

Promoting

Professionalism ^{in the} *Profession*

for over 30 years





Cover: Law and Justice Building circa 1960.
This Page: North Carolina Supreme Court.



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A special thank you to Mel Wright, Executive Director of the Chief Justice's Commission on Professionalism and Danny Moody, Historian, NC Supreme Court Historical Society.



United States
Supreme Court.

Letter to our Policyholders

The Preamble to the Rules of Professional Conduct provides a special emphasis on A Lawyer's Professional Responsibilities and recognizes that formal rules alone cannot fully encompass the higher standards to which every lawyer should aspire. These standards include following one's conscience and seeking to improve oneself, one's society and the principles of the law. Lawyers Mutual was formed in 1977 by a dedicated group of North Carolina attorneys who saw an opportunity to live up to these standards through service to others. That spirit of service and dedication continues today in the work that we, as individuals and as a company, do for our statewide community of citizens and lawyers.

A strong desire to support civility and courtesy in the practice of law runs deep in North Carolina. In 1998, the Chief Justice's Commission on Professionalism was formed to provide such a focus on these ideals for attorneys across the State. When the Commission initiated district wide professionalism meetings, Lawyers Mutual was first to sponsor the programs. This sponsorship has continued uninterrupted since that initial session in Shelby. We continue to be honored by our association with the Commission, just as we are honored by our involvement with the many bar and lawyer associations across the State of North Carolina.

Our commitment to professionalism is proudly exhibited by the individuals who have served and who currently serve as members of our Board of Directors: Henry Mitchell, June Basden, Doris Bray, Glen Hardyman, Tony Hornthal, Jim Maxwell, Ken McAllister, Eric Michaux, Sharon Parker, John Raper, Jack Stevens, Gray Wilson and Richard Wright. Several members served as President of a number of statewide bar associations. We are truly honored by their professional leadership.

Attorneys form the central component of our staff. Judge Gerald Arnold and John Hester lead a Claims Department which includes five additional attorneys: Will Graebe, Renee Riggsbee, Warren Savage, Mark Scruggs and Wayne Stephenson. Recognizing Lawyers Mutual's directive to serve our profession and our society, the attorneys from our Company actively participate in a wide range of bar association activities, frequently serving as section chairs and seminar speakers. This professional involvement is exemplified within the Risk Management Department, where Louise Paglen – another attorney and head of that Department – not only helps to create the CLE and paralegal programs presented by our Company but also actively participates in several bar groups, committees and associations.

Lawyer's Professionalism Creed

*The North Carolina Chief
Justice's Commission on
Professionalism's Lawyer's
Professionalism Creed*

To my clients, I offer competence, faithfulness, diligence, and good judgment. I will represent you as I would want to be represented and to be worthy of your trust.

To the opposing parties and their counsel, I offer fairness, integrity, and civility. I will seek reconciliation and, if we fail to achieve it, I will make our dispute a dignified one.

To the courts, and other tribunals, and to those who assist them, I offer respect, truthfulness, and courtesy. I will strive to bring honor to the search for justice.

To the profession, I offer assistance. I will strive to keep our profession a high calling in the spirit of pro bono and public service.

To the public, I offer service. I will strive to improve the law and our legal system, serving all equally, and to seek justice through the representation of my clients.

While we continue to support and focus on professionalism, our Company must also navigate the financial realities associated with claims. We were pleased in 2007 to see a reduction in the overall number of claims filed, yet the continuing trend towards their increasing severity represented an ongoing challenge. As always, our Claims and Risk Management Departments will intensify their efforts during 2008 towards a reduction in both the severity and frequency of claims against our insureds. Meanwhile, Bob Neal and his accounting staff monitor our financial progress, providing an indirect measure of professionalism in North Carolina. The members of our financial group strive to meet the same goals of professionalism in the work that they undertake. This spirit of dedication and teamwork made it possible for Lawyers Mutual to develop a new reinsurance program during 2007.

Our Underwriting Department in many cases provides the first point of contact with our Company for attorneys. The successful execution of this role is demonstrated by the nearly 8,000 attorneys whom we already insure, as well as by the growing number of new policyholders being assisted in the application process by our underwriters. Courtesy – a central element of professionalism – is a guiding principle that our head of Underwriting, Sharon Long, and her staff personally incorporate in serving all of our insureds.

The direct involvement of attorneys, and their dedication to professionalism, extends to our subsidiary Lawyers Insurance Agency. William Stroud, also an attorney and President of



Carl Younger (Left) and Henry Mitchell, Chairman of the Board of Directors.

the Agency, is dedicated to the efficient offering of a wide range of quality insurance products, and his efforts have led to the continuing success of the North Carolina Bar Association Health Benefit Trust. Mr. Stroud's focus on customer service is evident throughout the Agency and is a critical component of its continuing professional and financial success.

We are truly blessed through the wonderful, highly professional individuals associated with Lawyers Mutual, both within our organization and in the community of our policyholders. Our focus on providing a stable insurance resource reflects the vision and professionalism of our founders, who over thirty years ago created a company in which lawyers endeavor to help other lawyers. We remain proud of our directors, of our staff, and of our association with the scores of truly dedicated and professional attorneys across our State. Together they validate the mission of improving our profession as exemplified by the inspiration of the Chief Justice's Commission on Professionalism.

We thank you for your continued support, allowing us not only to serve you today but also to be here for you tomorrow. We can think of no greater expression of trust and professionalism.

Henry A. Mitchell, Jr.

T. Carlton Younger, Jr.

A handwritten signature in dark ink, appearing to read "H. A. Mitchell, Jr." with a stylized flourish at the end.

Chairman, Board of Directors

A handwritten signature in dark ink, appearing to read "T. Carlton Younger, Jr." with a stylized flourish at the end.

President, Lawyers Mutual



Financial Summary

“Professionalism goes beyond complying with the rules. It is aspirational. We are trying to encourage some traits we have found too loose to regulate by a set of rules.”

— Burley B. Mitchell

[from the Chief Justice’s Commission on Professionalism Historical Video Series]

The following information summarizes the financial position and operations of Lawyers Mutual Liability Insurance Company of North Carolina, for the five years ending December 31, 2007. The financial 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.

The values of professionalism demonstrated by the attorneys associated with Lawyers Mutual also extend to our financial operations. Careful planning and attention to detail characterize the approach that we take to managing the assets of our Company. Accordingly, A. M. Best continues to assign Lawyers Mutual its financial rating of “A: Excellent” with a stable outlook.

Over the 30 years that Lawyers Mutual has provided North Carolina attorneys with professional liability coverage, the dollar values of matters handled by our insureds have grown exponentially as many of our State’s most energetic business sectors have developed. These same factors have expanded the range of both opportunities and challenges to which our Company and our investment advisors must react. As always, we remain aware of the effects of regular business cycles upon the performance of our assets. The recent decline in real estate values nationally, for example, is indicative of the volatility that our attorneys, their clients, and our Company have faced in the past year.

During 2007, Lawyers Mutual reported total revenues of \$15.7 million including premium, investment gains, and other income. After implementing a modest premium rate increase in 2006, the Company held rates steady in 2007. Our investment portfolio continued to perform reasonably, although yields on bonds, the Company’s largest asset class, were lower than in past years. We prudently did not hold long-term assets directly backed by real estate, such as mortgage backed obligations or collateralized debt obligations. Lawyers Mutual experienced an Operating ratio (losses + expenses – investment income to premium earned) of 92% in 2007. The Operating ratio increased over 2006 but showed improvement over the 2004 and 2005 ratios. The year end surplus as regards policyholders grew a moderate 3.7% to \$46.5 million from the prior year-end balance. After taxes, the Company ended the year with a net income of \$1.65 million.

*To my clients, I offer
competence, faithfulness,
diligence, and good judgment.*

*I will represent you as I would want
to be represented and to be worthy of your trust.*

Comparative Financial Data

(In thousands)	2003	2004	2005	2006	2007
Investments.....	\$54,078	\$58,778	\$63,030	\$69,458	\$72,428
Other Assets	2,735	2,823	3,692	3,596	3,571
Total Assets	56,813	61,601	66,722	73,054	76,000
Reserve For Losses & LAE..	9,726	13,017	16,516	16,777	18,577
Unearned Premiums.....	5,857	6,307	6,533	6,867	7,481
Other Liabilities.....	2,327	2,258	2,192	4,581	3,442
Policyholders' Surplus.....	38,902	40,019	41,481	44,829	46,499
Total Liabilities and..... Policyholders' Surplus	\$56,813	\$61,601	\$66,722	\$73,054	\$76,000

(In thousands)	2003	2004	2005	2006	2007
Net Premiums Earned	\$10,692	\$10,536	\$11,387	\$11,915	\$12,382
Losses & LAE Incurred.....	(5,661)	(10,972)	(11,938)	(8,886)	(11,663)
Other Underwriting	(2,150)	(1,920)	(996)	(2081)	(2,367)
Expenses					
Net Investment Gain.....	2,475	3,127	2,606	2,686	3,132
Other Income	(18)	150	243	212	230
Policyholder Dividends.....	(369)	(821)	1	(749)	14
Income Tax Expense.....	(1,185)	205	(151)	(636)	(75)
Net Income.....	\$3,784	\$305	\$1,152	\$2,461	\$1,653

A copy of the Company's annual financial statements is available upon written request.

Professionalism plays a role in nearly every enterprise. The importance of professional conduct in the practice of law, however, is paramount because the judiciary serves as a critical pillar of our country's democratic government. The effectiveness of our legal system provides American society with a guarantee of fairness for individuals, and for this very reason professionalism in law is vital not only to the practitioners themselves, but also to our entire way of life.

A career in law has traditionally encompassed both personal dignity and public service. While conflict always plays a role in any formal debate, our profession has striven to emphasize the importance of civility and mutual respect as essential components of a strong legal system. Attorneys today must rapidly adapt to changes in society and business, yet factors such as expanding case loads and increasing specialization have led some to lose sight of the basic tenets of professionalism in the practice of law. The enduring strength of our core ideals, however, have ensured that professionalism has remained an active focus of the legal community.

In North Carolina, the promotion of ethical behavior is perhaps best exemplified by the establishment in 1998 of the Chief Justice's Commission on Professionalism. The Honorable Burley B. Mitchell, Jr., who served as Chief Justice from 1995-1999, realized that the creation of this Commission would be instrumental in encouraging the highest standards of conduct in law. The goal of the Commission has been to highlight examples of professionalism in our community, serving not only to safeguard the reputation of our profession but also to guarantee the very survival of our democratic system.



Sarah Parker, Chief Justice of the North Carolina Supreme Court with Mel Wright, Executive Director of the Chief Justice's Commission on Professionalism



Claims

Every experienced attorney is aware of the connection between professionalism and success. But in the rapidly evolving business climate that has come to characterize our State, even meeting the highest professional standards cannot ultimately guarantee that no claim will ever occur. This reality means that at Lawyers Mutual, our Claims Department must also continually evolve in order to stand behind our insureds when the unexpected happens.

In Claims, we remain vigilant and proactive in assessing the trends in business and law which have the potential to impact our policyholders. We have seen significant growth in North Carolina over the past few years in a wide range of industries such as commercial real estate and health care. Furthermore, matters involving personal injury, class actions/mass torts, estate planning and domestic/family law have become increasingly more complex and pervasive. In order to best serve our insureds in these and other areas where claims – particularly very large ones – are becoming more common, our department has maintained a proven, integrated strategy:

- The knowledge and resourcefulness of the staff is enhanced by close coordination with our policyholders in resolving disputes, particularly in cases where there is early notification of potential claims. We regularly assist our insureds in avoiding claims altogether by providing timely advice when they contact us for help with potential problems.
- The seven in-house attorneys have 163 years of combined experience practicing as attorneys and 75 years of combined service to Lawyers Mutual. If a claim involves an area outside our many fields of expertise, we immediately obtain counsel and other forms of support from experts in that field.
- Through fast and efficient action, the claims repair program has benefited hundreds of attorneys who reported problems. The early reporting of potential cases by insureds enables us to engage in claims repair more quickly, thereby reducing the burden on our policyholders and contributing to our overall success in claims resolution.

Our Claims Department at Lawyers Mutual continues to enjoy a 90% rate of success in obtaining favorable resolutions in cases selected for claims repair. Close cooperation with our insureds has remained and always will remain an extremely effective strategy in these situations. In order to maintain this level of success, we regularly encourage our policyholders to be aware of the situations where malpractice claims most commonly occur, including:

“Too often we are told that law is a form of business . . . winning trumps civility, integrity, even honesty . . . To the contrary: Law can and ought to be practiced with integrity and civility, with justice as its lodestar.”

– Judge H. Brent McKnight

To the opposing parties and their counsel, I offer

*fairness, integrity,
and civility.*

*I will seek reconciliation and, if we fail to achieve it,
I will make our dispute a dignified one.*

- Clients who have unreasonable expectations
- Clients who want fee reductions via the unbundling of services (such as reduced services provided by attorneys who may allow clients to handle certain activities themselves)
- The acceptance of out-of-state cases that may have shorter statutes of limitation or where attorneys cannot obtain proper service or jurisdiction
- The failure to honor liens by medical and other providers on settlement funds from personal injury claims
- Entry into unfamiliar areas of practice without seeking the prior advice of attorneys who have specific experience in that field
- Filing suit against a former client to collect a fee (in all cases requiring retainer fees to be replenished before they are exhausted)
- Serving as local counsel in litigation managed by out-of-state attorneys who fail to appreciate litigation deadlines or who fail to respond to warnings about deadlines
- Failing to maintain a docket control system to manage deadlines or failing to properly respond to those deadline warnings
- Neglecting to rigorously supervise independent paralegals in real estate transactions, especially in matters involving trust accounts, and
- Failing to require independent paralegals to show proof of liability insurance coverage



Judge Gerald Arnold, Senior Vice President

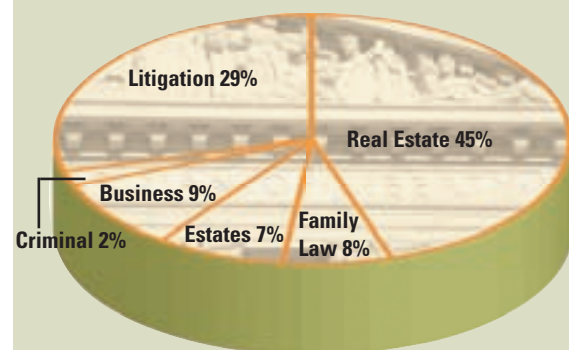
Encouraging this degree of awareness on the part of our insureds is more than just a proven strategy for avoiding risk. It is also representative of the level of professionalism that Lawyers Mutual proudly demonstrates. Whether we are working to prevent claims or addressing them efficiently when they do occur, our experienced team and the effectiveness of our close cooperation with policyholders are our finest assets.

Judges play a vital role in the execution of our democracy, serving as the embodiment of fairness in deciding the disputes that invariably arise among private citizens, corporations and our government. Indeed, the very survival of a robust civic society rests heavily upon the trust that we place in judges to oversee with impartiality the application of justice in matters of civil and criminal law. As much as our legal system holds its judges in the highest esteem as the chief arbiters of justice, the members of the legal community also look to judges as leaders who exemplify the characteristics of professionalism.

Recognizing the importance of their role in promoting professionalism, North Carolina's judges have been particularly active in initiating and supporting programs to encourage civility and professional behavior at all levels within the system. For example, the annual conference of judges includes a CLE program covering professionalism issues in the courtroom. Additionally, judges undergo an orientation program at the Institute of Government before taking office in order to be prepared for their responsibility as the interpreters of the rule of law.

Judges

LML Claims 2007 by Area of Practice



Statutory Statements

of Admitted Assets, Liabilities and Policyholders' Surplus

As of December 31st

ADMITTED ASSETS	2007	2006
Cash and investments:		
Bonds, at amortized cost (market 2007:\$40,883,007; 2006:\$39,305,789)	\$40,910,413	\$39,710,944
Common stocks, at market (cost 2007:\$21,548,916; 2006:\$20,455,141)	27,690,300	26,574,320
Cash and short-term investments	3,614,533	2,975,461
Other invested assets	204,034	197,287
Receivable for securities.....	9,120	
Cash and investments.....	72,428,420	69,458,012
Interest and dividend income due and accrued	628,429	652,539
Premiums in course of collection	1,714,070	1,639,226
Reinsurance recoverables on claim payments	34,829	405
Other amounts receivable under reinsurance contracts.....	444,175	56,484
Current Net Federal income tax recoverable	248,176	988,124
Electronic data processing equipment and software, net of accumulated depreciation (2007: \$212,212; 2006: \$186,457)	25,437	49,281
Receivable from subsidiary.....	476,200	209,950
TOTAL ADMITTED ASSETS	\$75,999,736	\$73,054,021

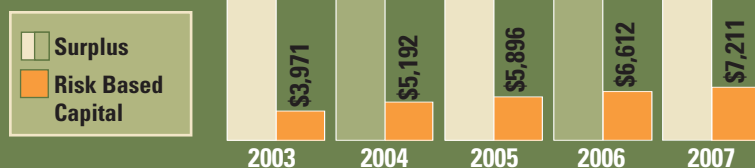
LIABILITIES AND POLICYHOLDERS' SURPLUS	2007	2006
LIABILITIES:		
Unpaid losses.....	\$11,679,976	\$10,415,956
Unpaid loss adjustment expenses.....	6,897,278	6,361,020
Taxes, licenses, fees and other expenses payable	459,313	384,100
Net deferred tax liability	702,000	711,000
Unearned premiums	7,481,100	6,866,744
Advance premiums	821,691	812,153
Policyholder dividends declared and unpaid	42,190	749,000
Ceded reinsurance premiums payable, net of ceding commissions	658,389	679,843
Provision for reinsurance	342,962	258,855
Payable for securities	337,484	907,271
Unearned installment charges	78,156	79,407
Total liabilities.....	29,500,539	28,225,349
POLICYHOLDERS' SURPLUS:		
Total Policyholders' Surplus	46,499,197	44,828,672
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$75,999,736	\$73,054,021

Statutory Statements

of Income

Years Ending December 31st		
UNDERWRITING INCOME:	2007	2006
Premiums earned	\$12,381,833	\$11,914,937
DEDUCTIONS:		
Losses incurred	5,605,401	3,320,944
Loss adjustment expenses incurred	6,058,012	5,565,025
Other underwriting expenses incurred	2,367,287	2,080,737
	14,030,700	10,966,706
Net underwriting gain/ (loss)	(1,648,867)	948,231
INVESTMENT INCOME:		
Net investment income earned	2,545,918	2,378,837
Realized capital gains - net of tax	586,459	307,198
Net investment gain	3,132,377	2,686,035
OTHER INCOME / (EXPENSE):		
Loss from balances charged off.....	(7,291)	(13,022)
Finance and service charges not included in premiums.....	236,274	223,482
Other income.....	1,129	1,065
Net other income	230,112	211,525
Income before dividends to policyholders and federal income taxes	1,713,622	3,845,791
Dividends to policyholders	(14,136)	749,000
Income before federal income taxes incurred.....	1,727,758	3,096,791
Federal income taxes incurred	75,000	636,000
NET INCOME	\$1,652,758	\$2,460,791

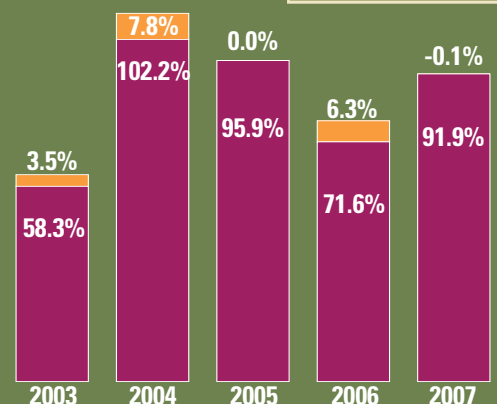
Surplus Levels



Operating Ratios

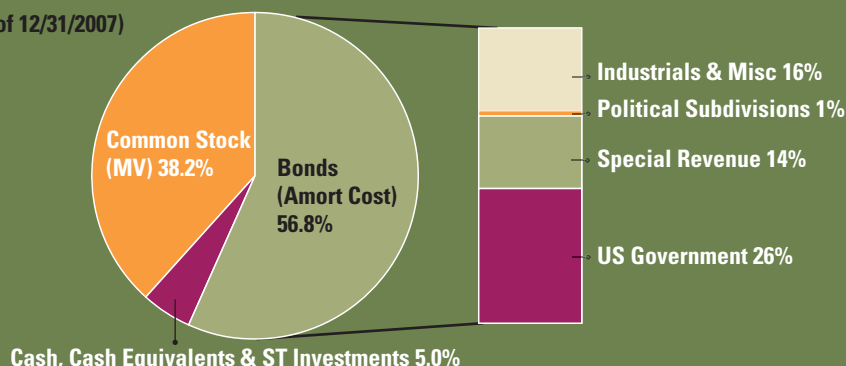
(claims ratios + expense ratios - net investment income ratios)

Operating Ratio b4 Dividends
Policyholder Dividends as % of NEP



Investments by Class

(as of 12/31/2007)



“[There is] a very high level of trust between lawyers . . . you go to the courtroom and contest a case strongly, but without rancor or dislike and without spoiling a friendship . . . So long as the lawyers [are] not uncivil, that [makes] a great deal of difference.”

—James K. Dorsett

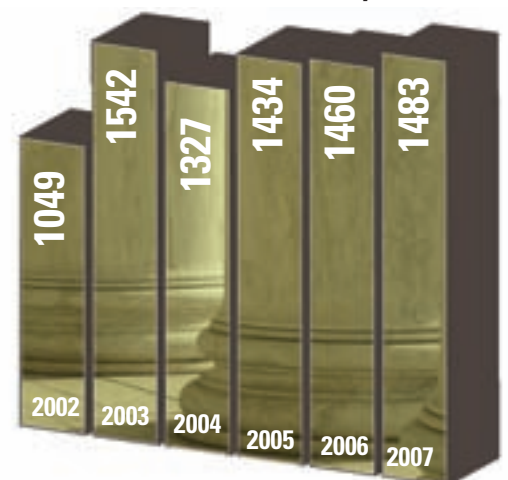
Risk Management


Professionalism in the practice of law has always guided Lawyers Mutual's approach to risk management. The principles of courtesy, preparedness and sound ethical judgment serve to define more than a successful attorney's approach to his or her work. These principles, when exercised with conviction, also serve to avoid the setbacks which can result from unexpected claims.

At Lawyers Mutual, education remains a powerful tool for the protection of our insureds. In 2007, the Risk Management Department carried on its tradition of providing a broad range of CLE programs and other vital resources to our policyholders and to North Carolina's legal community. Our ongoing "Practical Risk Management" for law firms seminar series attracted a total of 1,542 attendees to nine programs across the State, and we hosted 703 attendees at our five "Practical Risk Management for Paralegals" seminars. Our Company also continued to provide presentations, exhibitions and personal visits to Law Schools, attorneys' gatherings and other venues. In 2007 our staff conducted 39 such events, while meeting our insureds' requests throughout the year for 56 DVD rentals and 192 risk management publications.

On the marketing end, the Risk Management Department coordinated the placement of over 60 advertisements for the Company in an assortment of legal journals and published several issues of *LML Today*. We also enhanced our growing partnership base with other legal entities such as Investors Title Insurance Company, Chicago Title Insurance Company, and of course the North Carolina State Bar. This type of constructive industry-wide engagement exemplifies our dedication to professionalism in the legal community, continuing a rich tradition in North Carolina of which Lawyers Mutual is proud to be a part.

Risk Management Seminars
by attendance





*To the courts, and other tribunals,
and to those who assist them, I offer
**respect, truthfulness,
and courtesy.**
I will strive to bring **honor**
to the search for justice.*

Practicing attorneys are the backbone of our State's – and our democracy's – legal system. From the earliest days of our republic, lawyers have played a guiding role in building the society in which we live by advocating for the rule of law on behalf of citizens, businesses and public entities. Respect for the legal profession has recognized this long history of service, and this respect is framed by the ideals of professionalism which have governed the execution of the lawyer's trade. Lawyers Mutual is proud to represent a body of individuals whose commitment to upholding high standards of professionalism in practice both inspires and shapes the communities in which we live.

North Carolina's judiciary has undertaken a range of initiatives designed to safeguard the goal of maintaining a high degree of professionalism among our State's attorneys. North Carolina was the first to implement the policy of Secured Leave, providing an opportunity for lawyers to take a guaranteed respite from the demands of court appearances. A number of programs about professionalism sponsored by local bar associations encourage lawyers to socialize and network outside of the courtroom. These programs serve to diffuse confrontation and enhance mutual respect and civility within the profession. An effort to re-invigorate the tradition of mentoring provides an opportunity for newly admitted members of the Bar to experience the traditions of professionalism from a generation of lawyers who practiced during an earlier era.

Lawyers



“I have this abiding faith in people, that while they will do wrong, that if they hear it is better to do right, they will eventually do what is right.”
— Julius Chambers


Underwriting

A potential insured’s first impression of Lawyers Mutual usually occurs upon contact with our Underwriting Department. This moment thus represents the initial opportunity for our Company to demonstrate our highly professional standard of service. We believe that the courtesy, resourcefulness, and effective guidance that we employ in providing information and other assistance to applicants should indicate the type of experience that our policyholders will continue to enjoy throughout their association with Lawyers Mutual. Nearly 8,000 attorneys from every corner of our State have learned that their first impression of our Company is an accurate one.

Providing the best service that our industry can offer means that we must strive continually for improvement. In today’s world of increasingly rapid electronic communications, we are devoting particular attention to our internet-based services. Applications may now be completed on-line, and to ensure the effectiveness of our operations we are preparing for the installation of a new computer system in 2008. All of these efforts are part of our Company’s mission to provide the highest quality, highest value and most highly professional range of insurance services possible. In Underwriting, our goal is to ensure that the realization of this mission is evident from the very start.

Attorneys Insured 2001-2007

2007	7975
2006	7989
2005	7875
2004	7806
2003	7542
2002	7302
2001	7074



*To the profession, I offer **assistance.**
I will strive to keep our profession a **high calling**
in the spirit of **pro bono**
and **public service.***

Recognizing the promise of enduring success that is achieved when good practices are developed early, our State's law schools have played an increasingly proactive role by instilling the principles of professionalism within the future attorneys passing through their doors. North Carolina's superb law schools have reached beyond their core educational responsibilities, which traditionally focus on the teaching of legal theory and of the technical skills that are immediately useful in day-to-day legal practice. Our law schools have also embraced their role as teachers of character, providing young lawyers with an ethical compass and a historical grounding that emphasize the positive traditions of the profession.

These traditions include codes of conduct based on respect for opposing counsel, fairness in the management of legal documentation and the realistic setting of one's professional goals. Our State's law schools recognize that an education grounded in the principles of professionalism will provide a graduate with the best chance for a prestigious career. They have developed a range of programs focused on professionalism, which incorporate both in-class instruction and practical, extracurricular activities. A testament to the success of these efforts is the widespread recognition of three North Carolina law schools with the ABA Center for Professional Responsibility E. Smythe Gambrell Award.

Law Students

Board of Directors



HENRY MITCHELL, JR.
Chairman
Elected 1977.
Raleigh, NC
Insurance Law, Corporate Law, Insurance Regulation, Administrative Law



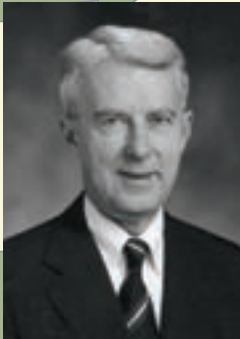
DORIS R. BRAY
Elected 1983.
Corporate Practice, Securities Regulation Law, Mergers and Acquisitions Law, Corporate Governance, Venture Capital



SHARON PARKER
Elected 1999.
Medical Malpractice Defense, Health Law, Municipal and Education Law

Winston-Salem

Marion
Asheville

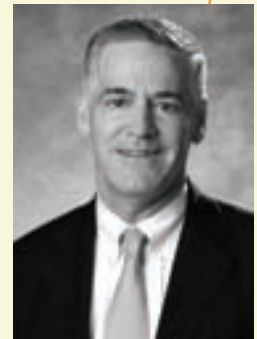


JOHN S. STEVENS
Elected 1981.
Business Law, Corporate Law, Estate Planning



GLEN B. HARDYMON
Elected 1977.
Commercial Real Estate Development, Commercial Real Estate Investment, Public Private Venture

Charlotte



GRAY WILSON
Elected 2006.
Complex Civil Litigation, Professional Liability Defense, Commercial Litigation

Management and Staff:

EXECUTIVE:

Carl Younger	President
Tracey Hedrick	Executive Assistant

ADMINISTRATION:

Darlene Harden	Office Administrator
Joan Stanton	Receptionist

CLAIMS:

Judge Gerald Arnold	Senior Vice President
John Hester	Vice President/Corporate Secretary
Wayne Stephenson	Claims Counsel
Will Graebe	Claims Counsel

Mark Scruggs
Renee Riggsbee
Warren Savage
Connie Crumpler

Joyce Green
Sharon Frost

RISK MANAGEMENT:

Louise Paglen
Diane Boyette
Samantha Cruff
Sharon Sparrow

Claims Counsel
Claims Counsel
Claims Counsel
Assistant Corporate Secretary/
Claims Administrator
Administrative Assistant
Administrative Assistant

Vice President
Administrator
Administrative Assistant
Paralegal



JUNE BASDEN

Elected 2007.
Banking & Finance, Bankruptcy &
Insolvency, Commercial Lending,
Secured Loan Transactions &
Factoring, Commercial Real Estate,
Real Estate Finance

Greensboro



ERIC C. MICHAUX

Elected 1991.
General Practice, Litigation,
Personal Injury

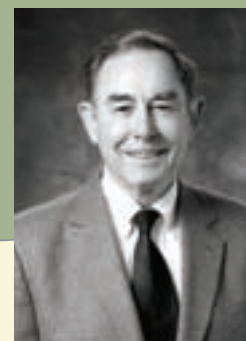
Durham



JIM MAXWELL

Elected 2006.
Professional Responsibility,
Personal Injury and
Wrongful Death, Complex
Civil Litigation

Elizabeth City



L.P. HORNTAL, JR.

Elected 1988.
Civil Litigation, Employment
Litigation, Business Litigation,
Commercial Litigation,
Education, Personal Injury

High Point



KEN MCALLISTER

Elected 2003.
General Litigation; Business
Law; Corporate Law and
White Collar Criminal Law

Fayetteville



O. RICHARD WRIGHT

Elected 1991.
Real Estate, Wills and Estates,
Social Security Disability

Tabor City



JOHN E. RAPER, JR.

Elected 1988.
Business Litigation, Corporate,
Tax, Trusts and Estates

FINANCE AND INFORMATION SYSTEMS:

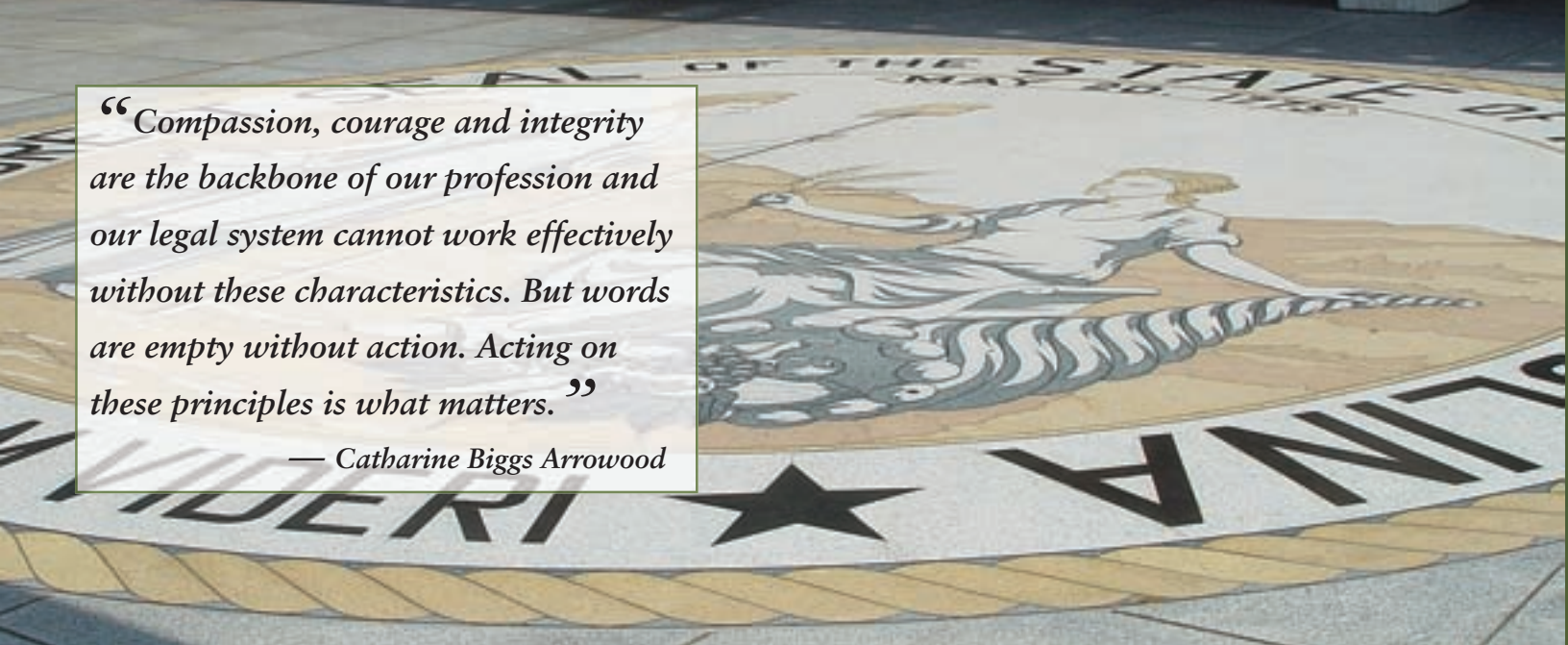
Robert Neal	Vice President & Treasurer
Kevin Howard	Senior Accountant
Brendar Jordan	Accountant
Linh Schladweiler	Network Administrator

UNDERWRITING:

Sharon Long	Vice President
Jean Williams	Senior Underwriter
Caroline Young	Junior Underwriter

LAWYERS INSURANCE AGENCY:

William R. Stroud, Jr.	President & Treasurer
Mardy Bell	Vice President Marketing
Tacker LeCarpentier	Director, Lawyers Structured Settlements
Ken Hudson	Sales Representative
Delores Hunter	Health Sales Representative
Pat Murphy	Customer Service Assistant
Erin Orr	Accountant
Heather Slinkard	Customer Service Representative



“Compassion, courage and integrity are the backbone of our profession and our legal system cannot work effectively without these characteristics. But words are empty without action. Acting on these principles is what matters.”

— Catharine Biggs Arrowood

Lawyers Insurance Agency

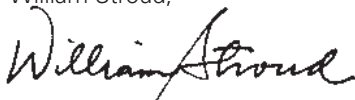
In 2007, Lawyers Insurance Agency continued to serve NC lawyers through the very successful NC Bar Association Health Benefit Trust (the “Trust”). The Trust maintained strong growth, with total membership including lawyers, families and staff now at over 8,200. At the Trust’s renewal in October, a 0% overall rate change was

implemented. Adjustments were made among various ‘age bands’ which caused some rates to go up and some to go down, but it represented the lowest rate increase in a decade. The Trust continues to build surplus, which is important as it continues to grow, with the result that the Trust is very strong financially.

Sales of other products at Lawyers Insurance Agency also continued to grow in 2007. Ken Hudson focused primarily on Personal Home & Auto, Medicare Supplement and Disability, growing premium volume by double digits over all his product lines. Tacker LeCarpentier placed over \$5.4 million in structured settlement annuity production. Delores Hunter served in both a sales and service capacity with the Trust health plan, and Mardy Bell, in addition to bringing many large firms into the Trust’s health plan, continued to oversee the Agency’s bond program, which also grew by double digits in 2007.

The result of these efforts was another successful year for the Agency financially. Net profit was \$539,000, and a \$450,000 dividend was paid to Lawyers Mutual in December of 2007. Lawyers Insurance Agency will continue to strive for success by providing the products and services important to North Carolina lawyers.

William Stroud,



President, Lawyers Insurance Agency

Financial Highlights

Revenue	\$2,191,343
Expenses	(1,309,532)
State & Federal Taxes	(342,600)
Net Income	\$539,211

*To the public, I offer **service**.
I will strive to improve the law and our legal system, serving all
equally, and to **seek justice**
through the representation of my clients.*

Chief Justice's Professionalism Award:

In an era when lawyers' dedication to the public good is too-often questioned, the North Carolina Chief Justice's Professionalism Award has been created to summon to the spotlight individuals whose career commitments in areas such as legal ethics, disciplinary enforcements and lawyer professionalism demonstrate the high calling and higher achievement of lawyers in modern society.

2007	Elizabeth L. Quick	2004	Hon. Robinson O. Everett	2002	Senator Robert B. Morgan
2006	Julius L. Chambers	2003	Joseph W. Grier, Jr	2001	William F. Womble
2005	Hon. David M. Britt				

Wake County Bar Association Joseph Branch Professionalism Award

Presented to a member of the Wake County Bar Association whose ethics, integrity, and service to clients, the community and the Bar mirror the high standards set by the late Joseph Branch, former Chief Justice of the N.C. Supreme Court.

2006	Carlyn G. Poole	2000	John B. McMillan	1994	Charles F. Blanchard
2005	Roger W. Smith, Sr.	1999	Daniel T. Blue, Jr.	1993	Judge Robert L. Farmer
2004	E. D. Gaskins, Jr.	1998	Wade M. Smith	1992	William Joslin
2003	Ann Reed	1997	Charles H. Young	1991	Robert L. McMillan
2002	John M. Silverstein	1996	Wright T. Dixon, Jr.		
2001	J. Ruffin Bailey	1995	James K. Dorsett, Jr.		

Mecklenburg Bar Foundation Ayscue Professionalism Award

Presented each year to a present or former member of the Mecklenburg County Bar to recognize exemplary professionalism; outstanding service through or on behalf of the Mecklenburg County Bar or the Mecklenburg Bar Foundation for the benefit of the legal community or the community at large. Substantial and significant service to the community, to the Bar or to the justice system, whether on the basis of lifetime contributions or a specific project. Embodiment of the traits to which all attorneys should aspire: high ethical standards, model conduct, unquestioned integrity and consistent competence.

2007	Russell Robinson, II	2006	Julius Chambers	2005	E. Osborne Ayscue Jr.
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Campbell University's Norman Adrian Wiggins School of Law Professionalism Award

Recognizes exemplary contributions to the legal profession and the Norman Adrian Wiggins School of Law

2007	Beverly Lake, Jr.	2005	Hon. Jane P. Gray	2003	F. Leary Davis
2006	Colin Willoughby	2004	Hon. Sidney S. Eagles, Jr.		

North Carolina Bar Association H. Brent McKnight Renaissance Lawyer Award

Recognizes lawyers of integrity, with enthusiasm for intellectual achievement, committed to civility, who pursue excellence and service, and who are exemplary and inspiring. It marks a celebration of all that is good and noble about the legal profession, and is a shining moment for all lawyers in North Carolina.

2007	Ozzie Ayscue	2006	Peter S. Gilchrist III
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North Carolina Association of Defense Attorneys Award for Professional Excellence

The recipient exemplifies the highest standards of professionalism, integrity, and ethics, and conduct herself, or himself, in a civil, courteous manner with all persons. Exemplifies sustained, excellent service to individual and corporate defendants in civil litigation, to the Bar, and to the community.

2006	J. Donald Cowan, Jr.	2005	James D. Blount, Jr. Stephen P. Millikin	2004	Richard T. Boyette
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Duke Law School Charles S. Rhyne Award

The Charles S. Rhyne Award honors alumni who exemplify the highest standards of professional ability and personal integrity through a career in the law, often combined with business.

2006	James Maxwell
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ABA Gambrell Professionalism Award

The annual E. Smythe Gambrell Professionalism Awards recognize projects contributing to the understanding of professionalism among lawyers. The awards are presented annually by the ABA Standing Committee on Professionalism in the amount of \$3,500 each. Law schools, bar associations, law firms and other law-related organizations are eligible for the awards.

2007	Tenth Judicial District/Wake County Bar Association's Professionalism Committee
2005	Duke University School of Law's Blueprint for Lawyer Education and Development
2004	Wake Forest University School of Law's Professionalism Program
2003	Campbell University School of Law's First-Year Professionalism Development Series: Talking with Lawyers About Professionalism

“The legal system provides a civilized mechanism for resolving disputes, but only if the lawyers themselves behave with dignity. A lawyer’s word to another lawyer should be the lawyer’s bond. As professional colleagues, lawyers should encourage and counsel new lawyers by providing advice and mentoring; foster civility among members of the bar by acceding to reasonable requests that do not prejudice the interests of the client; and counsel and assist peers who fail to fulfill their professional duties because of substance abuse, depression, or other personal difficulties.”

From the Preamble to the North Carolina Rules of Professional Conduct

