



The Bar Plan
Annual Report 2008

— THE —
BAR PLAN®

““The Bar Plan has a
proven track record
of offering the best products
and
great service
and support.””

Thomas M. Lang, Attorney and Counselor

— THE —
BAR PLAN®



Karen R. McCarthy
President and CEO

The Bar Plan had a very solid year in 2008, despite the economy. We remained profitable in this tough environment due to favorable claims experience, cost containment, and our conservative investment portfolio. As a result, our A- (Excellent) AM Best rating was affirmed with a stable outlook.

While our excellent results and strong financial position are very important, they are not what make The Bar Plan unique. We provide unmatched, value-added services to help lawyers build a better practice. For instance, in 2008 we launched our Practice Management Program designed to help lawyers and law firms practice more efficiently and effectively while avoiding ethical and risk management pitfalls. We continue to provide a risk management hotline, continuing legal education, court bonds, and additional insurance products. All of these products and services are intended to assist attorneys and enable them to continue to keep their focus on the practice of law.

Our commitment to the lawyers and law firms in our communities doesn't stop with the products and services we offer. We support state and local Bar Associations both monetarily and through the active participation of our employees. Our Foundation supports state Lawyer Assistance Programs and remediation efforts for ethics offenders, and provides annual scholarships to third-year law students who demonstrate a commitment to professionalism.

The aggressive marketing efforts in 2008 by some of our competitors brought focus and clarity to what truly sets The Bar Plan apart from our competition: We are committed to the legal community in a comprehensive way and we have the most significant and continuous experience writing Lawyers' Professional Liability Insurance in Missouri than any competing carrier. This commitment and experience has also helped us establish significant market share in Kansas, Indiana, and New Mexico.

The Bar Plan was created to conduct business in a unique manner, focused on the long-term needs of lawyers and the legal community. We are committed to providing the best overall value and service to lawyers and law firms to help them build better and stronger practices. We are extremely grateful to our many loyal insureds and agents, and we work every day to earn your business and your loyalty.

Warmest Regards,

A handwritten signature in black ink that reads "Karen R. McCarthy". The signature is written in a cursive, flowing style.

Karen R. McCarthy
President and CEO

PROUDLY
PROTECTING
OUR
INSUREDS
for OVER
23
years.

RISK MANAGEMENT EDUCATION

In 2008, The Bar Plan Foundation conducted 64 seminars across Missouri, Kansas and Indiana, reaching over 3,800 attorneys while addressing critical risk management and professionalism issues.

ANNUAL GOLF TOURNAMENT

The Bar Plan Foundation's 15th Annual Golf Tournament was held October 6, 2008 at WingHaven Golf Course and Country Club. The beneficiaries were the Wellness Community of Greater St. Louis and the ALS Association, Keith Worthington Chapter – Wichita Office. The beneficiaries each received \$4,558.00. The Foundation's 16th Annual Golf Tournament will be held at Greenbriar Hills Country Club in Kirkwood, Missouri on October 12, 2009. For more information, please visit our website at www.thebarplan.com.

PRACTICE MANAGEMENT PROGRAM

Law firms continue to seek strategies that position themselves to better serve existing and potential clients. The Practice Management Program assists lawyers in identifying and implementing processes that improve the quality of service they seek to provide, while reducing the risks associated with the practice of law.

2008 SCHOLARSHIP RECIPIENTS

In 2008, The Bar Plan Foundation awarded scholarships to seven remarkable young law students. All of the scholarship recipients exemplified high standards for ethics and professionalism as law students and will continue to set examples for other lawyers as they continue their careers in the practice of law.

Justin Farishon, who attends Saint Louis University School of Law, graduated magna cum laude from The University of Notre Dame before entering law school. Justin spent a significant amount of time serving the community. While in law school he provided legal services to displaced survivors of Hurricane Katrina and spent five weeks volunteering at an orphanage in rural Kenya. In addition to being ranked in the top five percent of his class, Justin is the Executive Editor of the *Saint Louis Law Journal*.

Julie M. Larson, who attends the University of Kansas School of Law, was selected as a recipient of the scholarship based on her sincere commitment to public service and social justice. Julie has volunteered with the World Relief Immigrant Legal Services, Cabrini Legal Aid Clinic, and the Chicago Homelessness Relief Team. Julie traveled to the Czech Republic to teach English through the Fishnet Language Institute and participated in the Paul E. Wilson Defender Project and the Refugee and Asylum Law Research Workshop. She traveled to Sudan to intern for Mutaunat Legal Aid and currently serves as a mentor for Somali refugees through Catholic Charities.

Joshua Michael Jones, a law student at the University of Missouri – Columbia, has balanced academics with community service. Joshua is an associate member of the *Journal of Dispute Resolution* and an active member of the MU Law Board of Advocates. Recently, Joshua competed in the Midwest Regional Arbitration Competition where his four-person team won first place. He has also clerked with prosecutor's offices at the federal and state level.

Kari R. Burkes is a law student at Washburn University. Her outstanding academic performance and involvement in law school activities makes her an ideal recipient of The Bar Plan Foundation Scholarship. She is currently ranked 10th in her class and serves as a Washburn Law Student Ambassador to prospective students. She is a member of the Moot Court Council where she recently placed second in the Best Oralist category at the National Moot Court Competition.

Michelle Weltman, a dual degree law and social work student at Washington University, maintains a strong academic record while working to strengthen the community. Michelle has served as research assistant and participated in the law school's Civil Justice Clinic. She interned with the Youth Advocacy Unit of the Missouri Public Defender's System and has advocated on behalf of abused and neglected children at Voices for Children in St. Louis, Missouri.

2008 SCHOLARSHIP RECIPIENTS (cont.)

Brittany Boswell is the recipient of The Bar Plan Foundation's **Roy A. Larson Scholarship**. Brittany exemplifies professionalism through her academic performance and extracurricular activities. Brittany is a member of UMKC's Moot Court Team and a member of the school's ABA Negotiation Competition Team. While attending law school, Brittany volunteered with the Special Olympics, Habitat for Humanity, and the Youth Volunteer Corps of Greater Kansas City.

Robert Clarke, a law student at University of Missouri-Kansas City School of Law is the recipient of the **Richard P. Sprinkle Scholarship**. Robert clerked with Legal Aid of Western Missouri and the Jackson County Prosecutors Office. Upon graduation, Robert intends to continue serving the community by becoming a prosecutor.

THE BAR PLAN AGENCY OPERATIONS

Our Agency services our Lawyers' Professional Liability Insurance clients and markets our LPL and Court Bond programs. It also offers a broad range of other insurance products to lawyers and law firms, including Lawyers' Business Owner's Policy, Workers' Compensation and Commercial Auto Insurance. Our knowledgeable, friendly staff provides personal one-on-one assistance and outstanding customer service to both clients and independent producers.

Our Agency continues to administer The Missouri Bar Group Term Life Insurance Program. This program is underwritten by Reliastar Life Insurance Company, a member of the ING family of companies. It is open to Missouri Bar Members under the age of 60, their spouses, children, employees and spouses of employees.

Professionalism and exceptional customer service are hallmarks of our Agency and staff. The Agency is an integral part of the overall success of The Bar Plan Group of Companies.

THE BAR PLAN COURT BOND PROGRAM

The Bar Plan's Court Bond Program offers a full range of probate and other court bonds. The program distinguishes itself by offering 24-hour turnaround service, competitive rates, and an attorney-managed underwriting staff dedicated to working closely with attorneys to meet the individual needs of attorneys and their clients.

The Bar Plan makes it easy to apply for a bond. In addition to phone, fax and mail, we offer a fully-automated online application option at www.onlinecourtbonds.com.

The court bond program has expanded across the nation and we now offer bonds in all 50 states except New Hampshire (license pending) and Maryland. The program continues to add marketing partners and is poised for solid growth in 2009 and beyond.

**I KNOW THE
people at
THE BAR PLAN,
they
are good
solid
PEOPLE.**

Richard C. Wuestling, Attorney

Financial Information

Summaries of the Company's financial statements at year end 2008 and 2007 are presented. The Company was audited by the accounting firm of [Brown Smith Wallace, LLC](#).

The audited financial statements can be obtained by writing:

The Bar Plan Mutual Insurance Company
1717 Hidden Creek Court
St. Louis, MO 63131

ON AVERAGE

ALMOST

45%

of the

attorneys

The Bar Plan

has

INSURED

have

EXPERIENCED at

least one

claim

during their

CAREER.

Statutory Statements of Admitted Assets, Liabilities and Surplus

December 31, 2008 and 2007

Dollars in thousands

	2008	2007
ADMITTED ASSETS		
Bonds	\$41,911	\$39,865
Common stocks	7,072	8,973
Real estate - home office	1,665	1,655
Cash and short term investments	3,694	4,210
Total cash and invested assets	<u>54,342</u>	<u>54,703</u>
Receivables		
Premium finance receivable	3,361	3,925
Reinsurance recoverable on paid losses	54	219
Federal income tax recoverable	222	8
Deferred tax asset, net	1,016	1,110
Electronic data processing equipment	56	32
Accrued investment income	532	551
Receivable from subsidiaries	8	12
Profit commission receivable	0	1,203
Other assets	<u>462</u>	<u>497</u>
TOTAL ADMITTED ASSETS	<u>\$60,053</u>	<u>\$62,260</u>
LIABILITIES AND SURPLUS		
Liabilities:		
Reserve for losses	\$17,168	\$18,602
Reserve for loss adjustment expenses	10,244	10,587
Accrued expenses	422	354
Taxes, licenses, and fees	101	(103)
Unearned premiums	6,279	6,846
Unprocessed premiums and advanced premium	1,298	930
Accounts withheld by company for accounts of others	45	146
Ceded reinsurance premiums payable	712	899
Guarantee fund payable	277	275
Unclaimed funds	12	14
Profit commission payable	166	0
Payable to subsidiaries	49	67
Provision for reinsurance	<u>30</u>	<u>204</u>
Total liabilities	36,803	38,821
Surplus:		
Policyholder contributions	2,586	2,630
Surplus note	5,020	5,020
Unassigned surplus	<u>15,644</u>	<u>15,789</u>
Total surplus	<u>23,250</u>	<u>23,439</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$60,053</u>	<u>\$62,260</u>

Statutory Statements of Operations and Changes in Surplus

For the years ended December 31, 2008 and 2007

Dollars in thousands

	2008	2007
Net premiums earned	\$13,348	\$14,099
Losses incurred	2,660	4,331
Loss adjustment expense incurred	6,096	5,404
Other underwriting expenses incurred	<u>4,720</u>	<u>2,912</u>
Net underwriting gain (loss)	<u>(128)</u>	<u>1,452</u>
Investment income:		
Investment income, net of investment expenses	1,609	1,580
Net realized capital gain on investment - net of federal income tax for 2007 and 2006 of \$95,549 and \$122,346, respectively	<u>(31)</u>	<u>185</u>
Net investment income	1,578	1,765
Other income, net	<u>264</u>	<u>300</u>
Income (loss) before federal income taxes	1,714	3,517
Federal income taxes expense (benefit)	<u>20</u>	<u>(30)</u>
Net income (loss)	<u>\$1,694</u>	<u>\$3,547</u>
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	(96)	1,204
Special (assigned) surplus returned	(43)	(33)
Net unrealized capital gains/(losses) on common stock	(1,265)	370
Other changes, net	174	(167)
Change in net deferred income tax	(652)	(1,109)
Issuance of surplus note	0	0
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>27</u>
Change in Surplus	<u>(188)</u>	<u>3,839</u>
Surplus, beginning of year	<u>23,439</u>	<u>19,600</u>
Surplus, end of year	<u>\$23,251</u>	<u>\$23,439</u>

We
provide
unmatched,
value-added
services
to **HELP**
lawyers
BUILD a
better
PRACTICE.

Karen R. McCarthy,
President & CEO

THE
AVERAGE
COST
of a CLAIM
closed with
payment
 over the last
DECADE
is slightly
MORE
 than
\$100,000.

In 2008 The Bar Plan and our insureds continued to benefit from moderate severity in incurred claims and a relatively low level of frequency of claims per insured attorney. However, the cost of defending legal malpractice claims continued to increase, with defense costs significantly exceeding the costs of indemnity for the 2008 calendar year. We continue to expect increased severity of claims against attorneys as this trend has been reported by many other legal professional liability insurance carriers and has been confirmed in the 2008 ABA Profile of Legal Malpractice Claims, a survey of insurance legal malpractice claim results from 2004 through 2007.

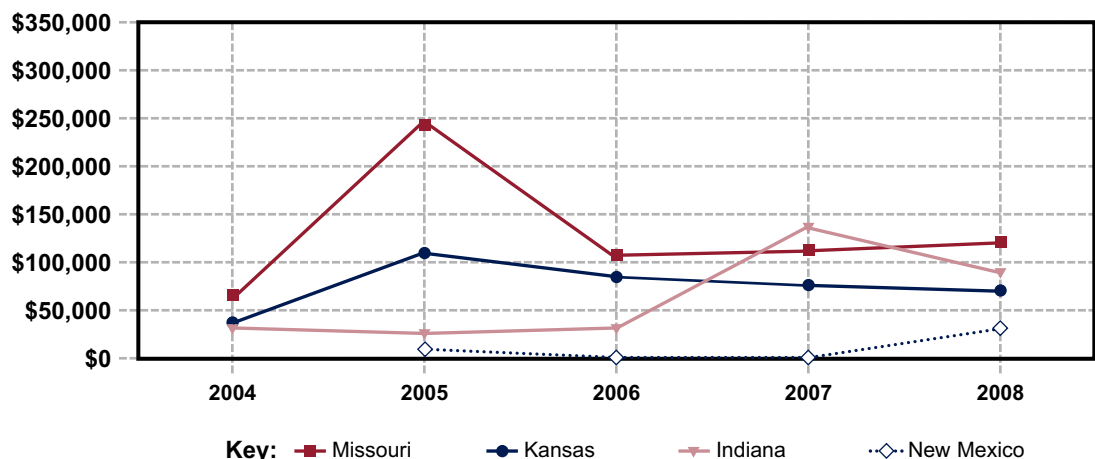
The positive calendar year results for 2008 are a result of more moderate severity and continued low frequency, disciplined underwriting in spite of aggressive competition, improved claims processes and efficient claims resolutions. The Bar Plan continues to benefit from internal and external audits, audits of insureds, and a comprehensive risk management program.

We pride ourselves in having a claims staff of licensed, experienced lawyers trained in the intricacies of legal professional liability insurance and claim handling techniques. Our claims personnel assist our policyholders with questions and concerns regarding claims handling and claims avoidance and professionally guide our insureds from initial report through the conclusion of each matter reported to The Bar Plan.

Open Claim Count by Area of Law as of Date Reported 12/31/2008

Rank	Area of Law	Count of Claims	As % of Open	As % of \$'s Paid and Reserved
1	Personal Injury Property Damage Plaintiff	106	25%	30%
2	Estate Trust and Probate	58	14%	17%
3	Real Estate	52	12%	8%
4	Family Law	43	10%	5%
5	Collection and Bankruptcy	29	7%	5%
6	Business Transactions Commercial Law	21	5%	7%
7	Corporate and Business Organizations	18	4%	7%
8	Criminal	17	4%	2%
9	Personal Injury Property Damage Defendant	17	4%	4%
10	Workers' Compensation	13	3%	1%
11	Patents Trademarks Copyrights	9	2%	2%
12	Securities SEC	9	2%	1%
13	Construction Building Contracts	8	2%	1%
14	Civil Rights and Commission	6	1%	1%
15	Labor Law	6	1%	1%
16	Government Contracts and Claims	4	1%	0%
17	Local Government	3	1%	0%
18	Taxation	3	1%	1%
19	Consumer Claims	2	0%	6%
20	Immigration and Naturalization	1	0%	0%
	Total	425	100%	100%

Average Cost of Closed Claims with Payment for Closed Years 2004 through 2008



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Springfield, MO

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Wichita, KS

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President and Chief Executive Officer
St. Louis, MO

James E. Baldwin
Lebanon, MO

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THE BAR PLAN INSURANCE AGENCY, INC.

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St. Louis, MO

David E. Larson
Secretary
Liberty, MO

THE BAR PLAN FOUNDATION BOARD OF TRUSTEES

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The Bar Plan Staff

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President and Chief Executive Officer

Legal and Compliance

Patrick M. O'Leary
Vice President and General Counsel

Kimberly M. Edgar
Compliance Analyst

Tracy E. Britt
Compliance Assistant

Underwriting

Gayle E. Tegtmeier
Vice President

Linda J. Langley
Senior Underwriter

Linda Herndon Balagna
Underwriter

Beverly A. Fieser
Underwriter Trainee

Thresa E. Betts
Underwriter Assistant

Carole A. Paris
Underwriting Clerk

Amy L. Presson
Underwriting Clerk

Agency Operations

Cynthia L. Pulvirenti
Vice President

Mark G. Bockius
Regional Sales Manager

Robert D. Murray
Regional Sales Manager

Jeffrey D. Thompson
Regional Sales Manager

Annette R. Hilyard
Account Representative

Risk Management

Christian A. Stiegemeier
Director of Risk Management

Christina Lewis Abate
Risk Manager

Finance

Gregory H. Klaus
Chief Financial Officer

Tina M. Daniels
Senior Accountant

Kelly R. Townsend
Accountant

Vicky L. Barteau
Accounting Assistant

Corporate Operations

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Vice President

Kathleen M. Keeling
Human Resource Generalist

Mark G. Bockius
Facilities Manager

Brenda L. Bauman
Receptionist

Marketing

Susan McCourt Baltz
Director of Marketing

David W. Ritchey
Marketing Specialist

The Bar Plan Foundation

Karen R. McCarthy
President

Christian A. Stiegemeier
Executive Vice President

Christina Lewis Abate
Risk Manager

Claims

Steven C. Couch
Vice President

Valerie L. Polites
Senior Claims Counsel

Melissa S. Demmon
Claims Counsel

Lisa L. Von Gontard
Claims Counsel

Allison J. Price
Claims Counsel

Glennis R. Wagner
Claims Paralegal

Janet C. Meier
Claims Assistant

Information Systems

J. Brian Bostrom
Director of IS

Cynthia J. Sanderbeck
Network Administrator

Katrinna R. Brangenberg
Senior Database/Applications
Programmer

Michael D. Barnard
Database/Applications Programmer

Court Bond Program

Kimberly M. Edgar
Vice President - Surety
Underwriting

Teresa M. Niederwimmer
Claims Manager

Cathleen P. Ahearn
Senior Bond Underwriter

Kara A. Frey
Bond Underwriter

Tamara L. Baker
Bond Underwriting Assistant

Delores L. Hance
Bond Underwriting Assistant



““ I recommend The Bar Plan

because they are

*there when you
need them.*

They were there when we didn't

have another carrier and I believe
loyalty counts.””

Fredrich J. Cruse, Attorney

— THE —
BAR PLAN®



THE
BAR PLAN®

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St. Louis, MO 63131
800-843-2277
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