

NCBA Winter Board of Governors Meeting

NC Bar Center | 8000 Weston Parkway

January 19, 2023

We at Lawyers Mutual wish everyone a “Happy New Year” and hope that 2023 brings us all peace, health, and a continuing return to a more “normal” state of affairs.

Year-end financials have not yet been finalized but we anticipate meeting our criteria for declaration and payment of a dividend, despite a difficult investment environment. As a result, subject to meeting the criteria, the Board of Directors is pleased to report that Lawyers Mutual has declared a policyholder dividend of up to 5.3% of final policyholder premiums (approximately \$1 million). The 5.3% dividend is based on achieving a 98% post-dividend Combined Ratio ((Underwriting Expenses + Policyholder Dividend / Net Written Premiums) + (Loss and Loss Adjustment Expenses Incurred / Net Earned Premiums)), as well as several other financial metrics. Should the post-dividend Combined Ratio exceed 98%, the policyholder dividend will be reduced so that the post-dividend Combined Ratio is less than 98%. This dividend will bring the total dividends declared and paid since 2011 to nearly \$12.3 million.

As a mutual insurance company, one of our primary goals is to return as much capital to policyholders in the form of policyholder dividends as is financially prudent. That is one major advantage mutual insurers offer over stock insurers.

As far as claims, Plaintiff’s Litigation practice (which includes personal injury, medical malpractice, and workers’ compensation) was the leading area of practice in 2022. We had 50 claims reported in this area with an average severity of over \$56,000. (Residential Real Estate practice has historically been the leading area, followed by Plaintiff’s Litigation.) Rounding out the top four areas of practice were: (1) Residential Real Estate practices with 32 claims reported at an average severity of just over \$25,000; (2) Estates and Trusts practices, with 19 claims reported at an average severity of over \$42,00,000; and (3) Family Law, with 16 claims reported at an average severity of over \$59,000. We anticipate that we will continue to experience high numbers of claims in these areas of practice for the foreseeable future. Note that our claims experience is highly correlated with economic trends, particularly those in Real Estate and other transactional practice areas. As such, we anticipate an increase in real estate related claims, especially if we continue to move toward a recession that results in a further decline in home values and an increase in unemployment.

We have been working on improvements to our policyholder portal and website and anticipate “going live” early in 2023. We will also continue to look for additional opportunities that bring meaningful value to our policyholders.

We share many similar challenges to those of the NCBA in addition to a difficult economic environment, such as differentiating ourselves and adding real perceived value to our respective insureds/members amidst a competitive landscape. We are always happy to discuss ways in which we may be able to work together for the benefit of our members and insureds.

We thank you for the opportunity to report on Lawyers Mutual. Should you have any questions, please contact either Sharon Parker, Board Chair (sp@sharonlparker.com or (828)652-2441), or Dan Zureich, President (dzureich@lawyersmutualinc.com or (919)677-8900).