

THE BAR PLAN

2007 ANNUAL REPORT

Commitment Financial Security Stability



KAREN R. MCCARTHY
President and CEO

There is an old African proverb that says, “Smooth seas do not make skillful sailors.” After weathering two years of unprecedented claim severity we have reached calmer waters.

2007 was a record year for The Bar Plan. Claim severity was down by 42% from 2006, surplus increased 20% over the prior year and our expense ratio was at an all time low. Although these results were very good, we are always mindful that rough seas lie ahead.

The marketplace has changed dramatically in the last year. Competitors are aggressively trying to buy entry into this market with rates far below sustainable levels. In turn, independent agents are more aggressive in the way they market their services. History is a good teacher and thus we know that, as market conditions change yet again, many carriers will ultimately either be forced to dramatically increase rates or will leave the market altogether. We have seen it over and over again.

While our competitors are focused on quick profits, we continue on the course set many years ago. We are committed to writing lawyers’ professional liability insurance for the long term and more importantly, we are committed to the legal community. Our rates are based on experience and not market opportunity. When The Bar Plan was established with the help of The Missouri Bar over 22 years ago, we were charged with providing lawyers superior coverage at the best possible price consistent with the long-term financial stability of the company. This is our business model, and it serves us - and the legal community - very well. Now, in the face of unprecedented competition, we rely on our experience and our many strategic advantages to navigate the rough waters of the current marketplace.

We begin with our Policy. The Bar Plan has the most comprehensive coverage currently available on the market. Next, we look to our superior claims handling. All of our claim staff are experienced, licensed attorneys. We use local defense counsel to defend our lawyer insureds and our board of attorneys must approve any declination of coverage decision. We also look to our underwriting staff with over 50 years of combined experience, our strong management team, our exceptional Board of Directors - all licensed attorneys, and our risk management personnel who serve and educate our insureds. And last, but certainly not least, we look to the attorneys and bar leaders we serve and who actively support us and our mission.

Our three year strategic plan includes many exciting initiatives to ensure The Bar Plan remains the premiere company for lawyers’ professional liability insurance and court bonds. We are expanding our risk management and loss prevention services. We are improving our online services to allow greater access to information, streamline processes, and improve communication with insureds, potential customers and independent agents. We are also adding strategic partners to our bond program that is now available nationwide.

Navigating rough waters requires skillful leadership and a clear vision of where you are going. Our mission is to serve the legal community in everything we do. It is our sole focus and we know it will continue to serve us well.

Warmest Regards,

A handwritten signature in cursive script that reads "Karen R. McCarthy".

Karen R. McCarthy
President and CEO

RISK MANAGEMENT EDUCATION

In 2007, The Bar Plan Foundation conducted 64 seminars across Missouri, Kansas and Indiana, reaching over 4,500 attorneys while addressing critical risk management and professionalism issues.

ANNUAL GOLF TOURNAMENT

The Bar Plan Foundation's 14th Annual Golf Tournament was held September 17, 2007 at WingHaven Golf Course and Country Club. This year's beneficiaries, Lost & Found of the Ozarks and the Indiana Judges and Lawyers Assistance Program received \$11,522.00 and \$1,000.00 respectively.

The Foundation's 15th Annual Charity Golf Tournament will be held at WingHaven, October 6, 2008.

2007 SCHOLARSHIP RECIPIENTS

In 2007, The Bar Plan Foundation awarded scholarships to six 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.

Jessica Conlon, University of Missouri-Columbia School of Law. Jessica Conlon was selected as a recipient of The Bar Plan Foundation Scholarship based on her sincere commitment to public service and social justice. After graduating magna cum laude from Boston University in 2003, Jessica accepted a two-year position with Teach for America. During this time, Jessica taught English and Social Studies to seventh grade students in the South Bronx.

Elizabeth Dillinger, University of Missouri-Kansas City School of Law. Elizabeth Dillinger is the recipient of The Bar Plan Foundation's Roy A. Larson Scholarship. Prior to attending law school, Elizabeth received her BA in Fine Arts from Berry College.

Holly Fisher, Washburn University School of Law. Holly Fisher has taken the less traditional path to law school. Although Holly aspired to attend law school from a young age, she put her plans on hold to care for her four children and husband. After graduating from the University of Utah with a degree in political science, Holly and her family relocated to Kansas so that Holly could attend law school.

Mairi Lough, Washington University School of Law. Mairi Lough is a third-year student at Washington University School of Law. Born and raised in St. Louis, MO, Mairi earned her Bachelor of Science in biochemistry from the University of Missouri at Columbia.

Valley Renshaw, University of Missouri-Kansas City School of Law. Valley Renshaw is a third-year law student at University of Missouri-Kansas City School of Law and the recipient of the Richard P. Sprinkle Scholarship.

Sara Zafar, University of Kansas School of Law. Sara Zafar is a third-year law student at the University of Kansas School of Law. She obtained her Bachelor of Arts in History from the University of Kansas where she also studied vocal music and art.

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 five states (IL, KS, MO, OK, and CT). 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 New Hampshire and Maryland.

The Court Bond Program continues to experience growth. Direct written premiums grew by 22% in 2007, and through the first quarter of 2008, are stable as compared to the same period in 2007. The Court Bond Program is on solid footing and poised for continued growth in 2008 and beyond.

THE BAR PLAN INSURANCE AGENCY, INC.

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 and a broad range of other insurance products important to lawyers and their practices. The Agency's experienced staff is available and eager to assist lawyers with their insurance needs.

The Bar Plan Insurance Agency, Inc. is the administrator for The Missouri Bar Group Term Life Insurance Program. The 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.

The Bar Plan Insurance Agency, Inc. also offers Lawyers' Business Owners, Workers' Compensation and Commercial Auto insurance to lawyers in Missouri and Kansas. These coverages are underwritten by The Hartford.

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

FINANCIAL INFORMATION

Summaries of the Company's financial position at year end 2007 and 2006 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

Statutory Statements of Admitted Assets, Liabilities and Surplus

December 31, 2007 and 2006

Dollars in thousands

	2007	2006
ADMITTED ASSETS		
Bonds	\$39,865	\$37,123
Common stocks	8,973	8,146
Real estate - home office	1,655	1,597
Cash and short term investments	4,210	5,523
Total cash and invested assets	<u>54,703</u>	<u>52,389</u>
Receivables		
Premium finance receivable	3,925	4,006
Reinsurance recoverable on paid losses	219	642
Federal income tax recoverable	8	232
Deferred tax asset, net	1,110	1,143
Electronic data processing equipment	32	33
Accrued investment income	551	439
Receivable from subsidiaries	12	53
Profit commission receivable	1,203	0
Other assets	497	361
	<u>62,260</u>	<u>59,298</u>
TOTAL ADMITTED ASSETS	<u>\$62,260</u>	<u>\$59,298</u>
LIABILITIES AND SURPLUS		
Liabilities:		
Reserve for losses	\$18,602	\$18,759
Reserve for loss adjustment expenses	10,587	11,209
Accrued expenses	354	628
Taxes, licenses, and fees	(103)	25
Unearned premiums	6,846	6,824
Unprocessed premiums and advanced premium	930	679
Accounts withheld by company for accounts of others	146	24
Ceded reinsurance premiums payable	899	1,017
Guarantee fund payable	275	211
Unclaimed funds	14	6
Profit commission payable	0	258
Payable to subsidiaries	67	21
Provision for reinsurance	204	37
	<u>38,821</u>	<u>39,698</u>
Total liabilities	<u>38,821</u>	<u>39,698</u>
Surplus:		
Policyholder contributions	2,630	2,662
Surplus note	5,020	5,020
Unassigned surplus	15,789	11,918
	<u>23,439</u>	<u>19,600</u>
Total surplus	<u>23,439</u>	<u>19,600</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$62,260</u>	<u>\$59,298</u>

FINANCIAL INFORMATION

Statutory Statements of Operations and Changes in Surplus

For the years ended December 31, 2007 and 2006

Dollars in thousands

	2007	2006
Net premiums earned	\$14,099	\$13,251
Losses incurred	4,331	7,458
Loss adjustment expense incurred	5,404	7,490
Other underwriting expenses incurred	<u>2,912</u>	<u>4,056</u>
Net underwriting gain (loss)	<u>1,452</u>	<u>(5,753)</u>
Investment income:		
Investment income, net of investment expenses	1,580	1,342
Net realized capital gain on investment - net of federal income tax for 2007 and 2006 of \$95,549 and \$122,346, respectively	<u>185</u>	<u>248</u>
Net investment income	1,765	1,590
Other income, net	<u>300</u>	<u>356</u>
Income (loss) before federal income taxes	3,517	(3,807)
Federal income taxes expense (benefit)	<u>(30)</u>	<u>(202)</u>
Net income (loss)	<u>\$3,547</u>	<u>\$(3,605)</u>
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	1,204	(1,318)
Special (assigned) surplus returned	(33)	(30)
Net unrealized capital gains/(losses) on common stock	370	337
Other changes, net	(167)	33
Change in net deferred income tax	(1,109)	1,199
Issuance of surplus note	0	5,020
Aggregate write-ins for gains and losses in surplus	<u>27</u>	<u>(20)</u>
Change in Surplus	<u>3,839</u>	<u>1,616</u>
Surplus, beginning of year	<u>19,600</u>	<u>17,984</u>
Surplus, end of year	<u>\$23,439</u>	<u>\$19,600</u>

CLAIMS DEPARTMENT

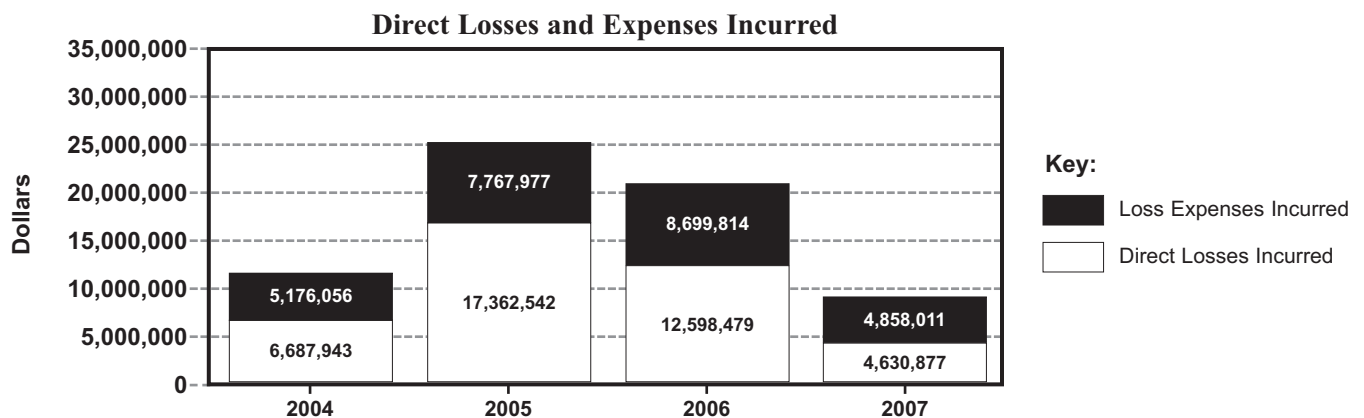
In 2007 The Bar Plan and its insureds benefitted from moderate severity in incurred claims and a relatively low level of frequency of claims per insured attorney. The 2007 calendar year results fared far better than the results of calendar years 2005 and 2006, wherein The Bar Plan experienced a spike in the severity of claims against its insured lawyers, as demonstrated in the graph below. We continue to expect increased severity of claims against attorneys as this trend has been reported by many other legal professional liability insurance carriers.

The improved calendar year results for 2007 are a result of more moderate severity and continued low frequency, improvements in underwriting and claims processes, and rate increases. These changes included, among other improvements, utilizing internal and external audits, audits of insureds, and an increase in the number of experienced, licensed attorneys to the claims staff in 2007.

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 12/31/2007

Rank	Area of Law	Count of Claims	As % of Open	As % of \$'s Paid and Reserved
1	Personal Injury Property Damage Plaintiff	129	29%	29%
2	Collection and Bankruptcy	55	13%	14%
3	Estate Trust and Probate	51	12%	11%
4	Family Law	44	10%	6%
5	Real Estate	41	9%	7%
6	Business Transactions Commercial Law	23	5%	10%
7	Corporate and Business Organizations	17	4%	5%
8	Personal Injury Property Damage Defendant	15	3%	3%
9	Criminal	14	3%	1%
10	Labor Law	9	2%	2%
11	Workers Compensation	8	2%	0%
12	Patents Trademarks Copyrights	7	2%	1%
13	Taxation	5	1%	1%
14	Securities SEC	5	1%	1%
15	Construction Building Contracts	5	1%	0%
16	Civil Rights and Commission	4	1%	1%
17	Local Government	3	1%	0%
18	Environment	2	0%	0%
19	Consumer Claims	2	0%	6%
20	Immigration and Naturalization	1	0%	0%
Total		440	100%	100%



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Kimberly M. Edgar
Compliance Analyst

Tracy E. Britt
Compliance Assistant

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Vice President - Underwriting

Linda J. Langley
Senior Underwriter

Linda Herndon Balagna
Underwriter

Beverly A. Fieser
Underwriter Trainee

Theresa E. Betts
Underwriting Assistant

Carole A. Paris
Underwriting Clerk

Adrienne M. Richardson
Underwriting Clerk

Tammy R. Deloach
Underwriting Clerk

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Vice President - Corporate Operations

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Regional Sales Manager

Jeffrey D. Thompson
Regional Sales Manager

Annette R. Hilyard
Account Representative

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Director of Risk Management

Christina M. Lewis
Risk Manager

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Director of Marketing

David W. Ritchey
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Vice President - Claims

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Senior Claims Counsel

Lisa L. Von Gontard
Claims Counsel

Allison J. Price
Claims Counsel

Melissa S. Demmon
Claims Counsel

Beth E. Halling
Claims Paralegal

Janet C. Meier
Claims Assistant

IS

Brian B. Bostrom
Director of IS Department

Cynthia J. Sanderbeck
Network Administrator

Katrinna R. Brangenberg
Senior Database/Applications Programmer

Michael D. Barnard
Database/Applications Programmer

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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

Delores L. Hance
Bond Underwriting Assistant





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