

FINANCIALS: POLICYHOLDERS INFORMATION

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, 2021. 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 2021 Annual Statement is available upon request.

Lawyers Mutual's strong financial health strengthened further in 2021, posting an Underwriting Gain and experiencing continued support from Investments. New for 2021, the Company wrote assumed premiums for the first time, participating as a reinsurer on a contract with Wisconsin Lawyers Mutual Insurance Company. The Company experienced slightly lower reported claims compared to prior year, but severity continued to increase during 2021. With inflation at record levels, the Company expects severity to continue to be an issue that must be managed in part, by judiciously closing claims as quickly as possible. The Company's financial results in 2021 and strong surplus position allowed the declaration of a policyholder dividend.

FINANCIAL RESULTS

Lawyers Mutual was able to record a strong Net Income of \$4,456,767 on beginning of year Surplus of \$96,307,044. Net Income was composed of a Net Underwriting Gain of \$1,400,466. The Net Underwriting Gain included an increase of \$329,958 in Direct Premiums Written, \$175,172 in new Assumed Premiums Written, and \$1,592,849 in lower Claims Incurred compared to prior year numbers. Investment Gains of \$5,091,462 fell short of prior year's gains which were unusually high due to investment asset reallocations that took place in 2020. Declared dividends of \$1,002,356 were \$486,910 higher than prior year. Other Underwriting expenses as a percent of premiums declined from 25.5% to 24.7%. The Company's investment income on core investments increased by 23.8% due to a significant increase in dividends from common stocks and other invested assets.

Total admitted assets topped \$140 million at year end as Policyholder Surplus rose to \$102.5 million, an increase of 6.4%, keeping pace with claims inflation, economic risks, and other potential risks within investment markets. The Underwriting Gain and continued strong investment performance, including



WILL BATTEN
VICE PRESIDENT, FINANCE

***Lawyers Mutual's
strong financial
health strengthened
further in 2021,
posting an
Underwriting Gain
and experiencing
continued support
from Investments.***

distributions from subsidiaries, provided sufficient growth in policyholders' surplus to keep pace with the changing environment as well as to return a portion of surplus to our insureds in the form of a 5.5% policyholder dividend.

Leverage ratios (measuring premium writings, claim reserves and, total liabilities as compared to Policyholder Surplus) decreased slightly with a combined Net Leverage ratio of 52% at yearend 2021 as compared to 53% at the end of 2020.

Please see the accompanying summary financial statements for more information.

FINANCIALS: STATUTORY STATEMENTS OF INCOME

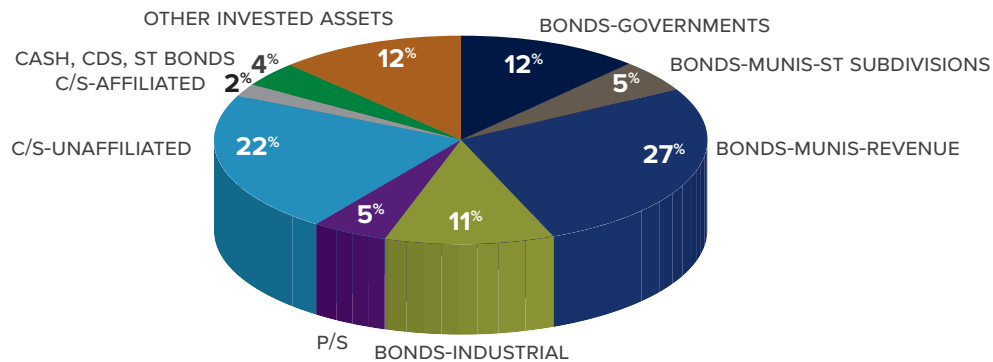
Years Ended December 31	2021	2020
<i>Underwriting Income</i>		
<i>Premiums earned</i>	15,238,378	14,762,979
<i>Underwriting deductions:</i>		
<i>Losses incurred</i>	3,773,304	6,207,532
<i>Loss adjustment expenses incurred</i>	6,295,659	5,454,280
<i>Other underwriting expenses incurred</i>	3,768,949	3,768,339
Total underwriting deductions	13,837,912	15,430,151
Net underwriting gain	1,400,466	(667,172)
<i>Investment income:</i>		
<i>Net investment income earned</i>	4,505,413	3,640,654
<i>Realized capital gains - net of tax (2021: \$267,340; 2020: \$765,833)</i>	318,709	2,880,991
Net investment gain	4,824,122	6,521,645
<i>Other income / (expense):</i>		
<i>Loss from balances charged off</i>	16	(738)
<i>Finance and service charges not included in premiums</i>	248,269	207,079
<i>Other income / (expense)</i>	1,052	1,867
Total other income	249,337	208,208
Income before dividends to policyholders and federal income taxes	6,473,925	6,062,681
<i>Dividends to policyholders</i>	1,002,357	515,446
Income before federal income taxes incurred	5,471,568	5,547,235
<i>Federal income taxes incurred</i>	1,014,801	20,541
Net income	\$ 4,456,767	\$ 5,526,694

FINANCIALS:

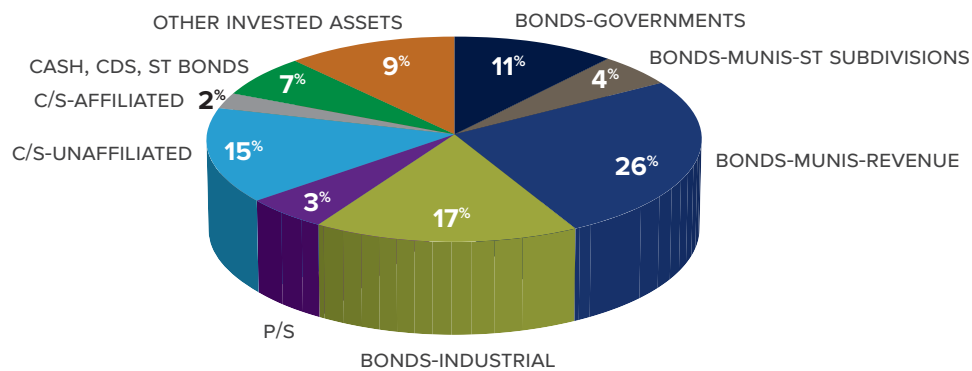
ADMITTED ASSETS, LIABILITIES AND POLICYHOLDERS' SURPLUS

	As of December 31	
Admitted Assets	2021	2020
Cash and investments:		
Bonds	\$ 73,632,846	\$ 74,833,605
Common stocks	34,631,218	23,475,907
Preferred stocks	7,274,374	6,885,658
Cash and short-term investments	5,864,783	9,124,325
Other invested assets	15,952,616	14,654,224
Receivable for securities	-	16,090
Subtotals, cash and invested assets	137,355,837	128,989,809
Interest and dividend income due and accrued	778,175	789,919
Premiums in course of collection	2,390,897	2,291,542
Other amounts receivable under reinsurance contracts	-	6,200
Current Net Federal income tax recoverable	97,910	117,232
Deferred Net Federal income tax asset	-	248,913
Receivable from subsidiary	188,506	169,107
Other	95,116	108,467
Total admitted assets	\$ 140,906,441	\$ 132,721,189
Liabilities and Policyholders' Surplus	2021	2020
Liabilities:		
Unpaid losses	10,092,235	10,602,264
Unpaid loss adjustment expenses	14,352,536	12,225,779
Taxes, licenses, fees and other expenses payable	771,775	1,015,725
Net Deferred Tax Liability	199,448	-
Unearned premiums	7,612,824	7,622,543
Advance premiums	1,204,522	1,223,494
Policyholder dividends declared and unpaid	1,038,331	569,686
Ceded reinsurance premiums payable, net of ceding commissions	669,495	562,874
Amounts withheld by company for account of others	2,046,145	1,963,214
Provision for reinsurance	25,631	41,621
Payable for securities	383,016	561,945
Other liabilities	25,000	25,000
Total liabilities	38,420,958	36,414,145
Policyholders' surplus:		
Total Policyholders' surplus	102,485,483	96,307,044
Total Liabilities and Policyholders' Surplus	\$ 140,906,441	\$ 132,721,189

CASH & INVESTED ASSETS – Fair Value 12.31.2021



CASH & INVESTED ASSETS – Fair Value 12.31.2020



CASH & INVESTED ASSETS – Fair Value 12.31.2019

