

2011 Annual Report

THE  
BAR PLAN.

# Table of Contents

2011 Annual Report

Letter From the President  
2011 Annual Report

Page 3

Financials  
By the Numbers

Page 4

Claims  
Underwriting & Defending Lawyers

Page 5

Agency  
Providing Products & Services

Page 6

Surety & Fidelity  
Bonds

Page 6

Foundation  
Risk Management, Education & Scholarships

Page 7

Who We Are  
Our Staff & Boards of Directors

Page 8



# Letter From the President

2011 Annual Report

Karen McCarthy  
President & CEO  
The Bar Plan

As I write this year's letter, I have the benefit of five months of experience for 2012. I am happy to report that we are seeing some very positive trends, and a significant reversal from the last few years. We are back to experiencing our historically normal retention rates of over 95%. New business is robust and premiums are running well ahead of last year. As we expected, the irresponsible and unsustainable business practices of the rogue players in the market have started to reverse as they have begun implementing considerable rate increases. We have always been confident in The Bar Plan's ability to compete on a level playing field, and recent trends are bearing this out once again.

We have learned a great deal about managing through difficult times as we successfully maintained our balance sheet strength and capital adequacy in spite of the increasing claim severity and difficult economic conditions.

We are implementing several exciting initiatives this year. We will continue to make it easier to conduct business with The Bar Plan by adding online and paperless options for lawyers and agents, and further streamline our processes and procedures to improve our turnaround times. We are reaching out to displaced lawyers to offer technical assistance with setting up new practices, and expanding our claim avoidance assistance to firms through our risk management and practice management services. These initiatives will continue as we move forward with our expansion efforts for both Lawyers' Professional Liability insurance and our signature court bond program.

As we look into 2013 and beyond, The Bar Plan is well positioned and prepared to take advantage of opportunities that present themselves in this more rational marketplace. We have maintained our strong balance sheet and capital adequacy through the down cycle by adhering to our mission as a bar-related insurance company to offer the broadest possible insurance coverage at the best possible price consistent with preserving the long-term financial strength of the company. It has been difficult losing some business due to unprecedented and unsustainable price competition, but we knew we were doing the right things for lawyers who rely on us to be here for them over the long-term.

As always, I value our clients, agents and supporters very much and the constructive input I receive from you on a regular basis. If you would like to contact me, please call me directly at 314-288-1017 or e-mail me at [krmccarthy@thebarplan.com](mailto:krmccarthy@thebarplan.com).

Sincerely,



Karen R. McCarthy  
President & CEO  
The Bar Plan

**Statutory Statements of Admitted Assets,  
Liabilities, and Surplus  
Years ended December 31, 2011 and 2010  
(Dollars in thousands)**

<b>Admitted Assets</b>	<b>2011</b>	<b>2010</b>
Bonds	\$30,969	\$33,910
Common stocks	9,195	8,980
Real estate - home office	1,827	1,873
Cash & short-term investments	6,728	5,394
<b>Total cash and invested assets</b>	<b>48,719</b>	<b>50,157</b>

**Receivables:**

Premium receivable	3,262	3,625
Reinsurance recoverable on paid losses	198	48
Profit commission receivable	-	112
Accrued investment income	328	403
Receivable from subsidiaries	19	25
Federal income tax recoverable	-	195

**Other Assets:**

Deferred tax asset, net	852	1,047
Electronic data processing equipment	69	16
Other assets	334	452

**Total Admitted Assets** **\$53,781** **\$56,080**

**Liabilities and Surplus**

**Liabilities:**

Reserve for losses	\$14,873	\$16,898
Reserve for loss adjustment expenses	8,899	8,936
Accrued expenses	252	488
Taxes, licenses, and fees	27	12
Current federal and foreign income taxes	16	-
Unearned premiums	5,144	5,334
Advanced premiums	608	997
Remittances and items not allocated	182	105
Accounts withheld by company for accounts of others	316	22
Ceded reinsurance premiums payable	637	687
Guarantee fund payable	-	315
Payable for securities	304	-
Unclaimed funds	31	33
Payable to subsidiaries	19	4
Profit commission payable	76	-
Provision for reinsurance	1	-

**Total liabilities** **31,385** **33,831**

**Surplus:**

Policyholder contributions	302	323
Surplus note	5,011	5,020
Unassigned surplus	17,083	16,906
Total surplus	22,396	22,249

**Total Liabilities and Surplus** **\$53,781** **\$56,080**

**Statutory Statements of Operations  
and Changes in Surplus  
Years ended December 31, 2011 and 2010  
(Dollars in thousands)**

	<b>2011</b>	<b>2010</b>
<b>Net premiums earned</b>	<b>\$10,228</b>	<b>\$10,964</b>
Losses incurred	1,582	4,927
Loss adjustment expense incurred	6,462	5,170
Other underwriting expense incurred	4,229	4,191
<b>Net underwriting gain (loss)</b>	<b>(2,045)</b>	<b>(3,324)</b>

**Investment Income:**

Investment income, net of investment expenses	991	1,115
Net realized capital loss on investments - net of federal income tax for 2011 and 2010 of \$0 and \$0, respectively	1,542	(115)

**Net investment income** **2,533** **1,000**

**Other income, net** **245** **250**

**Income (loss) before federal income taxes** **733** **(2,074)**

**Federal income taxes expense (benefit)** **15** **(53)**

**Net income (loss)** **\$718** **\$(2,021)**

**Other changes in surplus:**

Net increase/(decrease) in non-admitted assets	(313)	(720)
Refunds of policyholder contributions	(20)	(27)
Change in net unrealized capital gains/(losses) on bonds and common stock	(259)	613
Change in provision of reinsurance	(1)	59
Change in net deferred income tax	22	785
<b>Change in surplus</b>	<b>147</b>	<b>(1,311)</b>
<b>Surplus, beginning of year</b>	<b>22,249</b>	<b>23,560</b>
<b>Surplus, end of year</b>	<b>\$22,396</b>	<b>\$22,249</b>

Summaries of the Company's financial position and operating results at years ended December 31, 2011 and 2010 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

**Financials**

By the Numbers

**THE  
BAR PLAN**

# Claims

Underwriting & Defending Lawyers

[Click here to see Mr. deVries' interview:](#)

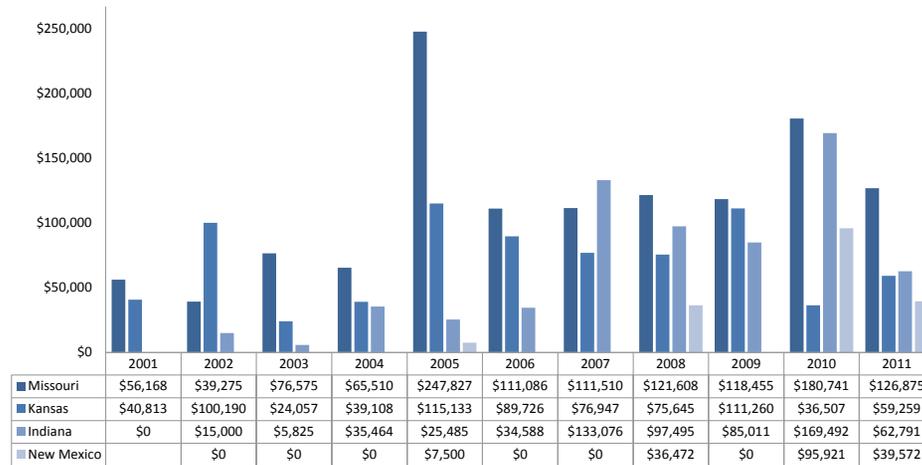
"If you drive a car for 20 years, odds are you will have an accident. If you practice law for 20 years (or in my case 32), you will get sued."

Coulter deVries  
deVries & Associates  
Insured since 1998



## Average Cost of Closed Claims with Payment for Closed Years 2001 - 2011

As of 4/11



In 2011 The Bar Plan saw an increase in severity in claims, while the number of claims reported per 100 attorneys stayed relatively stable. The Bar Plan continued achieving success on behalf of our insureds through a number of successful defense verdicts, summary judgments, victories on appeal, and acceptable settlements.

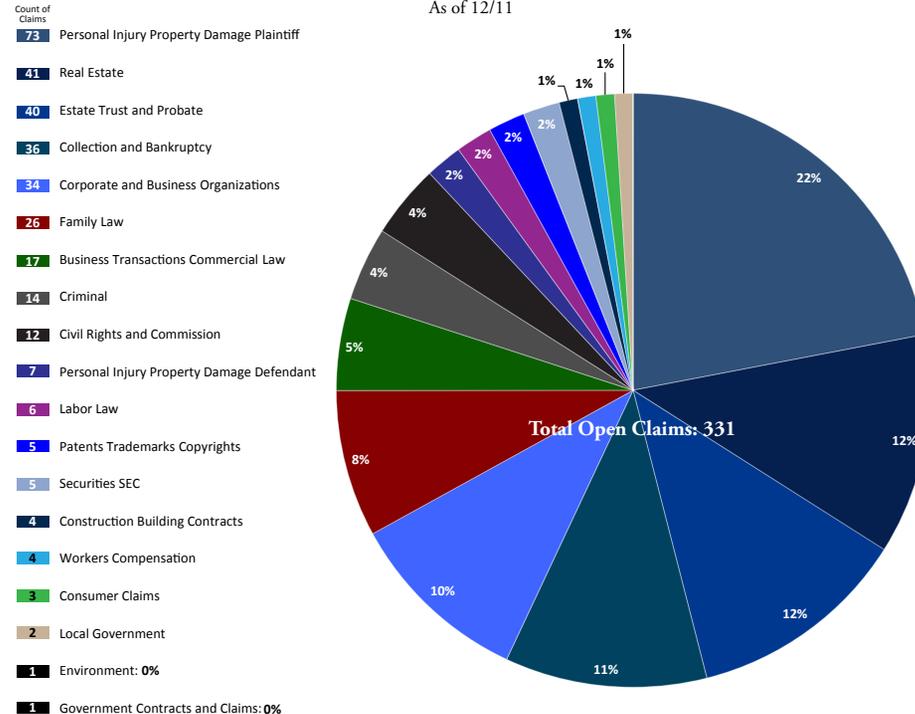
Our claims experience is consistent with the industry trend of the last several years; which is one of increasing claim severity. The Bar Plan is concerned about this severity trend and we remain diligent and steadfast in our efforts to moderate our claims experience.

The continued increasing severity seen in 2011 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 despite 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.

Although we expect the cost of defending legal malpractice claims to continue to be significant, we experienced a decrease in total defense costs incurred year over year from 2010 to 2011. As you can see from the chart on the left, as of December 2011, the highest number of reported claims continues to arise out of the personal injury plaintiff area of practice.

## Open Claim Count by Area of Law

As of 12/11



# Agency

## Products & Services

The Bar Plan Insurance Agency, Inc., a wholly-owned subsidiary of The Bar Plan Mutual Insurance Company, services The Bar Plan's lawyers' professional liability insurance and court bond clients and provides assistance to independent agents who sell these products.

With its products and services, the Agency plays a vital role in making The Bar Plan a leading resource for the insurance needs of lawyers and law firms. It is continually monitoring the market and adding products and coverages as requested by our insureds or through market analysis. Most recently, domestic partner coverage, and new 10 and 20-year Group Level terms were added to the Group Life Insurance program. The spring of 2012 saw the addition of a Data Breach coverage option to the Lawyers' Business Owners Policy, to help pay

for client notifications and to defend lawsuits resulting from a breach.

The Agency also offers a Lawyers' Business Owner's Policy and Workers' Compensation insurance underwritten by The Hartford and administers the Group Term Life Insurance program for The Missouri Bar. The life program is underwritten by ReliaStar Life Insurance Company, a member of the ING family of companies.

Our Agency is committed to making the purchasing process as easy as possible and to ensuring the client gets the coverages they need. Our Agents and Management team frequently attend legal conferences, seminars, and events in all our markets, and assist independent Agencies with sales and marketing ideas.

# Surety & Fidelity

## Bonds

The Bar Plan Surety and Fidelity Company is a wholly-owned subsidiary of The Bar Plan Mutual Insurance Company, and together with the Mutual operates The Bar Plan's Court Bond Program. The program is licensed in all 50 states and the District of Columbia. It is marketed and sold directly to attorneys online, and through a growing list of marketing partners in various states. Marketing partners are generally selected because of their established relationships with attorneys.

The program continued its steady growth in 2011 and experienced essentially a zero loss ratio as we collected more in subrogation than we incurred in claims. We also reduced expenses by 5% from the prior year. Based on its financial results and strong capital position, in 2011 the Surety returned \$150,000 in capital

to its shareholder TBP Holding Company who in turn paid a \$150,000 dividend to its shareholder the Mutual.

The court bond program offers an array of surety bonds that are filed in relation to all kinds of civil court matters. We differentiate ourselves by offering a 24-hour turnaround, competitive rates, and attorney-managed underwriters who understand the needs of attorneys and their clients.

# Foundation

Risk Management, Education & Scholarships

## Risk Management Education

In 2011, The Bar Plan Foundation conducted 82 seminars across Missouri, Kansas, Indiana and New Mexico. The seminar series was presented to over 3,500 attorneys and addressed critical risk management and professionalism issues.

[Click here for more on our CLE Seminars](#)

## Annual Golf Tournament

The Bar Plan Foundation's 18th Annual Golf Tournament was held in August at Greenbriar Country Club. The beneficiaries were Joplin Tomorrow and The Bar Plan Foundation. Both beneficiaries received \$8,182.50. The 19th Annual Golf Tournament will be held at Greenbriar Country Club on August 27, 2012. For more information, please visit our website at [www.thebarplan.com](http://www.thebarplan.com).

## 2011 Scholarship Recipients

In 2011, The Bar Plan Foundation awarded scholarships to seven remarkable young law students. All of those awarded 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. The recipients are:

**Aaron D. Lukken**, the recipient of the Richard P. Sprinkle Scholarship, is a 3rd year student at the UMKC School of Law. While pursuing a JD, he is also working as a Research Assistant at UMKC Continuing Legal Education and as a Law Clerk at McGonagle Spencer, PC. Aaron is Chief Justice of the UMKC Moot Court Board, President of the UMKC International Law Society and a member of various other civic and charitable organizations.

**William Hampton Williams** is The Bar Plan Foundation's Roy A. Larson Scholarship recipient. He is a 3rd year student at the UMKC School of Law. Hampton is the Chief Justice of the Honor Court and a member of the Code of Revision Committee, he is an officer of the Public Interest Law Society, and has held internships with various political

and legal organizations. His family has a well-documented history of public service through the legal profession and he aspires to continue that tradition.

**Matthew Z. Hudson** is a 3rd year student at Washburn School of Law. After spending a childhood in the foster care system, Matthew sought to improve the system by getting involved through speaking engagements and activities with the Kansas Youth Advisory Council, as well as testifying on behalf of the Foster Children Educational Assistance Act before the House and Senate. Upon completing his education, Matthew intends to continue advocating on behalf of child welfare issues.

**David G. Kirby** is a 3rd year student at Washington University in St. Louis. Following a career in government and politics, David went to law school and continues to be an active participant in civic and community organizations. He was awarded the Excellence in Oral Advocacy Award in 2010 and served as a Judge for the 1L Oral Advocacy Competition earlier this year.

**Joshua D. Moore** is a 3rd year student at the

University of Missouri School of Law and also works as a litigation clerk at a local law firm. He serves as President of the Non-Traditional Law Students Association, holds a leadership position with the Missouri Environmental Law and Policy Review and volunteers as a Career Development Office Ambassador. Joshua aspires to become a litigator and serve the public in some capacity.

**Rachel B. Sherck** is a 3rd year student at University of Kansas School of Law. She aspires to be a prosecutor or civil lawyer. Outside of the classroom, Rachel served on the Dean's Student Advisory Council, a mentor for 1st year law students, a Dean's Fellow, and as a member & committee Chair of Women in Law.

**Denise L. Childress**, has ranked in the top 15% of her class at Saint Louis University School of Law. She has been involved with the Public Interest Law Group, and as an intern for the past three summers in the Missouri State Public Defender system, assisting attorneys in representing indigent clients. Additionally, Denise volunteers for UrbanFUTURE, an inner city elementary school mentoring fifth grade students.

# Who We Are

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# Who We Are

Staff

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President & Chief Executive Officer

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Vice President and General Counsel

Kimberly M. Edgar  
Compliance Analyst

Tracy E. Britt  
Compliance Assistant

## Underwriting

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Vice President

Linda J. Langley  
Senior Underwriter

Linda Herndon Balagna  
Underwriter

Thresa E. Betts  
Underwriter Assistant

Carole A. Paris  
Underwriting Clerk

Amy L. Presson  
Underwriting Clerk

## Agency Operations

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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. Stiegemeier  
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

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Human Resource Generalist

Mark G. Bockius  
Facilities Manager

Brenda L. Bauman  
Receptionist

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Susan McCourt Baltz  
Director of Marketing

Joseph C. Allen  
Graphic Designer

## The Bar Plan Foundation

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President

Christian A. Stiegemeier  
Executive Vice President

Christina Lewis Abate  
Risk Manager

## Claims

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Vice President

Valerie L. Polites  
Senior Claims Counsel

Tyler R. Breed  
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

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Vice President – Surety Underwriting

Cathleen P. Ahearn  
Senior Bond Underwriter

Deborah J. Eller  
Bond Underwriter

Tamara L. Baker  
Bond Underwriting Assistant

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