

# 2010 Annual Report

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Mike McKitrick  
Danna McKitrick  
Insured Since 1986\*

\*Danna McKitrick, P.C. serves on The Bar Plan's defense panel.

## Letter From The President:

### Going Forward in 2011

In 2010, The Bar Plan continued to lay the foundation for our mission of being the premier Lawyers' Professional Liability insurance company in the states where we write business. We expanded our Lawyers' Professional Liability program into Tennessee with the endorsement of the Tennessee Bar Association. We are excited about this opportunity and look forward to serving the lawyers of Tennessee. Tennessee is a good fit for The Bar Plan because of its proximity to our home state of Missouri and because of its similarity to other states where we write business in terms of firm size profiles and judicial climate.

Our business fundamentals continued to remain strong in 2010, although our earnings were not where we hoped they would be. Claim frequency remains steady and well within expected norms, and we continue to operate with a very lean staff and operating budget. Claim severity, however, rose significantly in 2010. Our loss for the year was due to claim severity, which is always difficult to predict.

Like most Bar-Related Insurance Companies, we have continued to experience irresponsible and unsustainable price competition from the commercial market. The Bar Plan charges only what it costs to write this business; our historical information shows that we run close to 100% combined ratio every year. A very important part of our mission as a bar-related company is to be here for lawyers over the long term. To do so, it is critical that we maintain profitability to keep our A- (Excellent) Rating from A.M. Best.

As I look on the horizon, I see exceptional promise and opportunity. We continue to seek business opportunities that will advance our mission and vision. Our long-standing commitment to, and participation in, the bar has earned us invaluable goodwill among lawyers. Our value-added services are unmatched in the industry and valued by our customers, who see us as an indispensable partner.

The future is bright. I want to thank our many policyholder-owners, business partners and supporters. I encourage your questions, ideas and input, so please contact me or others on our management team at anytime. We are here to serve you.

On a more personal note, one of our original board members and our Chairman for the last 12 years, David Larson, retired from our board in December 2010. Dave was instrumental in leading our company and has been an indispensable mentor and friend to me. All of us at The Bar Plan will miss him and we wish him well.



Karen R. McCarthy  
President & CEO

THE  
BAR PLAN®

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BETTER PRACTICE • WE HELP LAWYERS

**THE BAR PLAN**  
— 25<sup>th</sup> —  
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“I’ve been purchasing bonds from The Bar Plan for years because they are easy to deal with, responsive, and I can apply online. I know the staff and I always get good service.”

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Thomas G. Glick  
Danna McKitrick, P.C.\*



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# The Bar Plan in 2010 Overview

## The Bar Plan Foundation

### Risk Management Education

In 2010, The Bar Plan Foundation conducted 81 seminars across Missouri, Kansas, Indiana and New Mexico. The series was presented to over 4,000 attorneys and addressed critical risk management and professionalism issues.

### Annual Golf Tournament

The Bar Plan Foundation's 17th Annual Golf Tournament was held on August 31, 2010 at the Courses at Forest Park. The beneficiaries were Turning Point, Care to Learn and The Bar Plan Foundation. The beneficiaries each received \$3,400. The Foundation's 18th Annual Golf Tournament will be held at Greenbriar Country Club on August 29, 2011. For more information, please visit our website at [www.thebarplan.com](http://www.thebarplan.com).

### 2010 Scholarship Recipients

In 2010, The Bar Plan Foundation awarded scholarships to 6 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.

**Lydia DeWitt** is The Bar Plan Foundation's Roy A. Larson Scholarship recipient. While she was a student at University of Missouri – Kansas City School of Law, Lydia's work in both teaching and as a research assistant demonstrated her work ethic and professionalism. She was a member of the UMKC Law Review for 2 years, most recently as the Managing Editor; the Urban Lawyer as a staff member, and was a member of the UMKC Pro Bono/Public Service program.

**Ashleigh Atchison** is the recipient of the Richard P. Sprinkle Scholarship. While at the University of Missouri – Kansas City School of Law, Ashleigh worked as an Intern for the Federal Bureau of Prisons, the United States Attorney's Office, Judge Robert E. Larsen and the Jackson County Prosecutor's Office; as well as the UMKC School of Law as a Structured Study Group Leader. All of these positions helped Ashleigh further her childhood dream of becoming a prosecutor. She was also a staff member of the Law Review and a member of the Association of Women Law Students.

**Maryam Fakhradeen**, a graduate of Washburn University School of Law, was the President of the Student Bar Association, former Vice President of the Black Law Student Association and served in other student organizations during her law school years. Her contributions to the law school community while maintaining a solid academic record contributed to the decision to award her The Bar Plan Foundation's scholarship for 2010.

While pursuing a joint degree in Law and Social Work from Washington University, **Katie Crank** had an abiding interest in public service and particularly in the problem of domestic violence. As an example, she served on the Public Service Advisory Board, was a Board Member for Legal Advocates for Abused Women, and Co-Chaired the Violence Against Women Awareness Group. She spent a year in Ghana, West Africa fighting for women's rights. Her focus and dedication to better the world for women contributed to the decision to award her The Bar Plan Foundation's scholarship.

**Whitney Miller**, a graduate of the University of Missouri School of Law, was chosen as a recipient of the Foundation Scholarship for 2010 due to her deep commitment to being a positive force for change in the legal community. During law school, Whitney was an Associate Member of the Missouri Law Review, a Judging Director of the MU Board of Advocates and a member of various other civic and charitable organizations.

**Daniel Buller** spent 8 years working for a technology company before enrolling in the University of Kansas School of Law. In addition to being published a number of times, Daniel served as Managing Editor of the Kansas Law Review, a member of the Moot Court Council and earned the James P. Mize Trial Advocacy Award. Daniel's record of service, leadership and academic achievement earned him The Bar Plan Foundation's scholarship.

## The Bar Plan Agency

The Bar Plan Insurance Agency, Inc., services The Bar Plan Mutual Insurance Company's Lawyers' Professional Liability Insurance book of business and markets The Bar Plan's Court Bond program. It also offers a broad range of other insurance products to lawyers and law firms, including a Lawyers' Business Owner's Policy and Workers' Compensation. Our knowledgeable and friendly staff provide personal one-on-one assistance and outstanding customer service to both clients and independent producers.

Our Agency continues to administer Group Term Life Insurance for The Missouri Bar. 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 [courtbonds.thebarplan.com](http://courtbonds.thebarplan.com).

The Court Bond program has expanded across the nation and we now offer bonds in all states (Maryland pending). The program continues to add marketing partners and is poised for solid growth in 2011 and beyond.

# 2010 The Bar Plan Financial Information

Summaries of the Company's financial position at year end 2010 and 2009 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

## Years ended December 31, 2010 and 2009 (Dollars in thousands)

	2010	2009
<b>ADMITTED ASSETS</b>		
Bonds	\$ 33,910	\$ 38,011
Common stocks	8,980	8,213
Real estate - home office	1,873	1,897
Cash & short-term investments	5,394	3,143
Total cash and invested assets	<u>50,157</u>	<u>51,264</u>
Receivables:		
Premium receivable	3,625	3,062
Reinsurance recoverable on paid losses	48	205
Profit commission receivable	112	322
Accrued investment income	403	509
Receivable from subsidiaries	25	24
Federal income tax recoverable	195	176
Premium tax receivable	-	70
Other Assets:		
Deferred tax asset, net	1,047	1,048
Electronic data processing equipment	16	49
Other assets	<u>452</u>	<u>424</u>
<b>TOTAL ADMITTED ASSETS</b>	<u><u>\$ 56,080</u></u>	<u><u>\$ 57,153</u></u>
<b>LIABILITIES AND SURPLUS</b>		
Liabilities:		
Reserve for losses	\$ 16,898	\$ 15,335
Reserve for loss adjustment expenses	8,936	9,727
Accrued expenses	488	601
Taxes, licenses, and fees	12	-
Unearned premiums	5,334	5,742
Advanced premiums	997	872
Remittances and items not allocated	105	149
Accounts withheld by company for accounts of others	22	86
Ceded reinsurance premiums payable	687	699
Guarantee fund payable	315	296
Unclaimed funds	33	9
Payable to subsidiaries	4	17
Provision for reinsurance	-	60
Total liabilities	<u>33,831</u>	<u>33,593</u>
Surplus:		
Policyholder contributions	323	350
Surplus note	5,020	5,020
Unassigned surplus	16,906	18,190
Total surplus	<u>22,249</u>	<u>23,560</u>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<u><u>\$ 56,080</u></u>	<u><u>\$ 57,153</u></u>

Statutory Statements of Operations and Changes in Surplus  
 Years ended December 31, 2010 and 2009  
 (Dollars in thousands)

	2010	2009
Net premiums earned	\$ 10,964	\$ 11,947
Losses incurred	4,927	1,939
Loss adjustment expense incurred	5,170	6,394
Other underwriting expense incurred	4,191	4,121
Net underwriting gain (loss)	<u>(3,324)</u>	<u>(507)</u>
Investment Income:		
Investment income, net of investment expenses	1,115	1,271
Net realized capital loss on investments - net of federal income tax for 2010 and 2009 of \$0 and (\$4,603), respectively	<u>(115)</u>	<u>(211)</u>
Net investment income	1,000	1,060
Other income, net	<u>250</u>	<u>245</u>
Income (loss) before federal income taxes	(2,074)	798
Federal income taxes expense (benefit)	<u>(53)</u>	<u>27</u>
Net income (loss)	<u>\$ (2,021)</u>	<u>\$ 771</u>
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	(720)	(940)
Refunds of policyholder contributions	(27)	(33)
Change in net unrealized capital gains/(losses) on bonds and common stock	613	(380)
Change in provision of reinsurance	59	(30)
Change in net deferred income tax	785	875
Aggregate write-ins for gains and losses in surplus	<u>-</u>	<u>46</u>
Change in surplus	<u>(1,311)</u>	<u>309</u>
Surplus, beginning of year	<u>23,560</u>	<u>23,251</u>
Surplus, end of year	<u>\$ 22,249</u>	<u>\$ 23,560</u>



“It’s short-sighted to only buy based on price. The carriers come into the market, they play games...”

“It’s short-sighted to only buy based on price. The carriers come into the market, they play games; they undersell whomever, decide it’s not profitable and either get out or raise rates. With The Bar Plan, I know what they’re doing.”

Tom Lang  
Attorney and Counselor  
Insured since 1988



# 2010 The Bar Plan Claims Overview

In 2010, The Bar Plan experienced an increase in severity in claims, while the number of claims reported per 100 attorneys stayed relatively stable.

Although The Bar Plan continues to see successful verdicts when cases are tried, we remain concerned about the ever increasing severity of claims. Over the past three years, other bar-related Lawyers' Professional Liability carriers have reported significant spikes in claim severity. While our experience was somewhat more favorable during those same periods, we did experience unusual claim severity in 2010.

The increased severity in 2010 is not the result of changes in our underwriting or claims processes, but rather a noticeable increase in claim values across multiple areas of practice, jurisdictions and firm sizes. The Bar Plan's low claim frequency continues to demonstrate the effectiveness of disciplined underwriting in spite of aggressive competition. The Bar Plan continues to benefit from internal and external audits and a comprehensive risk management program which includes risk management audits of insureds to reduce the likelihood of future claims. 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 claim handling and claim avoidance, and they professionally guide our insureds from initial report through the conclusion of each matter reported to The Bar Plan.

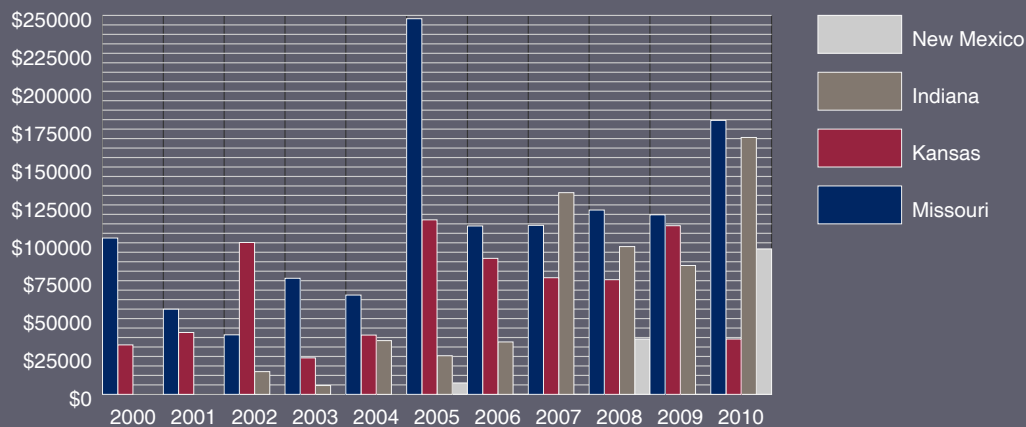
As the chart indicates, as of December 31, 2010 the highest number of reported claims continues to arise out of the personal injury plaintiff area of practice. This area of practice has historically been responsible for more claims reported by area of law each year. Although we monitor the cause of loss very carefully, the types of activities that cause claims continues to be fairly consistent, with missed deadlines being the number one reason historically. Our risk management department offers practice management services to our insureds at no cost to help fine tune office procedures to mitigate against claims caused by gaps in procedures or inadequate procedures.

Open Claim Count by Area of Law  
As of Date Reported 12/31/2010

Rank	Area Of Law	Count of Claims	Percent
1	Personal Injury Property Damage Plaintiff	66	21%
2	Real Estate	46	14%
3	Estate Trust and Probate	45	14%
4	Corporate and Business Organizations	33	10%
5	Collection and Bankruptcy	30	9%
6	Family Law	30	9%
7	Business Transactions Commercial Law	19	6%
8	Civil Rights and Commission	9	3%
9	Criminal	7	2%
10	Labor Law	5	2%
11	Workers Compensation	5	2%
12	Securities SEC	5	2%
13	Personal Injury Property Damage Defendant	5	2%
14	Patents Trademarks Copyrights	5	2%
15	Consumer Claims	4	1%
16	Construction Building Contracts	2	1%
17	Government Contracts and Claims	2	1%
18	Environment	1	0%
19	Local Government	1	0%

**Total Open Claims: 320**

Average Cost of Closed Claims with Payment for Closed Years 2000 through 2010  
As of 04/01/11



“The Bar Plan’s low claim frequency continues to demonstrate the effectiveness of disciplined underwriting in spite of aggressive competition.”

# The Bar Plan Board of Directors

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St. Louis, MO

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Ann P. Hagan  
Mexico, MO

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# The Bar Plan Staff

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President & Chief Executive  
Officer

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Compliance Analyst

Tracy E. Britt  
Compliance Assistant

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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

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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. Stiegemeyer  
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

Joseph C. Allen  
Marketing Coordinator

## The Bar Plan Foundation

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President

Christian A. Stiegemeyer  
Executive Vice President

Christina Lewis Abate  
Risk Manager

## Claims

Steven C. Couch  
Vice President

Valerie L. Polites  
Senior Claims Counsel

Tyler R. Breed  
Claims Counsel

Melissa S. Demmon  
Claims Counsel

Glennis R. Wagner  
Claims Paralegal

Janet C. James  
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

Deborah J. Eller  
Bond Underwriter

Tamara L. Baker  
Bond Underwriting Assistant

A BETTER PRACTICE • WE HELP LAWYERS BUILD  
THE BAR PLAN  
— 25<sup>th</sup> —  
ANNIVERSARY

## 25 Years: A History of Stability.

The Missouri Bar has taken an active role in the placement of professional liability coverage for its members since the late 1970's. In late 1983, CNA indicated that it was no longer interested in the Missouri program and other commercial carriers were either exiting the market or forcing significant rate increases (100+%) on its policyholders. This was not unique to Missouri.

In response to this crisis, State Bar Associations across the country began researching ways to assure that attorneys in their respective states would be able to find professional liability insurance coverage and The Missouri Bar was among them. Out of this effort, what is now known as the "NABRICO" (National Association of Bar Related Insurance Companies) companies were born.

Sixteen states formed companies for the purpose of providing lawyers with a financially stable insurance carrier committed to writing lawyers professional liability insurance and serving the legal community for the long term. The effort was hugely successful.

The Bar Plan Mutual Insurance Company, like most of the NABRICO companies, is still a mutual insurance company, owned by its policyholders. The Bar Plan's mission is to provide broad coverage at the lowest possible price which is consistent with long-term financial stability of the company.

The Bar Plan is committed to the legal community and to this line of business. Unlike most commercial carriers that have entered and exited this market as changes in corporate goals and policies dictate, The Bar Plan has remained a constant, serving Missouri lawyers continuously since 1986.

There is no other carrier that has written enough of this market or stayed in this market continuously to know how to price this line of business. It is not uncommon for insurance carriers to decide to write this line of business in Missouri at a price that will "buy" market share. The Bar Plan has experienced this many times over the years. In each case, carriers will either take a rate increase once the claim experience develops or exit the market entirely.

The Bar Plan also writes professional liability insurance in Kansas, New Mexico, Tennessee, and Indiana. In conjunction with its subsidiary, The Bar Plan Surety and Fidelity Company, The Bar Plan writes Court Bonds in 50 states. The company is truly unique with its services to the legal community including CLE seminars, risk management hotline and practice management services, along with its active participation in, and support of, the bar.

All products and services offered by The Bar Plan are for the benefit of the legal community. It is our mission to serve the legal community in everything we do.



The Bar Plan Headquarters  
St. Louis, Missouri

THE  
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