
Taxes licenses and fee receivable	28,297	-
Total Admitted Assets	\$140,906,441	\$132,721,189

Lawyers Mutual Liability Insurance Company of North Carolina
Statutory Statement of Liabilities and Surplus
December 31, 2021

	2021	2020 <i>(unexamined)</i>
Losses	\$10,092,235	\$10,602,264
Loss adjustment expenses	14,352,536	12,225,779
Commissions payable, contingent commissions and other similar charges	19,566	-
Other expenses	752,209	748,445
Taxes, licenses and fees	-	267,281
Net deferred tax liability	199,448	-
Unearned premiums	7,612,824	7,622,543
Advance premium	1,204,522	1,223,494
Dividends declared and unpaid: Policyholders	1,038,331	569,686
Ceded reinsurance premiums payable	669,495	562,874
Funds held by company under reinsurance treaties	2,046,145	1,963,214
Provision for reinsurance	25,631	41,621
Payable for securities	383,016	561,945
Deductibles received in advance	25,000	25,000
Total liabilities	38,420,958	36,414,145
Unassigned funds	102,485,483	96,307,044
Total surplus	102,485,483	96,307,044
Total Liabilities and Surplus	\$140,906,441	\$132,721,189

Lawyers Mutual Liability Insurance Company of North Carolina
Statutory Statement of Operations
December 31, 2021

	2021	2020 <i>(unexamined)</i>
Underwriting Income		
Premiums earned	\$15,238,378	\$14,762,979
Deductions		
Losses incurred	3,773,304	6,207,532
Loss adjustment expenses incurred	6,295,659	5,454,280
Other underwriting expenses incurred	3,768,949	3,768,339
Total underwriting deductions	13,837,912	15,430,151
Net underwriting gain(loss)	1,400,466	(667,172)
Investment Income		
Net investment income earned	4,505,413	3,640,654
Net realized capital gains	318,709	2,880,991
Net investment gain	4,824,122	6,521,645
Other Income		
Net gain or (loss) from agents' or premium balances charged off	16	(738)
Finance and service charges not included in premiums	248,269	207,079
Other income	1,052	1,867
Total other income	249,337	208,208
Net income before dividends to policyholders	6,473,925	6,062,681
Dividends to policyholders	1,002,357	515,446
Net income after dividends to policyholders	5,471,568	5,547,235
Federal income taxes incurred	1,014,801	20,541
Net Income	\$4,456,767	\$ 5,526,694

Lawyers Mutual Liability Insurance Company of North Carolina
Statutory Statement of Surplus
December 31, 2021

	2021	2020 <i>(unexamined)</i>
Surplus as regards policyholders, beginning of year	\$96,307,044	\$93,243,692
Surplus increases (decreases):		
Net income	4,456,767	5,526,694
Change in net unrealized capital gains or (losses)	1,854,053	(2,331,446)
Change in net deferred income tax	44,489	39,953
Change in non-admitted assets	(192,860)	(130,227)
Change in provision for reinsurance	15,990	(41,621)
Change in surplus as regards policyholders for the year	6,178,439	3,063,353
Surplus, as regards policyholders, end of year	\$102,485,483	\$96,307,044

Lawyers Mutual Liability Insurance Company of North Carolina
Statutory Statement of Cash Flow
December 31, 2021

	2021	2020 <i>(unexamined)</i>
Cash From Operations		
Premiums collected net of reinsurance	\$15,215,404	\$14,962,211
Net investment income	5,249,517	4,031,488
Miscellaneous income	255,537	208,208
Total	20,720,458	19,201,907
Benefit and loss related payments	4,283,333	2,392,143
Commissions, expenses paid and aggregate write-ins	8,181,802	7,830,167
Dividends paid to policyholders	533,712	571,890
Federal income taxes paid	1,262,818	806,991
Total	14,261,665	11,601,190
Net cash from operations	6,548,793	7,600,717
Cash (Used By) Investments		
Proceeds from investments sold, matured, or repaid	27,897,490	30,540,363
Cost of investments acquired	38,215,567	36,457,947
Net cash (used by) investments	(10,318,077)	(5,917,584)
Cash From Financing and Miscellaneous Sources		
Other cash provided	599,742	304,431
Net cash from financing and miscellaneous sources	599,742	304,431
Reconciliation of Cash and Short-Term Investments		
Net change in cash and short-term investments	(3,259,542)	1,987,563
Cash and short-term investments, beginning of year	9,124,325	7,136,762
Cash and short-term investments, end of year	\$5,864,783	\$9,124,325

COMMENTS ON FINANCIAL STATEMENTS

There were no changes to the Company's financial statements and there were no proposed adjustments to surplus as a result of this examination.

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the interest method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the interest method.

Preferred stocks: Investment grade perpetual preferred stocks are stated at fair value. Investment grade redeemable preferred stocks are stated at amortized cost. Preferred stock at non-investment grade is stated at the lower of amortized cost or fair value.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under equity method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Business acquisition costs: Charged to income as incurred.

Nonadmitted assets: Certain assets, such as premiums over 90 days past due and prepaid expenses, are "nonadmitted" and are charges against surplus.

Loan-backed securities: Stated at either amortized cost. Non-investment grade loan-backed securities are stated at the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all loan-backed securities.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$73,632,846	-	\$73,632,846
Preferred stocks	7,274,374	-	7,274,374
Common stocks	34,631,218	-	34,631,218
Cash and short-term investments	5,864,783	-	5,864,783
Other invested assets	17,410,943	1,458,327	15,952,616
Total cash and invested assets	138,814,164	1,458,327	137,355,837
Investment income due and accrued	778,175	-	778,175
Premiums and agents' balances in course of collection	2,392,450	1,553	2,390,897
Current federal and foreign income tax recoverable	97,910	-	97,910
Electronic data processing equipment and software	16,526	-	16,526
Furniture and equipment	41,766	41,766	-
Receivable from parent, subsidiaries, and affiliates	188,506	-	188,506
Accounts receivable	5,407	5,407	-
Deductible receivable	83,430	33,137	50,293
Prepaid expenses	167,317	167,317	-
State tax credits	17,133	17,133	-
Taxes licenses and fee receivable	28,297	-	28,297
Total Admitted Assets	\$142,631,081	\$1,724,640	\$140,906,441

Reinsurance Activity:

The Company has excess of loss contracts to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes Tiger Risk as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct, assumed, and ceded premiums written and earned are as follows:

	2021	2020
Direct and assumed written	\$18,621,214	\$18,116,085
Ceded written	3,392,555	3,363,956
Net written	15,228,659	14,752,129
Direct and assumed earned	18,449,914	18,080,065
Ceded earned	3,211,536	3,317,086
Net earned	\$15,238,378	\$14,762,979

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	2021	2020
Reserves for losses and loss adjustment expenses, beginning of year	\$ 22,828,042	\$17,553,798
Add:		
Provision for losses and loss adjustment expenses, current year	11,620,032	11,264,246
Change in estimated losses and loss adjustment expenses, prior years	(1,551,069)	397,566
Total incurred	10,068,963	11,661,812
Deduct:		
Losses and loss adjustment expenses paid, current year	1,463,139	1,229,518
Losses and loss adjustment expenses paid, prior year	6,989,097	5,158,050
Total paid	8,452,234	6,387,568
Reserves for losses and loss adjustment expenses, end of year	24,444,771	22,828,042
Increase in reserves for losses and loss adjustment expenses	\$1,616,729	\$5,274,244

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2021 and 2020, the liability for losses and loss adjustment expenses was reduced by \$7,476,015 and \$7,331,971, respectively, for amounts to be recovered from reinsurers.

Surplus:

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Company's surplus since the Department's last examination as of December 31, 2016:

	2019	2018	2017
Surplus, as regards policyholders, beginning of year	\$86,786,613	\$81,345,462	\$74,433,876
Surplus increases (decreases):			
Net income	3,977,1104,	9,817,338	4,927,426
Change in net unrealized capital gain (loss)	2,590,103	(3,576,482)	2,485,485
Change in net deferred income tax	4,336	(66,981)	(894,173)
Change in non-admitted assets	(135,501)	(711,694)	391,819
Change in provision for reinsurance	21,030	(21,030)	1,029
Change in surplus as regards policyholders for the year	6,457,078	5,441,151	6,911,586
Surplus, as regards policyholders, end of year	\$93,243,692	\$86,786,613	\$81,345,462

Contingencies and Commitments:

The Company has non-cancelable operating leases for office space, which expire over the next five years. The Company incurred rental expenses totaling \$258,410 and \$239,433 for years ended December 31, 2021 and 2020, respectively. The future minimum annual lease payments under the noncancelable operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$350,832
2023	\$306,206
2024	\$261,163
2025	\$267,692
2026	\$112,684
	<u>\$1,298,577</u>

The Company is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Company.

SUBSEQUENT EVENTS

On February 28, 2022, Robert Neal retired as the Company's Senior Vice President, Chief Financial Officer, and Treasurer.

On March 1, 2022, William Batten was named as the Company's Vice President Finance succeeding Robert Neal.

On March 4, 2022, William Batten was designated by the Board as the Company's Corporate Treasurer.

On July 15, 2022, John May retired from the Company's Board.

On July 15, 2022, Katherine Davis was elected to the Company's Board succeeding John May.

Lawyers Mutual Liability Insurance Company of North Carolina
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2021

William Batten, Vice President of Finance and Treasurer
1001 Winstead Drive, Suite 285
Cary, North Carolina 27513

Daniel Zureich, President and Chief Executive Officer
1001 Winstead Drive, Suite 285
Cary, North Carolina 27513

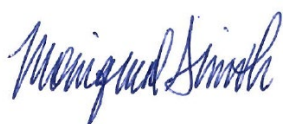
CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Monique D. Smith, CPA, CFE
Deputy Commissioner
North Carolina Department of Insurance

October 20, 2022

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Porsha Jackson, Senior Insurance Company Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by her, is true and correct to the best of her knowledge and belief.

Signature: P. Jackson Date: 10/20/2022

Sworn and subscribed before me this 20 day of October, 2022.

Notary Public Signature: Samantha Tanck Notary Public Seal:

SAMANTHA TANCK
NOTARY PUBLIC
WAKE COUNTY, NC
My Commission Expires 8-3-2027