



THE  
BAR PLAN®  
— 30 YEARS —

2015 Annual Report

**Karen McCarthy**  
President & Chief Executive Officer



# In 1986

## We Wrote Our First Policy

As The Bar Plan celebrates its 30th anniversary, we celebrate the many people and business partners who have helped build and shape the company into the strong and dedicated market leader that we have become. You will get to know some of them as you read through this annual report, but there are hundreds more who have made immeasurable contributions to our success that we could not highlight.

Born out of a crisis in the Lawyers' Professional Liability Insurance ("LPL") marketplace in the mid-1980s, The Bar Plan Mutual Insurance Company's mission is to provide lawyers with the broadest possible coverage at the best possible price, consistent with the long-term financial stability of the company. The Bar Plan's products and services are exclusively for the benefit of the legal community. That is our focus. Thirty years later we can humbly declare that we have been true to our mission.

The Bar Plan quickly became the market leader in Missouri and has consistently maintained this position, with a market share of 65% according to the latest official data. We now write LPL in 5 states and have quickly become a major writer in each new state we have entered. We also expanded the products and services we offer to lawyers and law firms to include court bonds (underwritten by The Bar Plan) and life insurance, lawyers' business owner's insurance, and workers' compensation offered by The Bar Plan Insurance Agency. In addition to our strong lineup of products, we are very proud of our industry-leading practice management and risk management services.

We have built this strong line-up of products and services while also building a very strong balance sheet to ensure The Bar Plan is financially strong for the long term.

Perhaps our financial strength is best summed up with one key financial indicator. Our Net Written Premium to Surplus ratio is approximately .6 to 1. This is far superior to the vast majority of commercial carriers that write LPL insurance. Anything below 2 to 1 is considered excellent. A 0.6 to 1 ratio means The Bar Plan has a very strong capital position for the amount of premium we write. This is evidenced by our "A" "Excellent" Financial Strength Rating from Demotech, Inc.

As a mutual insurance company owned by our policyholders, we don't face the financial pressures of commercial stock companies to maximize the return on their investments. This allows us to manage our surplus to the best advantage of our policyholders, which results in making decisions about coverage and premiums solely with their best interests in mind. The result is quality products backed by a strong company our policyholders can count on to be here for them when they need us.

Building a strong company and a market leader doesn't just happen without strong dedicated leadership and loyal employees who are committed to a common mission. We have been fortunate to have tremendous continuity in both our staff and our board of directors. We have also enjoyed great long-term relationships with The Missouri Bar and other bar associations, independent agents, defense attorneys, reinsurers and reinsurance brokers, and most importantly our customers. We thank you all for 30 great years, and we look forward to many more.



# Agency & Underwriting

As a practicing attorney and Missouri State Representative, Caleb Jones has a lot on his mind and great responsibility. It's no surprise that renewing his malpractice insurance does not hit top priority at times. So naturally, when the time came for Representative Jones to renew his policy, he needed it be painless and was impressed with how hard The Bar Plan's agents worked to keep the process as seamless as possible. "Mark Bockius (The Bar Plan Agent) worked with me when I screwed up on renewing my insurance," said Representative Jones. "He contacted me personally and we worked hand-in-hand to make sure I had the coverage I needed and I was protected. He saved me time and simplified the process, no doubt about it."

Representative Jones graduated from law school in 2007 and has been covered by The Bar Plan since he began private practice. He says he stayed with The Bar Plan "because they have stayed loyal to me; they care about me."

80% of The Bar Plan's business continues to come from law firms that have fewer than five attorneys. 41% is from solo firms. "As someone who keeps a small business afloat, as well as serving the legislature, I can't wait weeks on end for answers," said Representative Jones. "The Bar Plan is very accessible. I have always been able to reach out and talk to somebody who has answers. I feel they care about my business and my success, and they have a part in it. You want to work with someone like that."

As with our relationship with Representative Jones, our primary focus at The Bar Plan is to establish these partnerships with both lawyers and agents to assist them with professional liability insurance, court bonds, and other insurance products for lawyers. In 2015, our

Agents attended over 60 legal conferences and seminars to meet or reconnect with our existing insureds and to build relationships with prospective insureds. Face-to-face contact has always been an important aspect of our business model.

Our agency staff works closely with our underwriting department to provide exceptional service to our customers and independent agents. Our underwriters average over 20 years of experience which translates into a thorough and efficient customer experience. As Senior Underwriter Linda Langley notes, "my review of an application is designed to get it right and to make sure the law firm is underwritten in a fair and professional manner. I know that LPL insurance is not intuitive, so I make every effort to be clear and ask questions so that each firm receives a fair and accurate quote."

Director of Underwriting Christina Lewis Abate brings a valuable perspective as a practicing lawyer and insurance risk manager. She understands the practice of law and the everyday pressures faced by lawyers and law firms. "Our goal is to provide a customer-friendly and professional underwriting experience to our insureds," said Christina. "We are respectful of their time and I am always available to assist them in any way I can."

Christina is a very involved leader within the Bar and an active participant on Bar Committees. Like our agents, she frequently attends Bar functions and takes every opportunity to get to know our insureds and their needs. She is also a frequent CLE presenter on topics of legal ethics and the practice of law. "I am a member of the legal community that I serve; I am committed to making sure that we deliver the exceptional customer service lawyers expect and deserve."



**Caleb Jones**  
Missouri State Representative





**Brent Baldwin**

The Baldwin Law Group  
Defense Counsel

# Claims

As Defense Counsel for The Bar Plan and Managing Attorney of The Baldwin Law Group, Brent Baldwin finds working with The Bar Plan's Claims Department to be like working with friends. "It's a collegial group of people; they respect you, and you respect them. Many times I receive return messages late into evenings and even on weekends. As licensed attorneys with prior experience in private practice, it's a great group of people who produce an exceptional product," Brent said.

A member of our defense panel since the inception of The Bar Plan, Brent has a long history with the Company. Likewise, Valerie Polites, Senior Claims Counsel, has been working with Brent since 1997. "In the almost twenty years I have known and worked with Brent, I never stop being amazed by his intellect and wit, as well as his mastery of the two page sentence," joked Valerie. "In all seriousness, it is great to work with Brent, as well as our entire panel of defense attorneys. LPL claims are not typical insurance defense claims or even typical professional liability insurance claims. Every claim involves a case within a case, which makes it all the more important that defense counsel is experienced in handling these particular types of claims."

It is the relationships built between the outside defense panel and The Bar Plan Claims Counsel that, in the end, facilitates the claims process and makes it less stressful for the insured. Our Claims Counsel work closely with our outstanding panel of defense attorneys, like Brent,

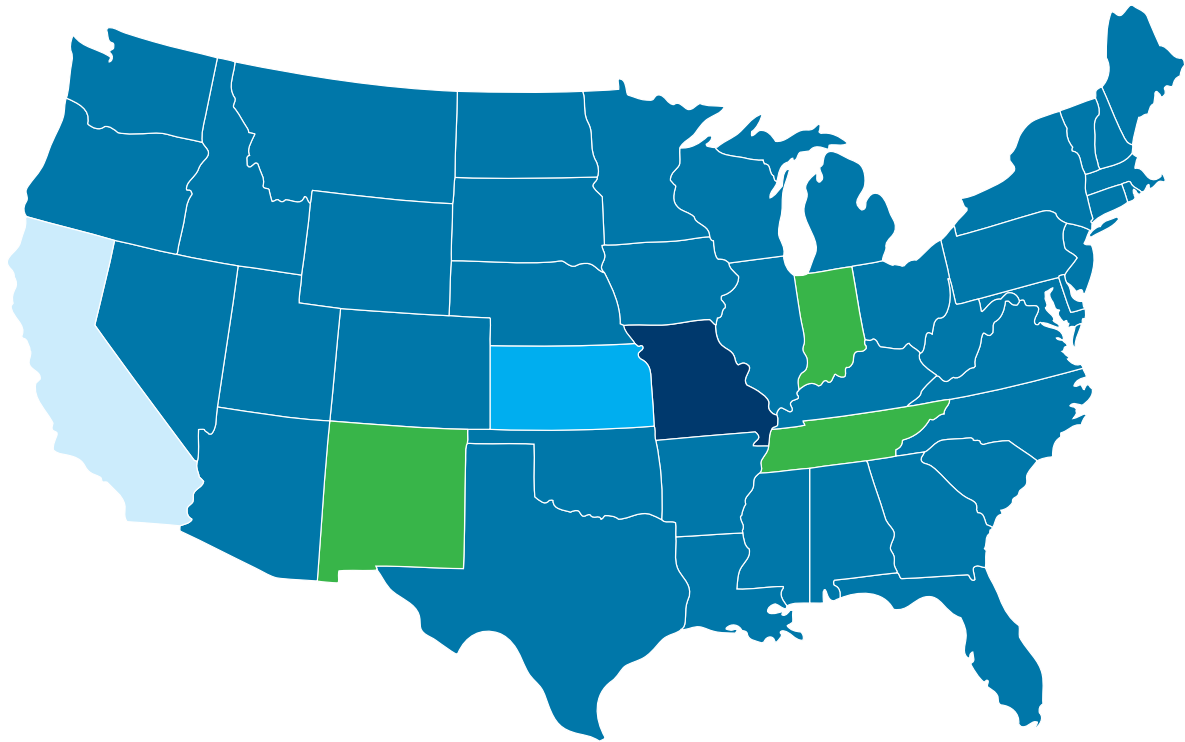
who are uniquely qualified and experienced in defense of LPL claims. These defense attorneys are distinguished members of the legal communities we serve and colleagues of our insureds whom they defend.

We continue to see the number of Fair Debt Collection Practices Act (FDCPA) claims increase. The number of FDCPA claims reported increased over the number reported in 2014, and made up the largest portion of claims reported in 2015. With regard to severity, or the most costly claims, Corporate and Business Organization topped the list. These claims were the most expensive claims to adjust in 2015, accounting for almost 23% of all claims dollars spent.

In 2015 claim frequency was 3.7%. Claim Frequency represents the percentage of insured attorneys who report a claim each year. We have not seen frequency this low since 2009. While frequency is down, claim severity is up. The average cost to close a claim increased in 2015 over 2014.

We strive to make the claims process as seamless as possible for our insureds. This, in turn, will reduce both the economic and non-economic cost of insurance. While much has changed since Brent first began defending LPL Claims and technology has certainly revolutionized how lawyers practice, one thing remains constant: lawyers still get sued.

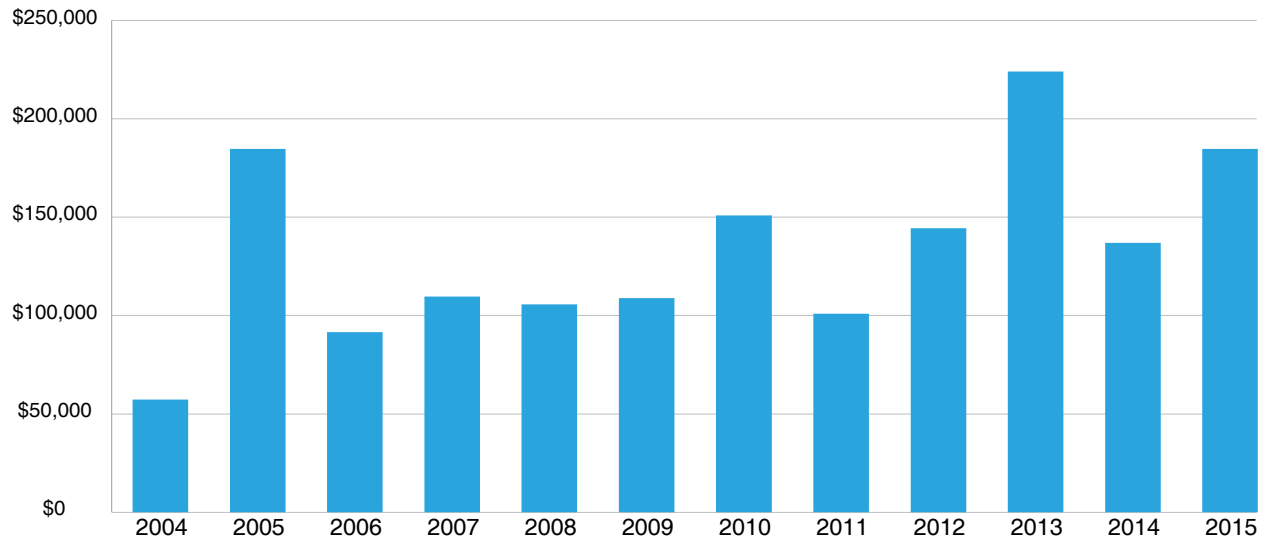
## Where We Write Products | By state



- Lawyers' Professional Liability / Bonds / Lawyers' Business Owners Policy / Worker Comp / Group Term Life
- Lawyers' Professional Liability / Bonds / Lawyers' Business Owners Policy / Worker Comp
- Lawyers' Professional Liability / Bonds
- Bonds (\*including Hawaii & Alaska)
- Surety Bonds Underwritten by Court Bond Mutual Insurance Company

## Average Cost of Closed Claims | By Closed Year

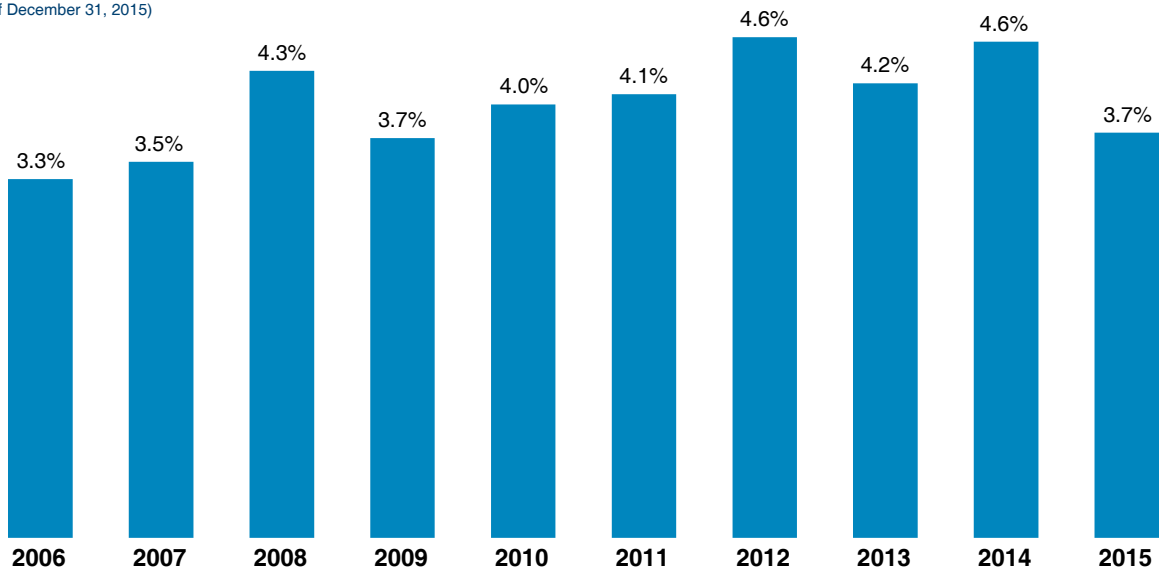
(As of December 31, 2015)





### Claim Frequency | By year

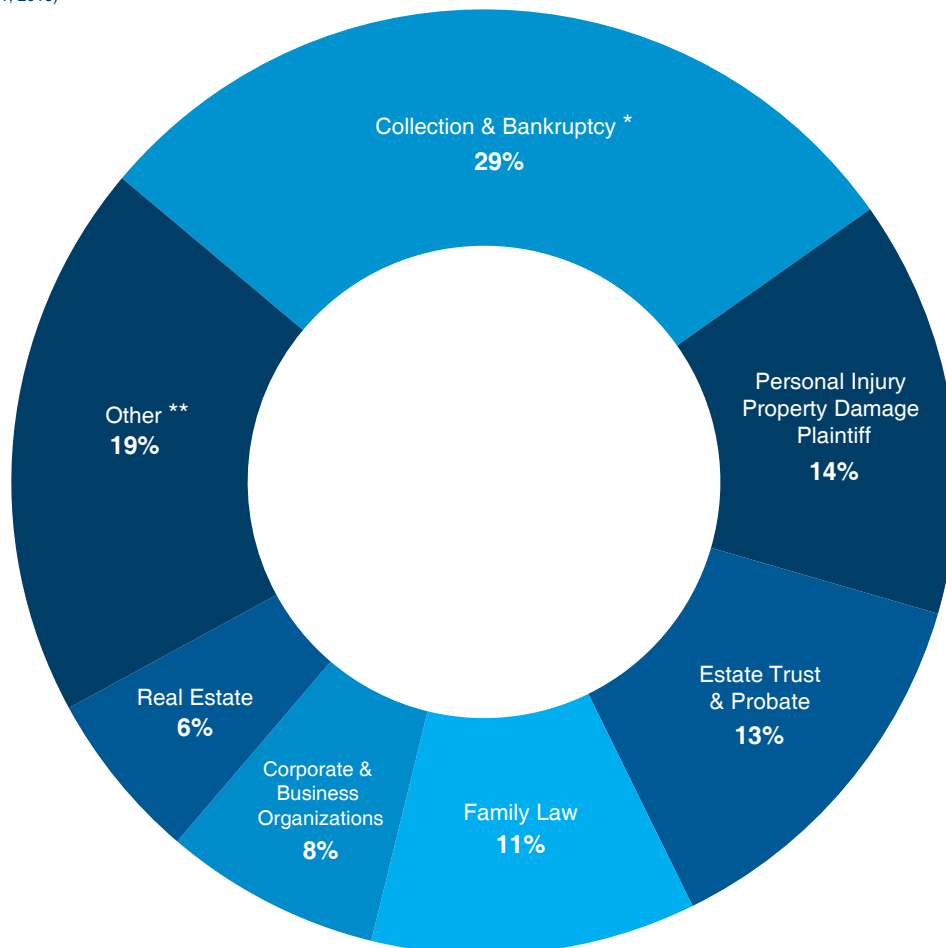
(As of December 31, 2015)



Claim Frequency represents the percentage of insured attorneys who report a claim each year.

### Open Claims | By area of law

(As of December 31, 2015)



\*Fair Debt Collection Practices Act claims make up the largest portion of these claims.

\*\* No single area of practice in "Other" is greater than 4%

# Financial

The key to a successful insurance company is the strength of its balance sheet, which has been a hallmark of The Bar Plan Mutual Insurance Company. With admitted assets of \$44.1 million, consisting of high quality bonds and equities, and a surplus of \$17.3 million, The Bar Plan is meeting its mission to be here for our insureds over the long term.

Financial strength doesn't just happen. It is the result of a clear mission and strong leadership. Chief Financial Officer Greg Klaus has lead The Bar Plan's Accounting and Finance department for 18 years. "We have a proven process that works and a strong team of outside

accountants, actuaries and investment advisors that we know and trust," said Klaus. "Everything is precise and integrated, from our budgeting and cost controls, to our actuarially determined rates, disciplined investment management, and strong reinsurance support."

As a small regional mutual insurance company, we know that volatility in results from year to year is to be expected. Our challenge is to stay focused on the long term and to maintain our financial strength through the difficult years. Our strong balance sheet and our "A" "Exceptional" Financial Strength Rating from Demotech, Inc., is evidence that we are meeting that challenge.



### Statutory Statements of Admitted Assets, Liabilities, & Surplus

(Dollars in thousands)

(December 31)

	2015	2014
<b>Admitted Assets</b>		
Bonds	\$26,772	\$29,125
Common stocks	10,182	10,545
Real estate - home office	1,475	1,567
Receivable for securities	1	6
Cash & short-term investments	<u>59</u>	<u>1,155</u>
Total cash and invested assets	38,489	42,398
Receivables:		
Premium receivable	3,274	3,437
Reinsurance recoverable on paid losses	800	517
Accrued investment income	143	176
Receivable from subsidiaries	125	46
Federal income tax recoverable	31	41
Premium tax receivable	-	24
Other Assets:		
Deferred tax asset, net	919	1,024
Electronic data processing equipment	69	46
Other assets	<u>215</u>	<u>191</u>
<b>Total Admitted Assets</b>	<b><u>\$44,065</u></b>	<b><u>\$47,900</u></b>
<b>Liabilities And Surplus</b>		
Liabilities:		
Reserve for losses	\$11,893	\$13,988
Reserve for loss adjustment expenses	7,506	8,090
Commissions payable	59	87
Accrued expenses	200	281
Taxes, licenses, and fees	78	-
Unearned premiums	5,365	5,530
Advanced premiums	651	665
Remittances and items not allocated	82	168
Accounts withheld by company for accounts of others	145	393
Ceded reinsurance premiums payable	591	595
Unclaimed funds	17	23
Payable to subsidiaries	65	28
Provision for reinsurance	<u>126</u>	<u>168</u>
Total liabilities	26,778	30,016
Surplus:		
Policyholder contributions	-	272
Surplus note	5,009	5,009
Unassigned surplus	<u>12,278</u>	<u>12,603</u>
Total surplus	<u>17,287</u>	<u>17,884</u>
<b>Total Liabilities And Surplus</b>	<b><u>\$44,065</u></b>	<b><u>\$47,900</u></b>

### Statutory Statements of Operations & Changes in Surplus

(Dollars in thousands)

(December 31)

	2015	2014
<b>Net premiums earned</b>	<b><u>\$10,495</u></b>	<b><u>\$10,446</u></b>
Losses incurred	3,393	5,038
Loss adjustment expense incurred	3,050	3,534
Other underwriting expense incurred	<u>4,331</u>	<u>4,021</u>
<b>Net underwriting gain (loss)</b>	<b><u>(279)</u></b>	<b><u>(2,147)</u></b>
<b>Investment Income:</b>		
Investment income, net of investment expenses	374	425
Net realized capital loss on investments net of federal income tax for 2013 and 2012 of \$0 and \$0, respectively	<u>160</u>	<u>944</u>
<b>Net investment income</b>	<b><u>534</u></b>	<b><u>1,369</u></b>
<b>Other income, net</b>	<b><u>314</u></b>	<b><u>301</u></b>
<b>Income (loss) before federal income taxes</b>	<b><u>569</u></b>	<b><u>(477)</u></b>
<b>Federal income taxes expense (benefit)</b>	<b><u>10</u></b>	<b><u>(3)</u></b>
<b>Net income (loss)</b>	<b><u>\$559</u></b>	<b><u>(\$474)</u></b>
<b>Other changes in surplus:</b>		
Net increase/(decrease) in non-admitted assets	(723)	635
Refunds of policyholder contributions	(12)	(6)
Change in net unrealized capital gains/(losses) on bonds and common stock	(424)	317
Change in provision of reinsurance	42	3
Change in net deferred income tax	(39)	(484)
<b>Change in surplus</b>	<b><u>(597)</u></b>	<b><u>(9)</u></b>
<b>Surplus, beginning of year</b>	<b><u>17,884</u></b>	<b><u>17,893</u></b>
<b>Surplus, end of year</b>	<b><u>\$17,287</u></b>	<b><u>\$17,884</u></b>

Summaries of the Company's financial position at year end 2015 and 2014 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

# Bonds

Gerry Nester has been the St. Louis Public Administrator since 1998 and has been using The Bar Plan for Court Bonds since the inception of The Bar Plan Surety and Fidelity Company in 1999. He holds steadfast to his relationship with The Bar Plan. "Their service is excellent. They know me and they are able to accommodate me," he said. "I never have to ask twice. They give me what I need."

That same good service helps the Surety and Fidelity Company achieve excellent financial results year after year. Market share in our domiciliary state of Missouri for court fiduciary bonds grew to 36.6%\* of the available market; and we continue to grow our business nationally, with the State of North Carolina being our second largest state for bond premium.

Regarding The Bar Plan's high level of service and professionalism, Nester especially appreciates the

responsiveness he receives, from beginning to end. "The Bar Plan can turn around bonds very quickly. I particularly appreciate that they return any unearned premium if the bond cancels before the end of the term, after the first year."

The Bar Plan Surety and Fidelity Company ("Surety") is a wholly-owned subsidiary of The Bar Plan Mutual Insurance Company ("Mutual") and together they operate The Bar Plan's Court Bond Program in all 50 states and the District of Columbia. The program is marketed and sold directly to attorneys as well as through independent agents.

"With other surety companies, the client often has to fend for themselves," said Nester. "When The Bar Plan is involved, they try to solve the problem, even when it's the client who has defaulted. The Bar Plan will try to mitigate the loss. They step up to the plate."





**Gerry Nester**

Attorney at Gerard Nester Attorney at  
Law - St. Louis Public Administrator





**Allison Price**

Conflicts & Ethics Counsel - Bryan Cave



# Foundation

Back in her law school days, Allison Price, Conflicts and Ethics Counsel at Bryan Cave, was not alone in her need for financial resources. A past recipient of The Bar Plan Foundation Scholarship, Allison is grateful for the boost it gave her. “Law students have great debt, no money and any scholarships are deeply appreciated, but The Bar Plan Foundation Scholarship was a surprise due to the substantial sum awarded. It gave me a lot of flexibility,” she said.

The Foundation, established in 1993, awards annual scholarships to third-year law students at several law schools for the purpose of elevating ethics and professionalism in the practice of law. The Foundation’s Risk Management seminar series, currently presented throughout Missouri and Kansas, advances this purpose by helping to fund the Scholarships. Funds from its Annual Golf Tournament also contribute.

Personally awarding the scholarships is Chris Stiegemeier, Executive Vice President and Director of Risk Management for The Bar Plan Foundation. “Scholarships are awarded to individuals who have a strong commitment to professionalism in all endeavors, especially involvement in their broader community. We hope they carry that throughout their legal careers.”

Regarding Allison, Chris found her to be a perfect match to receive The Bar Plan Foundation Scholarship. “The information provided by St. Louis University in its recommendation of Allison for the scholarship was very impressive,” Chris said.

“Any financial assistance makes things easier, but The Bar Plan Foundation’s focus on professionalism and the practice of law has lasting effects,” Allison said.

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Compliance Analyst

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Senior Underwriter

**Linda Herndon Balagna**  
Underwriter

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Underwriting Service Representative

**Thresa E. Betts**  
Underwriting Assistant

**Carole A. Paris**  
Underwriting Assistant

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Regional Sales Manager

**Robert D. Murray**  
Regional Sales Manager

**Jeffrey D. Thompson**  
Regional Sales Manager

**Annette R. Hilyard**  
Account Representative

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Director of Risk Management

**Whitney A. Dunn**  
Risk Manager

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Accounting Manager

**Kelly R. Townsend**  
Accountant

**Vicky L. Barteau**  
Accounting Assistant

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Receptionist

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Director of Marketing

**Joseph C. Allen**  
Graphic Designer

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Vice President - Claims

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Senior Claims Counsel

**Valerie L. Polites**  
Senior Claims Counsel

**Deanna J. Brady**  
Claims Counsel

**Christopher E. Meyer**  
Claims Counsel

**Glennis R. Wagner**  
Claims Paralegal

**Janet C. James**  
Claims Assistant

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Director of Information Systems

**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

**Cathleen P. Ahearn**  
Senior Bond Underwriter

**Deborah J. Eller**  
Bond Underwriter

**Alison M. Kickham**  
Underwriting Assistant





## In Loving Memory of Gayle Tegtmeier 1953 - 2015

We cannot talk about 2015 without acknowledging a significant loss to the Company. Gayle Tegtmeier, Vice President of Underwriting, passed away suddenly on August 17, 2015. Many in the legal community knew Gayle. She was one of The Bar Plan's original employees; hired in January of 1986 as an Assistant Underwriter. She rose through the ranks becoming

Senior Underwriter, Manager and Director of Underwriting; and was the Vice President of Underwriting since 2002. Gayle's work ethic, commitment to her department and our insureds will never be forgotten. We are saddened to lose a dear friend and valued colleague. Our hearts continue to be with Gayle's family and friends.

