

Letter From The President



Karen R. McCarthy
President & CEO

The Bar Plan continued to operate profitably in 2009, despite the predatory and irresponsible pricing behavior exhibited by some of our competitors; particularly in Missouri. Our positive results are due to many factors including strict cost controls, effective underwriting, and efficient, proactive professional claims handling.

As a bar-related mutual insurance company we are owned by our policyholders and committed to the legal communities we serve. Due to this fact, our customers get the best possible coverage for the lowest price possible, consistent with the long-term financial strength and viability of the company. It also means our policyholders know who we are on a personal basis and they have direct access to our top officers and managers when a question or concern arises. This has been our consistent business model for 25 years and it will remain our business model.

We have seen commercial companies through the years come into the market and buy market share by charging an unsustainably low premium. Over time, these companies have either been forced to raise rates considerably or to leave the market altogether. Sometimes this has been to the considerable detriment of law firms who thought they had adequately protected themselves and their loved ones from financial hardship. The Bar Plan is the only company that can claim consistent significant market share for solo and small firms in Missouri for nearly 25 years, and we are building that same consistent, stable presence in Kansas, Indiana and New Mexico. Our pricing is consistent and fair, and based upon credible, long-term claims data. This ensures we will be here for lawyers when they need us most.

We have been listening to lawyers and asking them what sets The Bar Plan apart from other commercial companies, and we have been gratified by the responses we have received. The consistent answer we received is simple: our insureds know us and trust us. They appreciate that they can call us and get answers. They know that when they buy malpractice insurance from The Bar Plan, they not only become part of our family, they also become owners of our company.

As we enter 2010 and celebrate our 25th Anniversary, we are making some exciting changes to remain the premier company for Lawyers' Professional Liability Insurance and Court Bonds in the markets we serve. For example, we are updating our online services to improve the ease of doing business with us, and we are expanding our industry-leading practice management services to help lawyers build and maintain more successful practices.

Thank you for your support of The Bar Plan and please let us know what we can do to better serve you.

A handwritten signature in black ink that reads "Karen R. McCarthy". The signature is fluid and cursive, with a large initial 'K'.

Karen R. McCarthy
President & CEO

The Bar Plan Foundation

RISK MANAGEMENT EDUCATION

In 2009, The Bar Plan Foundation conducted 64 seminars across Missouri, Kansas, Indiana and New Mexico reaching over 3,500 attorneys while addressing critical risk management and professionalism issues.

ANNUAL GOLF TOURNAMENT

The Bar Plan Foundation's 16th Annual Golf Tournament was held on October 12, 2009 at Greenbriar Hills Country Club. The beneficiaries were St. Liborius Social Ministries, Northland Early Education Center in Kansas City and The Bar Plan Foundation. The beneficiaries each received \$2,400. The Foundation's 17th Annual Golf Tournament will be held at The Courses at Forest Park on August 31, 2010. 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.

2009 SCHOLARSHIP RECIPIENTS

In 2009, The Bar Plan Foundation awarded scholarships to five 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.

Christopher Aulepp, the recipient of the **Richard P. Sprinkle Scholarship**, has balanced academics with community service. He is a recent law school graduate from the University of Missouri – Kansas City. Christopher spent two years in Bolivia as a Missionary, currently serves as a Sunday School teacher and, while in law school, served as an Honor Court Justice and President of the J. Reuben Clark Society Chapter.

Reagan Larkin's academic accomplishments, determination and active law school participation resulted in her being chosen for The Bar Plan Foundation's Scholarship. She is a recent graduate from Washington University's School of Law where she was the Executive Articles Editor for the *Washington University Journal of Law and Policy* and a Gephardt Institute Fellow.

Alice Walker is a recent law school graduate from Washburn University School of Law. Her outstanding academic performance and involvement in law school activities made her an ideal recipient of The Bar Plan Foundation Scholarship. While in law school, Alice was a member of the Moot Court Competition Team, Phi Alpha Delta Law Fraternity, Washburn Student Bar Association and the Women's Legal Forum.

"I routinely include the Bar Plan's Risk Management seminars in my annual CLE diet, and as a solo practitioner, have benefitted from the help line. Experienced or inexperienced, every attorney is confronted by ethics questions."

— *Jonathan D. Parnell*
Parnell Law Offices, LLC

Agency Operations and Court Bond Program

2009 SCHOLARSHIP RECIPIENTS (CONT.)

Allison Trimble is The Bar Plan Foundation's **Roy A. Larson Scholarship** recipient. Allison is a recent law graduate from the University of Missouri – Kansas City, where she served on the UMKC Law Review and *The Urban Lawyer*, as a student representative to the Curriculum Committee and as a Law School Emissary. Additionally, she volunteers for CASA and the Association for Women Lawyers of Greater Kansas City.

Dana Watts is a recent graduate from The University of Kansas School of Law, where she was immersed in the KU Legal Community. She served as a member of the *Kansas Law Review*, most recently as the Associate Editor. As a leader of the International Law Society, Dana chaired the 2009 Human Rights Symposium. Prior to law school, she spent three years in Osaka, Japan teaching English to students.

THE BAR PLAN AGENCY OPERATIONS

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 provides 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 www.onlinecourtbonds.com.

The court bond program has expanded across the nation and we now offer bonds in all states except Maryland. The program continues to add marketing partners and is poised for solid growth in 2010 and beyond.

“Having a busy probate practice, it is very important to us to have well-established procedures for obtaining court bonds. I have always been impressed with the responsiveness of the staff at The Bar Plan.”

— *John Gunn,*
The Gunn Law Firm, PC
Insured since 2001

Financial Information

Summaries of the Company's financial position at year end 2009 and 2008 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 Years ended December 31, 2009 and 2008 (Dollars in thousands)

	2009	2008
ADMITTED ASSETS		
Bonds	\$38,011	\$41,911
Common stocks	8,213	7,072
Real estate - home office	1,897	1,665
Cash & Short-term investments	3,143	3,694
Total Cash & invested assets.....	51,264	54,342
Receivables:		
Premium receivable	3,062	3,361
Reinsurance recoverable on paid losses	205	54
Profit commission receivable	322	—
Accrued investment income	509	532
Receivable from subsidiaries	24	8
Federal income tax recoverable	176	222
Premium tax receivable	70	—
Other Assets:		
Deferred tax asset, net	1,048	1,016
Electronic data processing equipment	49	56
Other assets	424	462
TOTAL ADMITTED ASSETS.....	\$ 57,153	\$ 60,053
LIABILITIES AND SURPLUS		
Liabilities:		
Reserve for losses.....	\$15,335	\$17,168
Reserve for loss adjustment expenses	9,727	10,244
Accrued expenses	601	422
Taxes, licenses and fees	—	101
Unearned premiums	5,742	6,279
Advanced premiums	872	1,160
Remittances and items not allocated	149	138
Accounts withheld by company for accounts of others ...	86	45
Ceded reinsurance premiums payable	699	712
Guarantee fund payable.....	296	277
Unclaimed funds.....	9	12
Profit commission payable.....	—	166
Payable to subsidiaries	17	49
Provision for reinsurance	60	30
Total liabilities	33,593	36,803
Surplus:		
Policyholder contributions	350	2,586
Surplus note	5,020	5,020
Unassigned surplus	18,190	15,644
Total Surplus	23,560	23,250
TOTAL LIABILITIES AND SURPLUS.....	\$ 57,153	\$ 60,053

“It is reassuring to know that the lawyers at The Bar Plan who analyze and evaluate claims against lawyers and law firms have, as part of their backgrounds, experience in private practice.”

— *Spencer Brown*
Deacy & Deacy LLP
Insured since 1988

Financial Information

Statutory Statements of Operations and Changes in Surplus

Years ended December 31, 2009 and 2008

(Dollars in thousands)

	2009	2008
Net Premiums Earned	\$ 11,947	\$ 13,348
Losses incurred	1,939	2,660
Loss adjustment expense incurred.....	6,394	6,096
Other underwriting expense incurred	4,121	4,720
Net underwriting gain (loss)	(507)	(128)
Investment Income:		
Investment income, net of investment expenses	1,271	1,609
Net realized capital loss on investment – net of federal income tax for 2009 and 2008 of (\$4,603) and \$0, respectively	(211)	(31)
Net investment income	1,060	1,578
Other income, net	245	264
Income (loss) before federal income taxes	798	1,714
Federal income taxes expense (benefit)	27	20
Net income (loss)	\$ 771	1,694
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	(940)	(96)
Refunds of policyholder contributions	(33)	(43)
Change in net unrealized capital gains/(losses) on common stock.....	(380)	(1,265)
Change in provision of reinsurance.....	(30)	174
Change in net deferred income tax.....	875	(652)
Aggregate write-ins for gains and losses in surplus.....	46	—
Change in surplus	309	(188)
Surplus, beginning of year	\$ 23,251	\$ 23,439
Surplus, end of year	\$ 23,560	\$ 23,251

“We base our rates on actuarial analysis, not market opportunity. We know what rates must be changed to cover the expected losses and we set our rates accordingly.”

— *Karen R. McCarthy*
President & CEO
The Bar Plan

Claims Department

In 2009 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. This was coupled with quite a number of successful defense verdicts, summary judgments, victories on appeal, and acceptable settlements. This claims experience is better than the industry trend of the last several years which is one of increasing claim severity. The Bar Plan is concerned about this trend and we remain diligent and steadfast in our efforts to moderate our claims experience and beat the industry trend.

The positive calendar year experience for 2009 of moderate severity and continued low frequency were the result of several factors including disciplined underwriting in spite of aggressive competition, refined claims processes and efficient claims resolutions. 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.

The cost of defending legal malpractice claims continued to increase, with defense costs significantly exceeding the costs of indemnity for the 2009 calendar year. As you can see from the charts below, as of December 31, 2009, the highest number of open claims arose out of personal injury plaintiff and estate, trust and probate areas of practice.

“When it came time to start my own law firm, there was no question who I would use for my malpractice insurance. The Bar Plan took care of everything within days and gave me a great plan... That is huge when you are starting your own business.”

— *Dennis Donahue,*
Dennis Donahue
& Assoc., LLC

Open Claim Count by Area of Law *(as of date reported 12/31/2009)*

Area of Law	Count of Claims	Percent
Personal Injury Property Damage Plaintiff	80	22%
Estate Trust and Probate.....	54	15%
Real Estate.....	43	12%
Family Law.....	40	11%
Collection and Bankruptcy.....	34	9%
Corporate and Business Organizations	24	6%
Business Transactions Commercial Law	20	5%
Criminal.....	13	4%
Personal Injury Property Damage Defendant	10	3%
Civil Rights and Commission	9	2%
Patents, Trademarks, Copyrights	8	2%
Workers' Compensation	8	2%
Labor Law.....	7	2%
Consumer Claims	6	2%
Securities SEC	5	1%
Taxation	4	1%
Construction Building Contracts	2	1%
Government Contracts and Claims	2	1%
Environment	1	0%
Local Government.....	1	0%

Total Open Claims: 371

Average Cost of Closed Claims with Payment for Closed Years 2005-2009 *(as of 3/11/2010)*

Year	MO	KS	IN	NM
2005.....	247,827	115,133.....	25,485	7,500
2006.....	111,086	89,726	34,588	0
2007.....	111,510	76,947	133,076	0
2008.....	121,608	75,645	94,110	36,472
2009.....	118,394.....	111,260	96,768	0
Avg. - 2005-2009	142,085	93,742	76,805	8,794

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Michael D. Barnard
Database/Applications Programmer

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