

2019 Financial Statements

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Dean Dorton Allen Ford, PLLC, performed an independent audit of the company's 2019 financial statements. A complete copy of the audited statements with all explanatory notes and the Report of Independent Auditors is available upon request.

LAWYERS MUTUAL INSURANCE COMPANY OF KENTUCKY

Statements of Admitted Assets, Liabilities and Policyholders' Surplus - Statutory Basis

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Admitted Assets		
Cash and invested assets:		
Bonds	\$ 19,693,657	\$ 19,053,591
Common stocks	2,233,590	1,762,160
Cash, cash equivalents and short-term investments	<u>1,332,569</u>	<u>1,947,228</u>
Total cash and invested assets	23,259,816	22,762,979
Accrued investment income	176,246	177,741
Uncollected premiums	1,230,795	1,328,375
Reinsurance balances receivable	125,736	15,484
Deferred income tax asset	107,180	190,327
Federal income tax recoverable	<u>13,876</u>	<u>-</u>
Total admitted assets	<u>\$ 24,913,649</u>	<u>\$ 24,474,906</u>
Liabilities and Policyholders' Surplus		
Reserves:		
Losses	\$ 4,399,761	\$ 3,407,061
Loss adjustment expenses	4,124,474	5,058,680
Unearned premiums	2,497,386	2,671,301
Advance premiums	<u>424,056</u>	<u>398,929</u>
Total reserves	11,445,677	11,535,971
Reinsurance balances payable	1,160,885	1,272,865
Accrued expenses and other liabilities	240,801	256,638
Federal income taxes payable	<u>-</u>	<u>15,465</u>
Total liabilities	12,847,363	13,080,939
Policyholders' surplus:		
Paid-in surplus	4,273,685	4,280,210
Unassigned surplus	<u>7,792,601</u>	<u>7,113,757</u>
Total policyholders' surplus	<u>12,066,286</u>	<u>11,393,967</u>
Total liabilities and policyholders' surplus	<u>\$ 24,913,649</u>	<u>\$ 24,474,906</u>

LAWYERS MUTUAL INSURANCE COMPANY OF KENTUCKY

Statements of Income - Statutory Basis

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Premiums earned	\$ 4,243,277	\$ 4,286,773
Losses and loss adjustment expenses incurred	(3,364,790)	(3,392,222)
Other net underwriting expenses incurred:		
General expenses	(1,239,130)	(1,242,924)
Net commissions from reinsurers	<u>82,397</u>	<u>83,809</u>
Total other net underwriting expenses incurred	<u>(1,156,733)</u>	<u>(1,159,115)</u>
Underwriting loss	(278,246)	(264,564)
Investment gain:		
Investment income earned, net	606,488	588,296
Other income	<u>75,017</u>	<u>76,266</u>
Income before federal income taxes	403,259	399,998
Federal income tax expense	<u>(51,624)</u>	<u>(65,465)</u>
Net income	<u>\$ 351,635</u>	<u>\$ 334,533</u>

LAWYERS MUTUAL INSURANCE COMPANY OF KENTUCKY

Statements of Changes in Policyholders' Surplus - Statutory Basis

Years ended December 31, 2019 and 2018

	Paid-in Surplus	Unassigned Surplus	Total Policyholders' Surplus
Balance, December 31, 2017	\$ 4,284,035	\$ 6,788,993	\$ 11,073,028
Net income for the year ended December 31, 2018	-	334,533	334,533
Change in surplus subscriptions	(3,825)	-	(3,825)
Change in net unrealized capital gains/losses	-	(24,187)	(24,187)
Change in net deferred tax asset	-	20,101	20,101
Change in non-admitted assets	-	(5,683)	(5,683)
Balance, December 31, 2018	4,280,210	7,113,757	11,393,967
Net income for the year ended December 31, 2019	-	351,635	351,635
Change in surplus subscriptions	(6,525)	-	(6,525)
Change in net unrealized capital gains/losses	-	393,092	393,092
Change in net deferred tax asset	-	(83,147)	(83,147)
Change in non-admitted assets	-	17,264	17,264
Balance, December 31, 2019	<u>\$ 4,273,685</u>	<u>\$ 7,792,601</u>	<u>\$ 12,066,286</u>

LAWYERS MUTUAL INSURANCE COMPANY OF KENTUCKY

Statements of Cash Flows - Statutory Basis

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Premiums collected, net of reinsurance	\$ 4,080,087	\$ 5,132,874
Net investment income	677,857	666,702
Miscellaneous income	75,017	76,266
Losses and loss adjustment expenses, net of reinsurance	(3,416,547)	(2,868,141)
Underwriting expenses	(1,167,970)	(1,158,266)
Federal income taxes paid	<u>(80,965)</u>	<u>(141,414)</u>
Net cash provided by operations	167,479	1,708,021
Cash flows from investment activities:		
Proceeds from investments sold, matured or repaid:		
Bonds	1,569,135	1,969,731
Other invested assets	<u>233,177</u>	<u>-</u>
Total investment proceeds	1,802,312	1,969,731
Cost of investments acquired:		
Bonds	(2,279,075)	(2,136,156)
Common stocks	<u>(311,515)</u>	<u>(108,079)</u>
Total investments acquired	<u>(2,590,590)</u>	<u>(2,244,235)</u>
Net cash used in investment activities	(788,278)	(274,504)
Cash flows from financing and miscellaneous activities:		
Change in surplus subscriptions	(6,525)	(3,825)
Other cash received	<u>12,665</u>	<u>12,205</u>
Net cash provided by financing activities	<u>6,140</u>	<u>8,380</u>
Net (decrease) increase in cash, cash equivalents and short-term investments	(614,659)	1,441,897
Cash, cash equivalents and short-term investments, beginning of year	<u>1,947,228</u>	<u>505,331</u>
Cash, cash equivalents and short-term investments, end of year	<u>\$ 1,332,569</u>	<u>\$ 1,947,228</u>