

THE BAR PLAN
2005 ANNUAL REPORT

Twenty Years of Commitment, Financial Security and Stability

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

The Bar Plan has always been committed to providing high quality, stable and consistent professional liability insurance for lawyers, and it remains our top priority. It is in that spirit that I would like to discuss recent national trends in our industry, and explain how these trends affected both the company and our insureds in 2005.

As you may know, legal malpractice claim severity throughout the country has risen dramatically over the last decade. In fact, a data collection study by the American Bar Association published in April 2005 found that legal malpractice cases of \$2 million or more jumped 60 percent when comparing two four-year periods (1996 to 1999 and 2000 to 2003). This same ABA study quotes observers noting “that the ‘big’ losses have grown larger, and that ‘really bad’ has gotten worse.”

Even with our strong capitalization and history of excellent financial results, The Bar Plan is not immune to these significant marketplace trends. In 2005 we experienced an unprecedented increase in the severity of our claims with our average claim amount jumping by 3-fold, resulting in a net loss for the year for the first time in 15 years. Given these results, the company implemented a comprehensive and integrated response to ensure profitability and to bolster its long-term financial strength, including our first premium base rate increase since January 1, 2002.

While we cannot ignore the recent adverse claims experience, I am very pleased and encouraged that all of the factors we as a company could control were very positive. Premiums increased by 11.0% while we continued to successfully hold the line on expenses. In fact, premiums increased in all four states where we write lawyers Professional Liability insurance, and our court bond premiums increased by 17%.

We recognize that our long-term success depends on a number of factors in addition to merely setting the right premium rates. That is why we focus so heavily on customer service and retention, risk management, underwriting policies and procedures, efficient claims management and overall cost control. All of these consistently undergo rigorous scrutiny and analyses to ensure the best possible overall value and experience for our insureds.

The Bar Plan is as committed as ever to serving the legal community and maintaining the fiscal strength necessary to protect the thousands of lawyers we insure. This is YOUR company and we take the responsibility of managing it very seriously. Thank you for your continued loyalty.

Best wishes,

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.

Karen R. McCarthy
President and CEO

THE BAR PLAN FOUNDATION'S RISK MANAGEMENT EDUCATION

In 2005, The Bar Plan Foundation conducted 61 seminars across Missouri, Kansas and Indiana, reaching over 5,000 attorneys while addressing critical risk management and professionalism issues.

THE BAR PLAN FOUNDATION'S TWELFTH ANNUAL CHARITY GOLF TOURNAMENT

The Bar Plan Foundation's Twelfth Annual Golf Tournament was held October 3, 2005 at WingHaven Golf Course and Country Club. With the help of the participating golfers, numerous hole sponsors, and major underwriters the outing was the most successful Foundation Tournament in recent years.

The Foundation's 13th Annual Charity Golf Tournament will again be held at WingHaven, September 18, 2006.

THE BAR PLAN FOUNDATION'S 2005 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 2005, The Bar Plan Foundation awarded scholarships to third year law students at Missouri and Kansas law schools who demonstrate - through academic and community 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. The 2005 recipients of The Bar Plan Foundation - Roy A. Larson Scholarships were Tiffany Barman and Douglas Bradley. Ms. Barman and Mr. Bradley received scholarships in the amount of \$2,500.00 and \$1,000.00 respectively.

The Foundation also awarded scholarships in the amount of \$2,500.00 to Richard Vickery of the University of Missouri-Columbia School of Law, Anne E. Hendricks of Saint Louis University School of Law, Stephen Casey of Washington University School of Law, and Dallas F. Bauer of Washburn 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 Connecticut, New Hampshire and Maryland.

The Court Bond Program continues to experience growth. Direct written premiums grew by 17% in 2005, and through the first quarter of 2006, are 5% ahead of the same period in 2005. The Court Bond Program is on solid footing and poised for continued growth in 2006 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 ING/ReliaStar Life Insurance Company. Through this program, Missouri Bar members 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 2005 and 2004 are presented. The Company was audited by the accounting firm of Brown Smith Wallace, LLC, in 2005 and PricewaterhouseCoopers in 2004.

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, 2005 and 2004

Dollars in thousands

	2005	2004
Admitted Assets		
Bonds	\$32,197	\$28,143
Common stocks	7,327	8,122
Real estate - home office	1,579	1,552
Cash	3,815	3,786
Short-term investments	<u>0</u>	<u>0</u>
Cash and invested assets	44,918	41,603
Premium finance receivable	3,171	3,560
Reinsurance recoverable on paid losses	526	713
Deferred tax asset, net	1,373	680
Electronic data processing equipment	53	82
Accrued investment income	357	280
Receivable from subsidiaries	79	30
Profit commission receivable	0	0
Other assets	<u>564</u>	<u>388</u>
Total admitted assets	<u>\$51,041</u>	<u>\$47,336</u>
 Liabilities and Surplus		
Liabilities:		
Reserve for losses	\$15,085	\$10,841
Reserve for loss adjustment expenses	8,604	6,448
Accrued expenses	284	531
Taxes, licenses, and fees	140	93
Federal income taxes payable	0	318
Unearned premiums	6,090	5,687
Unprocessed premiums and advanced premium	1,401	1,197
Accounts withheld by company for accounts of others	42	83
Ceded reinsurance premiums payable	920	939
Guarantee fund payable	265	246
Unclaimed funds	8	4
Profit commission payable	148	161
Payable to subsidiaries	0	0
Provision for reinsurance	<u>70</u>	<u>0</u>
Total liabilities	<u>33,057</u>	<u>26,548</u>
 Surplus		
Policyholder contributions	2,692	2,722
Unassigned surplus	<u>15,292</u>	<u>18,066</u>
Total surplus	<u>17,984</u>	<u>20,788</u>
Total liabilities and surplus	<u>\$51,041</u>	<u>\$47,336</u>

Statements of Operations and Changes in Surplus

(Statutory Basis)

For the years ended December 31, 2005 and 2004

Dollars in thousands

	2005	2004
Net premiums earned	\$11,724	\$10,727
Losses incurred	(7,651)	(3,959)
Loss adjustment expense incurred	(5,755)	(3,900)
Other underwriting expenses incurred	<u>(3,992)</u>	<u>(3,840)</u>
Net underwriting gain (loss)	<u>(5,674)</u>	<u>(972)</u>
Net investment income	1,172	1,084
Other income, net	614	330
Net income before dividends to policyholders and federal income taxes	(3,888)	442
Dividends to policyholders	<u>0</u>	<u>0</u>
Net income after dividends to policyholders but before federal income taxes	(3,888)	442
Provision for federal income taxes	<u>137</u>	<u>(189)</u>
Net income	(3,751)	253
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	(318)	(82)
Special (assigned) surplus returned	(30)	(27)
Net unrealized capital gains/(losses) on common stock	136	(138)
Other changes, net	(69)	18
Change in net deferred income tax	<u>1,229</u>	<u>111</u>
Change in Surplus	(2,803)	135
Surplus, beginning of year	<u>20,787</u>	<u>20,653</u>
Surplus, end of year	<u>\$17,984</u>	<u>\$20,788</u>

CLAIMS DEPARTMENT

Since its inception, The Bar Plan professional claims staff has handled more than 4,048 claims. Through the course of these years, The Bar Plan has paid approximately \$78,182,103 in losses. In 2005, The Bar Plan paid \$14,364,394 to claimants.

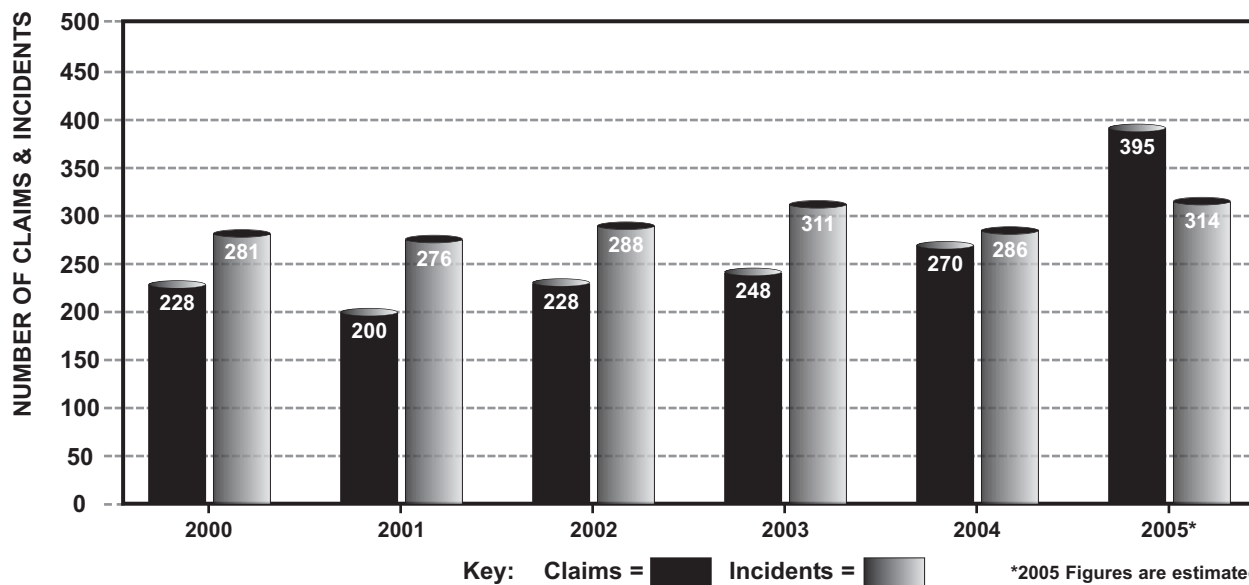
Our goal is to continue to provide the best possible claims service in the industry.

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

Area of Law
Open Claims as of December 31, 2005

Rank	Area of Law	Number of Claims	Percent of Claims
1	Personal Injury/Property Damages - Plaintiff	128	32.4
2	Family Law	48	12.2
3	Estate, Trust & Probate	47	11.9
4	Collection and Bankruptcy	47	11.9
5	Business Transactions/Commercial Law	23	5.8
6	Real Estate	19	4.8
7	Personal Injury/Property Damages - Defendant	16	4.1
8	Criminal	14	3.5
9	Workers Compensation	12	3.0
10	Labor Law	8	2.0
11	Corporate and Business Organizations	7	1.8
12	Local Government	6	1.5
13	Other	20	5.1
	Total	395	100.00%

Number of Claims and Incidents Reported
For Calendar Years 2000 - 2005
As of December 31, 2005



BOARDS OF DIRECTORS

THE BAR PLAN MUTUAL INSURANCE COMPANY

David E. Larson
Chairman - Kansas City, MO

Jerome E. Brant
Vice Chairman - Liberty, MO

Richard G. Steele
Treasurer - Cape Girardeau, MO

Ann P. Hagan
Secretary - Mexico, MO

James E. Baldwin
Lebanon, MO

Sherry L. Doctorian
Jefferson City, MO

Walter R. Lamkin
St. Louis, MO

Kent O. Hyde
Springfield, MO

Dennis L. Gillen
Wichita, KS

THE BAR PLAN SURETY AND FIDELITY COMPANY

Michael P. Gunn
Chairman - St. Louis, MO

Karen R. McCarthy
President - St. Louis, MO

John F. Bild
Treasurer - St. Louis, MO

Phillip D. Fraim
Secretary - Oklahoma City, OK

George D. Krempley
Columbus, OH

Vanita A. Massey
Kansas City, MO

Robbie R. Taylor
Cartersville, GA

Richard G. Steele
Cape Girardeau, MO

Lois M. Zerrer
Springfield, 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

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

Kent O. Hyde
Springfield, MO

David E. Larson
Kansas City, MO

Scott E. Seitter
Kansas City, MO

Jennifer Schwendemann
St. Louis, MO

Marvin E. "Bunky" Wright
Columbia, 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. Tegtmeier
Vice President - Underwriting

Linda Langley
Senior Underwriter

Linda Kay Herndon Balagna
Underwriter

Bev Fieser
Underwriter Trainee

Thresa Betts
Underwriting Assistant

Carol Paris
Underwriting Clerk

IS Department

Gregory H. Klaus
Vice President - Finance

Cindy Sanderbeck
Network Administrator

Katrinna Brangenberg
Senior Database/Applications Programmer

Michael Barnard
Database/Applications Programmer

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 Barreau
Accounting Assistant

Corporate Operations

Cynthia L. Pulvirenti
Vice President - Corporate Operations

Kathy Keeling
Human Resource Generalist

Mark Bockius
Facilities Manager

Brenda Bauman
Receptionist

Claims Department

Mark B. Berry
Vice President - Claims

Valerie Polites
Senior Claims Counsel

Shannon Rulo
Claims Counsel

Janet Meier
Claims Assistant

Sheila Rasipovits
Claims Paralegal

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





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