

2020 Financial Statements

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Dean Dorton Allen Ford, PLLC, performed an independent audit of the company's 2020 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Admitted Assets		
Cash and invested assets:		
Bonds	\$ 19,700,743	\$ 19,693,657
Common stocks	2,077,105	2,233,590
Cash, cash equivalents and short-term investments	<u>862,376</u>	<u>1,332,569</u>
Total cash and invested assets	22,640,224	23,259,816
Accrued investment income	168,131	176,246
Uncollected premiums	1,281,589	1,230,795
Reinsurance balances receivable	432,335	125,736
Net deferred income tax assets	149,764	107,180
Federal income tax recoverable	<u>-</u>	<u>13,876</u>
Total admitted assets	<u>\$ 24,672,043</u>	<u>\$ 24,913,649</u>
Liabilities and Policyholders' Surplus		
Reserves:		
Losses	\$ 3,651,231	\$ 4,399,761
Loss adjustment expenses	3,888,090	4,124,474
Unearned premiums	2,513,103	2,497,386
Advance premiums	<u>397,220</u>	<u>424,056</u>
Total reserves	10,449,644	11,445,677
Reinsurance balances payable	420,428	1,160,885
Accrued expenses and other liabilities	244,169	240,801
Federal income taxes payable	151,051	-
Securities payable	<u>192,735</u>	<u>-</u>
Total liabilities	11,458,027	12,847,363
Policyholders' surplus:		
Paid-in surplus	4,268,360	4,273,685
Unassigned surplus	<u>8,945,656</u>	<u>7,792,601</u>
Total policyholders' surplus	<u>13,214,016</u>	<u>12,066,286</u>
Total liabilities and policyholders' surplus	<u>\$ 24,672,043</u>	<u>\$ 24,913,649</u>

LAWYERS MUTUAL INSURANCE COMPANY OF KENTUCKY

Statements of Income - Statutory Basis

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Premiums earned	\$ 4,682,306	\$ 4,243,277
Losses and loss adjustment expenses incurred	(2,900,398)	(3,364,790)
Other net underwriting expenses incurred:		
General expenses	(1,080,737)	(1,239,130)
Net commissions from reinsurers	<u>88,393</u>	<u>82,397</u>
Total other net underwriting expenses incurred	<u>(992,344)</u>	<u>(1,156,733)</u>
Underwriting income (loss)	789,564	(278,246)
Investment gain:		
Investment income earned, net	597,475	606,488
Other income	<u>216,681</u>	<u>75,017</u>
Income before federal income tax expense	1,603,720	403,259
Federal income tax expense	<u>(263,997)</u>	<u>(51,624)</u>
Net income	<u>\$ 1,339,723</u>	<u>\$ 351,635</u>

LAWYERS MUTUAL INSURANCE COMPANY OF KENTUCKY

Statements of Changes in Policyholders' Surplus - Statutory Basis

Years ended December 31, 2020 and 2019

	Paid-in Surplus	Unassigned Surplus	Total Policyholders' Surplus
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 assets	-	(83,147)	(83,147)
Change in non-admitted assets	-	17,264	17,264
Balance, December 31, 2019	4,273,685	7,792,601	12,066,286
Net income for the year ended December 31, 2020	-	1,339,723	1,339,723
Change in surplus subscriptions	(5,325)	-	(5,325)
Change in net unrealized capital gains/losses	-	(241,844)	(241,844)
Change in net deferred tax assets	-	42,584	42,584
Change in non-admitted assets	-	12,592	12,592
Balance, December 31, 2020	<u>\$ 4,268,360</u>	<u>\$ 8,945,656</u>	<u>\$ 13,214,016</u>

LAWYERS MUTUAL INSURANCE COMPANY OF KENTUCKY

Statements of Cash Flows - Statutory Basis

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Premiums collected, net of reinsurance	\$ 3,879,937	\$ 4,080,087
Net investment income	667,362	677,857
Miscellaneous income	216,681	75,017
Losses and loss adjustment expenses, net of reinsurance	(4,191,911)	(3,416,547)
Underwriting expenses	(988,585)	(1,167,970)
Federal income taxes paid	<u>(99,070)</u>	<u>(80,965)</u>
Net cash (used in) provided by operations	(515,586)	167,479
Cash flows from investment activities:		
Proceeds from investments sold, matured or repaid:		
Bonds	2,047,900	1,569,135
Other invested assets	<u>192,735</u>	<u>233,177</u>
Total investment proceeds	2,240,635	1,802,312
Cost of investments acquired:		
Bonds	(2,116,758)	(2,279,075)
Common stocks	<u>(85,442)</u>	<u>(311,515)</u>
Total investments acquired	<u>(2,202,200)</u>	<u>(2,590,590)</u>
Net cash provided by (used in) investment activities	38,435	(788,278)
Cash flows from financing and miscellaneous activities:		
Change in surplus subscriptions	(5,325)	(6,525)
Other cash received	<u>12,283</u>	<u>12,665</u>
Net cash provided by financing activities	<u>6,958</u>	<u>6,140</u>
Net decrease	(470,193)	(614,659)
Cash, cash equivalents and short-term investments, beginning of year	<u>1,332,569</u>	<u>1,947,228</u>
Cash, cash equivalents and short-term investments, end of year	\$ <u>862,376</u>	\$ <u>1,332,569</u>