

THE BAR PLAN

2004 ANNUAL REPORT

Commitment Financial Security Stability



**THE
BAR
PLAN**

MISSION STATEMENT

THE MISSION OF THE BAR PLAN IS TO BE THE PRE-EMINENT PROVIDER OF LAWYERS' PROFESSIONAL LIABILITY INSURANCE AND OTHER LAWYER-RELATED PRODUCTS IN THE STATES WE SERVE.

WE WILL ACHIEVE THIS BY:

MAINTAINING OUR LONG TRADITION OF PROVIDING THE BROADEST POSSIBLE COVERAGES AND PRODUCTS AT THE BEST POSSIBLE VALUE;

CONTINUING TO PROVIDE QUALITY PERSONAL AND COMPREHENSIVE SERVICES TO OUR INSUREDS;

CONTINUING TO ATTRACT AND RETAIN TOP BOARD AND STAFF TALENT; AND

CONSTANTLY EXPLORING OPPORTUNITIES OUTSIDE OUR EXISTING MARKETS.



KAREN R. MCCARTHY
President and CEO

As The Bar Plan enters its 20th year, I am struck by how far we have come while, at the same time, consistently adhering to the bedrock principles upon which the company was built. Our mission was, and still is, to provide a stable market for lawyers' professional liability insurance at the best possible value, exceptional customer service, and value-added services such as risk management and CLE programs. 2004 marks the fifth consecutive year of growth in both premiums and the number of attorneys served, further validating our mission and its execution.

We anticipate growth over the next few years through continued very strong loyalty from our current insured attorneys and increased market shares in Kansas, Indiana, and New Mexico. I am continually gratified and humbled by the exceptional loyalty the attorneys in our domicile state of Missouri show to The Bar Plan. We are determined to achieve that level of loyalty from attorneys in every state where we write lawyers' professional liability policies, and we are well on our way.

2004 provided its share of good news and milestones. The Bar Plan began writing lawyers' professional liability insurance in New Mexico in the fourth quarter. As in Indiana, The Bar Plan writes its New Mexico business through a single agency with a substantial share of the market. During the first nine months, we have exceeded our projections and are very excited about our future prospects.

Our court bond program also got an exciting boost in 2004 by achieving the endorsement of American Bar Insurance Plans Consultants, Inc ("ABI"). ABI is a wholly-owned subsidiary of the American Bar Endowment, and serves the insurance and financial security needs of ABA members. The endorsement from ABI will enhance the profile and marketing presence for our court bond program and substantially improve the visibility of the program throughout the US.

2004 also presented some challenges. We started to see the beginnings of an industry-wide trend toward an increase in claims severity. In the fourth quarter of 2004 and continuing into the first half of 2005, we have seen indications that The Bar Plan may experience similar trends. However, while the severity has increased somewhat in recent months, the frequency of claims per insured attorney has not risen. While this trend may prove to be cyclical in nature, it presents certain challenges to the company as we strive to maintain the best possible value for our lawyers' professional liability insureds while maintaining an acceptable level of profitability. Our very strong capitalization will be a key factor in meeting this challenge with the least possible impact to our insured attorneys.

While this Annual Report will provide you with a substantial amount of information and data regarding the continued success of The Bar Plan, I am ever mindful that the true basis of that success lies in our people and the relationships we maintain with attorneys, producers, bar associations and other important constituencies. Thank you to everyone who has played a role in our continued success.

Best regards,

A handwritten signature in cursive script that reads "Karen R. McCarthy". The signature is written in dark ink and is positioned above the printed name.

President and CEO

THE BAR PLAN FOUNDATION'S RISK MANAGEMENT EDUCATION

In 2004, The Bar Plan Foundation conducted 38 seminars across Missouri, Kansas and Indiana. These educational programs reached over 2,000 attorneys with important risk management information. The Foundation also participated in 18 other conferences and programs by state and local bar organizations, addressing more than 3,000 lawyers.

THE BAR PLAN FOUNDATION'S ELEVENTH ANNUAL CHARITY GOLF TOURNAMENT

The Bar Plan Foundation's Eleventh Annual Golf Tournament was held on October 4, 2004 at WingHaven Golf Course and Country Club with 86 golfers, 22 hole sponsors, and five major underwriters all contributing to make the outing a success. Three community organizations were beneficiaries of the 2004 golf tournament: the St. Louis USO, Lost & Found and Our Little Haven. The USO has been serving the St. Louis region since 1981; more than 3 million traveling military and their families have received valuable support and assistance. Lost and Found is located in Springfield, MO, and provides loving support in a safe place where children, teens and their families who are grieving a death can share their experience as they move through the healing process. Our Little Haven cares for babies and young children who have been born addicted to drugs or with HIV, or who have been abused or neglected to ensure that these children receive a warm, loving home, which includes not only food and clothing, but therapies that address their difficulties; expert medical care; casework management; and counseling.

The Foundation's 12th Annual Charity Golf Tournament will again be held at WingHaven, October 3, 2005.

THE BAR PLAN FOUNDATION'S 2004 SCHOLARSHIP RECIPIENTS

Throughout the past decade, The Bar Plan Foundation has dedicated itself to advancing ethics and professionalism within the practice of law. It works to foster positive relationships between the public and the legal community through education, scholarships, and community service. In 2004, The Bar Plan Foundation awarded scholarships to third year law students at Missouri law schools who demonstrate – through academic and fraternal achievement – the highest levels of professionalism and ethics consistent with the ideals and standards of the legal profession.

At the University of Missouri-Kansas City School of Law the Foundation awarded two scholarships. The ability to provide these awards is a direct result of a generous gift and support from the Roy A. Larson Memorial Scholarship Fund. Last year's recipients of The Bar Plan Foundation Roy A. Larson Scholarships were Tina Parsley and Andrew Snavelly. Ms. Parsley and Mr. Snavelly will receive scholarships in the amount of \$2,500.00 and \$1,000.00 respectively.

The Foundation has also awarded scholarships in the amount of \$2,500.00 to Benjamin Nelson of the University of Missouri-Columbia School of Law, and Leanne M. Rakers of Washington University School of Law.

Elevating the importance of ethics and professionalism, through the recognition of these individuals, is one of the key missions of The Bar Plan Foundation.

THE BAR PLAN SURETY AND FIDELITY COMPANY

The Bar Plan Court Bond Program offers a full range of probate and other court bonds. The program distinguishes itself by offering a 24-hour turnaround service, very competitive rates, and an attorney-managed underwriting staff dedicated to working with attorneys and principals to meet their individual needs. The Bar Plan makes it easy to apply for a bond. In addition to the traditional phone and fax methods, it offers online purchasing through a fully operational internet site.

The Bar Plan Surety and Fidelity Company operates in four states (IL, KS, MO, and OK). As the Court Bond Program has expanded across the country, it has been licensed under The Bar Plan Mutual Insurance Company to meet the financial and seasoning requirements of the various states. The Program currently offers bonds in all states, except Mississippi, Connecticut, New Hampshire, Maryland and Wyoming. Certificate of Authority applications are currently pending in the States of Mississippi and Wyoming with the expectation that the program will be fully operational in these states by the end of 2005.

The Court Bond Program continues to experience growth. Direct written premiums grew by 8% in 2004, and through the first quarter of 2005, are 27% ahead of the same period in 2004. In just six years the Program has captured 20% of the fiduciary bond business in Missouri, and that percentage continues to rise. The Court Bond Program is on solid footing and poised for solid results in 2005 and beyond.

THE BAR PLAN INSURANCE AGENCY, INC.

In December of 1994, The Bar Plan Insurance Agency, Inc. was established to service its professional liability insurance book of business as well as the independent agencies selling its products. The Agency employs three captive agents and one account representative that are available to assist you with your insurance needs.

In January of 1998, The Bar Plan Insurance Agency, Inc. became the administrator for The Missouri Bar Group Term Life Insurance Program. The program is presently underwritten through ReliaStar Life Insurance Company. Through this program, a Missouri Bar member under the age of 55 years of age, their spouse and children, employee or spouse of an employee are eligible candidates for group term life insurance. A guarantee conversion provision is available to all insureds.

The Bar Plan Insurance Agency, Inc., through The Hartford, continues to offer Lawyers Office Package, Worker's Compensation and Commercial Auto Coverage to lawyers in Missouri and Kansas.

FINANCIAL INFORMATION

Summaries of the Company's financial position at year end 2004 and 2003 are presented. The Company was audited by the accounting firm of PricewaterhouseCoopers.

The audited financial statements can be obtained by writing:

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

Statements of Admitted Assets, Liabilities and Surplus

(Statutory Basis)

December 31, 2004 and 2003

Dollars in thousands

	2004	2003
Admitted Assets		
Bonds	\$28,143	\$25,543
Common stocks	8,122	8,143
Real estate - home office	1,552	1,594
Cash	3,786	3,994
Short-term investments	<u>0</u>	<u>0</u>
Cash and invested assets	41,603	39,274
Premium finance receivable	3,560	2,774
Reinsurance recoverable on paid losses	713	32
Deferred tax asset, net	680	664
Electronic data processing equipment	82	37
Accrued investment income	280	265
Receivable from subsidiaries	30	0
Profit commission receivable	0	267
Other assets	<u>388</u>	<u>435</u>
Total admitted assets	<u>\$47,336</u>	<u>\$43,748</u>
 Liabilities and Surplus		
Liabilities:		
Reserve for losses	\$10,841	\$9,175
Reserve for loss adjustment expenses	6,448	5,898
Accrued expenses	531	259
Taxes, licenses, and fees	93	167
Federal income taxes payable	318	0
Unearned premiums	5,687	5,347
Unprocessed premiums and advanced premium	1,197	1,186
Accounts withheld by company for accounts of others	83	1
Ceded reinsurance premiums payable	939	793
Guarantee fund payable	246	211
Unclaimed funds	4	14
Profit commission payable	161	0
Payable to subsidiaries	0	26
Provision for reinsurance	<u>0</u>	<u>18</u>
Total liabilities	<u>26,548</u>	<u>23,095</u>
 Surplus		
Policyholder contributions	2,722	2,749
Unassigned surplus	<u>18,066</u>	<u>17,904</u>
Total surplus	<u>20,788</u>	<u>20,653</u>
Total liabilities and surplus	<u>\$47,336</u>	<u>\$43,748</u>

FINANCIAL INFORMATION

Statements of Operations and Changes in Surplus

(Statutory Basis)

For the years ended December 31, 2004 and 2003

Dollars in thousands

	2004	2003
Net premiums earned	\$10,727	\$8,797
Losses incurred	(3,959)	(2,544)
Loss adjustment expense incurred	(3,900)	(3,772)
Other underwriting expenses incurred	<u>(3,840)</u>	<u>(3,191)</u>
Net underwriting gain (loss)	<u>(972)</u>	<u>(710)</u>
Net investment income	1,084	1,539
Other income, net	330	476
Net income before dividends to policyholders and federal income taxes	442	1,305
Dividends to policyholders	<u>0</u>	<u>(529)</u>
Net income after dividends to policyholders but before federal income taxes	442	776
Provision for federal income taxes	<u>(189)</u>	<u>(114)</u>
Net income	253	662
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	(82)	526
Special (assigned) surplus returned	(27)	(34)
Net unrealized capital gains/(losses) on common stock	(138)	500
Other changes, net	18	(35)
Change in net deferred income tax	<u>111</u>	<u>(259)</u>
Change in Surplus	135	1,360
Surplus, beginning of year	<u>20,653</u>	<u>19,293</u>
Surplus, end of year	<u><u>\$20,788</u></u>	<u><u>\$20,653</u></u>

CLAIMS DEPARTMENT

Since its inception, The Bar Plan professional claims staff has handled more than 3,815 claims. Through the course of these years, The Bar Plan has paid approximately \$61,030,870 in losses. In 2004, The Bar Plan paid \$2,824,650 to claimants.

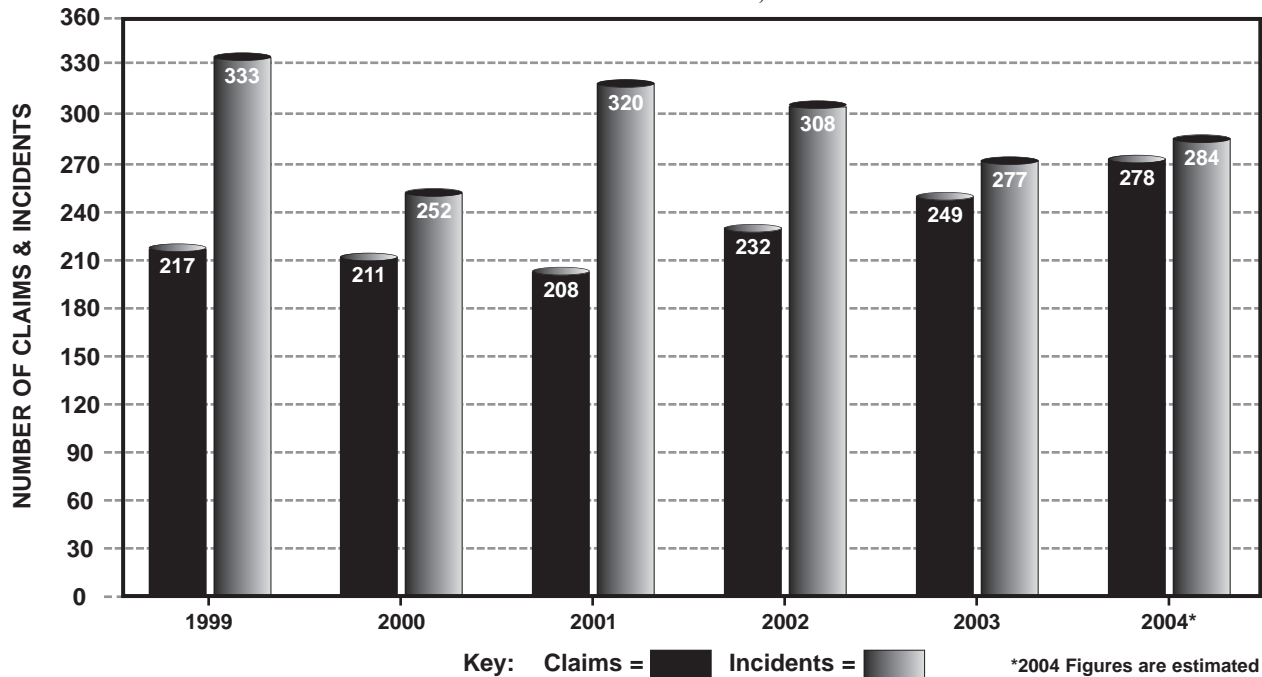
Our goal is to continue to provide the best possible claims service in the industry.

Our staff consists of licensed lawyers trained in the intricacies of professional liability insurance and claim handling techniques. Our claims personnel, as well as in-house risk managers, are available to assist policyholders with questions or concerns about policy coverage, techniques to avoid claims and how to handle a claim if one is made.

Area of Law
Open Claims as of December 31, 2004

Rank	Area of Law	Number of Claims	Percent of Claims
1	Personal Injury/Property Damages - Plaintiff	77	31
2	Estate, Trust & Probate	32	13
3	Family Law	26	10
4	Business Transactions/Commercial Law	25	10
5	Collections and Bankruptcy	24	10
6	Workers Compensation	12	5
7	Real Estate	11	4
8	Personal Injury/Property Damages - Defendant	11	4
9	Criminal	10	4
10	Civil Rights and Commissions	6	2
11	Corporate and Business Organizations	6	2
12	Other	12	5
	Total	252	100%

Number of Claims and Incidents Reported
For Policy Years 1999 - 2004
As of December 31, 2004



BOARDS OF DIRECTORS

THE BAR PLAN MUTUAL INSURANCE COMPANY

David E. Larson
Chairman - Kansas City, MO

Ann P. Hagan
Secretary - Mexico, MO

Walter R. Lamkin
St. Louis, MO

Jerome E. Brant
Vice Chairman - Liberty, MO

James E. Baldwin
Lebanon, MO

Kent O. Hyde
Springfield, MO

Richard G. Steele
Treasurer - Cape Girardeau, MO

Sherry L. Doctorian
Jefferson City, MO

Dennis L. Gillen
Wichita, KS

THE BAR PLAN SURETY AND FIDELITY COMPANY

Michael P. Gunn
Chairman - St. Louis, MO

John R. Sims
Secretary - Neosho, MO

Walter D. McQuie, Jr.
Montgomery City, MO

Karen R. McCarthy
President - St. Louis, MO

Jon W. DeMoss
Chicago, IL

Robbie R. Taylor
Cartersville, GA

John F. Bild
Treasurer - St. Louis, MO

Phillip D. Fraim
Oklahoma City, OK

Richard G. Steele
Cape Girardeau, MO

THE BAR PLAN INSURANCE AGENCY, INC.

James E. Baldwin
President - Lebanon, MO

David E. Larson
Secretary - Kansas City, MO

Geralyn E. Kaestner
St. Louis, MO

THE BAR PLAN FOUNDATION BOARD OF TRUSTEES

James E. Baldwin
President - Lebanon, MO

Kent O. Hyde
Springfield, MO

Jennifer Schwendemann
St. Louis, MO

Christian A. Stiegemeyer
Exec. Vice President, Secretary - St. Louis, MO

David E. Larson
Kansas City, MO

Marvin E. "Bunky" Wright
Columbia, MO

Scott E. Seitter
Kansas City, MO

The Bar Plan Staff

Executive Department

Karen R. McCarthy
President and CEO

Legal and Compliance Dept.

Patrick O'Leary
General Counsel

Kim Edgar
Compliance Analyst

Tracy Britt
Compliance Assistant

Underwriting Department

Gayle E. Tegmeier
Vice President - Underwriting

Linda Langley
Senior Underwriter

Linda Kay Herndon Balagna
Underwriter

Bev Fieser
Underwriter Trainee

Thresa Betts
Underwriting Assistant

Carol Paris
Underwriting Clerk

Lillian DeLaRosa
Underwriting Clerk

Claims Department

Mark B. Berry
Vice President - Claims

Valerie Polites
Senior Claims Counsel

Shannon Rulo
Claims Counsel

Janet Meier
Claims Assistant

Risk Management

Christian A. Stiegemeier
Director of Risk Management

Finance Department

Gregory H. Klaus
Vice President - Finance

Tina Daniels
Senior Accountant

Kelly Townsend
Accountant

Vicki Barteau
Accounting Assistant

Corporate Operations

Cynthia L. Pulvirenti
Vice President - Corporate Operations

Kathy Keeling
Human Resource Generalist

Mark Bockius
Facilities Manager

Brenda Bauman
Receptionist

Angela Hall-Otis
Office Assistant

IS Department

Gregory H. Klaus
Vice President - Finance

Cindy Sanderbeck
Network Administrator

Katrinna Brangenberg
Senior Database/Applications Programmer

Michael Barnard
Database/Applications Programmer

Marketing

Douglas Arnold
Director of Marketing

David Ritchey
Marketing Assistant

TBP Surety and Fidelity Co.

Karen R. McCarthy
President and CEO

Kim Edgar
Vice President - Surety Underwriting

Teresa Niederwimmer
Claims Manager

Cathy Ahearn
Senior Bond Underwriter

Deborah Eller
Bond Underwriter

Rebecca Osborne
Bond Underwriting Assistant

TBP Insurance Agency, Inc.

Geralyn E. Kaestner
Vice President - Agency Operations

Robert Murray
Regional Sales Manager

Tom Woodrome
Regional Sales Manager

Annette Hilyard
Account Representative

TBP Foundation

Christian A. Stiegemeier
Executive Vice President





Created by Lawyers for Lawyers