

Reflecting on Our Silver Anniversary

And looking forward to the future

Henry Mitchell, Chairman

It has been said that those who do not look back on past accomplishments will seldom have the vision to look forward to future successes. Reflecting on Lawyers Mutual's past and regarding its future, as we celebrate our Silver Anniversary, are appropriate activities, providing perspective and excitement for the prospect of products and services that Lawyers Mutual provides to the lawyers of this State.

Experience in the professional liability insurance industry is crucial. Lawyers Mutual has provided legal liability coverage for North Carolina lawyers for 25 consecutive years. This is a huge accomplishment. No other company can make this claim. We are proud of our successes and of the earnest service that Lawyers Mutual provides. The advantage of looking back over 25 years of experience also gives us considerable advantage as we look forward to future accomplishment and accommodation for our policyholders.

In January of last year, Lawyers Mutual named a North Carolina lawyer as its new president. A former Morehead scholar who also boasts an MBA, Carl Younger brings impressive credentials as chief executive officer: experience in private practice, as corporate counsel, domestic and international business, strong personal values and skills, vision and a keen understanding of legal professional liability insurance. He is well suited to oversee the future of Lawyers Mutual.

We are also very fortunate to have acquired former Chief Judge Gerald Arnold in 1998 as Senior Vice President. Judge Arnold's knowledge of the law and lawyers of North Carolina provides an invaluable and unique benefit to the company.

First and foremost our silver anniversary is about our policyholders, North Carolina lawyers. It is about our directors, past and present, who, through their commitment to the company and our profession have contributed greatly to the success of the company. It is about John Beard (who served as a founder and president of Lawyers Mutual), and other past presidents, Randy Gore and Chris Coley. It is also about John Hester, Sharon Long, Bob Neal and Louise Paglen

(current officers) and our highly qualified claims attorneys and staff, all of whom provide positive and productive service and solutions for our policyholders.

Anniversaries are also a time to take stock. We look at our strengths and we always want to improve our weaknesses. Lawyers Mutual continues to enjoy an "A" rating with A. M. Best, and our relationship with our policyholders is the envy of the insurance industry (our directors, managers and claims attorneys literally know so many of our insureds). We are focused on what we do, strongly capitalized and staffed, non-bureaucratic and value personal service, and we understand risks as well as the market forces of the insurance industry, currently topsy-turvy for many larger companies.

Our commitment at Lawyers Mutual continues to be for the long haul. Unlike some companies, Lawyers Mutual will not move in and out of the market during underwriting cycles of hard and soft markets. Our Motto is: "Here today, here tomorrow." We value our long-term relationships with our policyholders as well as our reinsurers. Both have responded in kind with loyalty to Lawyers Mutual. These longstanding partnerships have enabled Lawyers Mutual to avoid much of the capacity crunch that has so long plagued the insurance industry, and we feel that North Carolina's lawyers understand and appreciate our strength during these cycles.

The ideals that established Lawyers Mutual are still present today. We were founded by lawyers through the foresight of the North Carolina Bar Association for the benefit of lawyers. We are resolved to keep the ideals and vision that were so challenging in 1978 as we move ahead. We thank you for joining us in celebrating your company's silver anniversary.



Henry Mitchell
Chairman

TIME TODAY

LAWYERS MUTUAL LIABILITY INSURANCE COMPANY OF NORTH CAROLINA

July 2003

In this issue:

- 2 What Are Your Three Best Ideas...
- 4 Silver Anniversary Celebration
- 5 A Few More Thoughts about HIPAA
- 6 Are You Ready for the Unexpected?

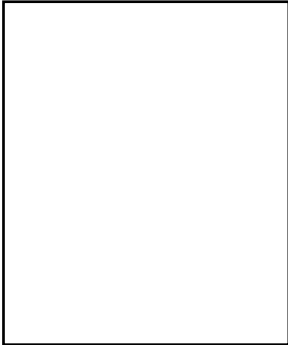


What are Your 3 Best Ideas...

For a successful Law Firm

William Stroud, President, Lawyers Insurance Agency

One of the most interesting things I have learned about Lawyers Mutual's customers is that a great majority of you have so much in common. Lawyers Mutual serves the small law firms of North Carolina, most with 5 lawyers or less. While you undoubtedly have a wide array of practice areas, most of you probably face similar challenges in running your firms, finding clients and trying to live an enjoyable, balanced life.



William Stroud
President, LIA

Wouldn't it be great if each of you could share with one another those things about your practice that you are most proud of and that make it successful? In the insurance business, the Independent Insurance Agents of America gathers data from insurance agencies and compiles a set of "Best Practices" for running an insurance agency.

It has occurred to us that Lawyers Mutual is the perfect vehicle to compile a set of Best Practices for the small North Carolina law firm. Of course, our Risk Management department has for years focused on law firm operations that reduce your exposure to legal malpractice claims, such as proper docketing systems and good client relations.

However, the truly innovative and creative ideas are almost certainly sprinkled liberally among you. As examples, these may include things as simple as taking a mid-morning walk to clear the head, engaging in outings or education with staff to make them feel like part of the team, or using technology in a unique way. Can you please share them with us?

In the 2003-2004 Lawyers Mutual CLE seminars, we will be taking a look at law office management. A part of this will be to continue to solicit ideas from you, while sharing those that we have compiled.

What are your 3 best ideas for making your practice successful? Jot them down on the bottom of this sheet and fax them to us at 919-657-0316, or drop us an email at LIA@LMLNC.com. You're not alone out there - you have thousands of colleagues with ideas to make your practice and life better. We'd like to facilitate the exchange.

My law firm's "Best Practices" include:

1. _____
2. _____
3. _____

William Stroud is President of Lawyers Insurance Agency, which administers the North Carolina Bar Association Health Benefit Trust, and sells court bonds, life, disability, long term care and dental insurance, as well as property and liability coverage for your law office. Mr. Stroud also has 14 years experience assisting personal injury clients with structured settlements.

Lawyers Insurance Agency

The official insurance agency of the North Carolina Bar Association

Business and Office Coverage

- Coverage to keep the office going if you're disabled
- Office contents, Liability & Workers Comp coverage
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- Through William Stroud, President LIA, NC Lawyer, over 14 years experience
- Provides tax-free growth of settlement funds
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Or complete the following and return to **P.O. Box 1929, Cary, NC 27512** or fax to **919-657-0316**.

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Silver Anniversary Celebration



(L to R) Amber Hudson; Ken Hudson, LIA Sales Representative; and Susan Bowers, LIA Health Sales Representative.



(L to R) Patty Head; Allen Head, Executive Director of the NCBA; North Carolina Supreme Court Justice Mark Martin and his daughter Lauren.



NCBA President Norfleet Pruden (R) presents a proclamation commemorating the Company's 25th Anniversary to LML Chairman Henry Mitchell (C) and LML President Carl Younger.



Dinner and dessert were prepared by Blue Ridge, the restaurant of the North Carolina Art Museum.



Immediate Past President of the North Carolina State Bar, Jerry Parnell and North Carolina Bar Association President Allison Duncan.



Mel Wright, Executive Director of the Chief Justice Commission on Professionalism and Vida Walden, Senior Vice President of Willis Re.



LML Director Sharon Parker and North Carolina Court of Appeals Judge Bob Hunter.

A Few More Thoughts About HIPAA

Beyond acquiring the medical records

Mark Scruggs, Claims Counsel

Recently, Lawyers Mutual mailed a "special alert" edition of LML Today to every insured. This mailing alerted lawyers to the new privacy regulations under HIPAA, and specifically the requirements for obtaining medical records (otherwise known as a "protected health information") from a health care provider (otherwise known as a "covered entity.") Certainly, every personal injury lawyer - whether representing plaintiff or defendant - needs to be familiar with these new requirements for obtaining medical records. A copy of our special mailing can be obtained by calling our Risk Management department at 800.662.8843.

Following are a few more thoughts on HIPAA that might be helpful to you as you strive to comply with HIPAA:

SO YOU HAVE THE RECORDS - NOW WHAT?

You have submitted your request for your client's medical records to

the health care provider on a HIPAA compliant form and have received the records. Does HIPAA prohibit you from making copies of the records?

No. The Privacy Rule of HIPAA applies directly to "covered entities" - health plans, health care providers who electronically transmit health information in standard transactions, and health care clearinghouses. The Privacy Rule also applies to "business associates" - those who provide services to a "covered entity" to help it carry out its health care functions and whose services involve access to protected health information.

As a litigator representing personal injury clients, you are not a "covered entity," nor are you a "business associate." You may use the medical records according to the terms of the client's authorization, which should include the right to copy the records, if necessary.

Suppose, however, you received the medical records pursuant to a HIPAA compliant subpoena. If medical records are demanded pursuant to subpoena, the health care provider must receive "satisfactory assurances" that reasonable efforts have been made to ensure that the patient has been given notice of the request, OR that reasonable efforts have been made to secure a "qualified protective order." 45 C.F.R. 164.512(e). Such qualified protective order must prohibit the parties from using or disclosing the protected health information for any purpose other than the litigation or proceeding for which the information was requested. It must further require the return to the covered entity or

destruction of the protected health information (including all copies made) at the end of the litigation or proceeding. 45 C.F.R. 164.512(e)(1)(v).

Once the personal injury case is concluded, the question may arise whether HIPAA requires you to handle the medical records in a certain way. Are you required to return the medical records to your client or to anyone else? Are you required to destroy the records?

Generally, since as a litigator representing personal injury clients you are not a "covered entity" or a "business associate," HIPAA does not require you to return the records to your client, or to anyone else, or to destroy them. As stated above, however, when the records are obtained pursuant to a HIPAA compliant subpoena and qualified protective order, such qualified protective order does place certain restrictions on what happens to the records after the litigation or proceeding ends.

HIPAA, "BUSINESS ASSOCIATES" AND LAWYERS.

As mentioned, HIPAA applies to "business associates" as well as covered entities. A business associate is a third-party (not a member of the covered entities workforce) that provides services or performs functions for a covered entity that involve the creation, use, or disclosure of protected health information. A lawyer who represents or advises a covered entity may qualify as a business associate. If the legal services provided by the lawyer to the covered entity require the lawyer to have protected health information, the lawyer will be a business associate of the covered entity.

Before a business associate obtains protected health information from a covered entity, the parties must execute a "business associate agreement" governing the permissible use and disclosure of protected health information. The covered entity may ask the lawyer to sign a business associate agreement that includes an indemnity clause protecting the covered entity in the event of an unlawful disclosure by the business associate. Such indemnity agreements are not required by HIPAA. An insured considering entering into such indemnity agreements should consult their policy and specifically Exclusion (m). Exclusion (m) excludes from coverage "liability of any Insured arising out of such Insured's assumption of the liability of others pursuant to any contract of indemnification, . . ."

HIPAA is a far-reaching federal law with many implications for the practicing lawyer. Whether requesting medical records, representing or advising covered entities or business associates, or occupying the status of business associate yourself, an understanding of HIPAA's privacy regulations is necessary to prevent possible malpractice exposure. Feel free to call us here at Lawyers Mutual if we can be of any help.

Mark Scruggs
Claims Counsel

Are You Ready for the Unexpected?

Solo practitioners need to plan ahead

Louise Paglen, Vice President of Risk Management

Many attorneys fly solo because they enjoy the independence and freedom of making business decisions without consulting with a partner. However, solo practitioners have a duty to protect their practices, their families, and their clients in the event of the unexpected.

Who would cover for you if you were suddenly taken ill, or worse, killed in a car accident? What about a family emergency that requires your immediate attention? Who would make your court appearance or ensure that the scheduled real estate closing took place, or that the statute of limitation on that big personal injury case you were trying to settle didn't pass unnoticed? If the answer is "I don't know," you should talk to a trusted colleague about developing a reciprocal Emergency Plan. The Plan would authorize the "Emergency Attorney" to contact your clients and wind down and liquidate your practice in the event of your death, disability, or incapacity. Clients should be

informed of the arrangement, including the contact information for the "Emergency Attorney," at the beginning of the representation. This information could be incorporated into the initial engagement letter or as a separate document provided to, and signed by, the client. The Plan should include information on the location of all insurance policies, access to financial records and computerized case management systems (to check for critical dates), lease agreements, and bank account information.

If you would like assistance in developing an Emergency Plan, contact the Risk Management Department at 1-800-662-8843 and we will send you a packet of sample forms.

LML TODAY

The contents of this newsletter are intended for general information purposes only and should not be construed as legal advice or legal opinion on any specific facts or circumstances. It is not the intent of this newsletter to establish a standard of due care for any particular situation. Rather, it is our intent to advise our policyholders to act in a manner that might well be above the standard of care in order to minimize a firm's malpractice risk.

Henry A. Mitchell, Jr.
Chairman

Carl Younger
President

6

A publication for policyholders of
Lawyers Mutual Liability Insurance
Company of North Carolina

LML TODAY

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