

The image shows the cover of an annual report. The background is a black and white photograph of a white wall with some plants in the foreground. The title 'THE BAR PLAN' is printed in a large, serif font. 'THE' is smaller and positioned above 'BAR PLAN'. Two horizontal red lines are placed on either side of the word 'THE'.

THE
BAR PLAN

A blue square graphic with a white border is centered in the lower half of the page. It contains the text 'Annual Report 2016' in white, with '2016' in a larger font size.

Annual
Report
2016



Karen R. McCarthy
President & Chief Executive Officer

The President's Letter

Mutual insurance companies like The Bar Plan have a long and proud history of putting policyholders first. While only 1 percent of U.S. businesses have lasted for 100 years, the median age of mutual insurance companies is 120 years, and over 60% of mutual companies are more than 100 years old.* This is because we have one goal – to serve our policyholders. With no shareholders, our focus is on long term goals of financial strength and stability, not quarterly profits.

As a Bar-related mutual insurance company, we serve our policyholders not only by providing quality coverage and services at a great value, but also by supporting the valuable work of state and local Bar Associations and Legal Service Organizations. Our employees are active in bar leadership and committees, we sponsor bar functions, we provide CLE programming in ethics and malpractice avoidance, and we offer quality risk management and practice management services tailored specifically to applicable state and local laws and rules of professional conduct.

In order to understand how The Bar Plan is different from other insurance carriers, we should start with our policy. We provide broad coverage designed to protect our policyholders and to avoid those “gotcha” moments when a claim occurs and our insured is most vulnerable. Policyholders want and deserve peace of mind, and that is what we deliver.

We deliver this broad coverage at a great value. Unlike a stock company that is focused on maximizing shareholder value, we are focused on policyholder value. Our premiums are based on actuarial analysis and are commensurate with the coverage and protection provided. You get what you pay for.

When a covered claim happens, our number one priority is protecting the attorney. All of our claim adjusters are licensed attorneys with experience in private practice. Our defense counsel have excellent reputations and years of experience defending lawyers’ professional liability claims. An attorney’s reputation is a precious commodity. You want a company that understands the practice of law and is committed to protecting you.

Finally, our Board of Directors is comprised of accomplished practicing attorneys and bar leaders, and insurance and financial professionals. Their focus is on the policyholders who elect them, and the long-term success and stability of the company.

2016 was another very good year for both our Lawyers’ Professional Liability Insurance and Court Bond Programs. Our balance sheet and surplus remain strong with ample capacity to support growth and to ensure peace of mind for our policyholders over the long term.

I invite you to review this Annual Report and get to know us and some of the people who are so important to our success. Thank you for another great year, and please feel free to contact me or our leadership team, or to introduce yourself at conferences or bar events throughout the year.

Karen R. McCarthy
President & CEO

* According to the National Association of Mutual Insurance Companies.

Agency

Seth Albin, Principal at Albin Law, did not go to college with the intent to become a lawyer. “My goal was to be a high school history teacher teaching law and government and coaching football and lacrosse. I ended up going to law school to do educational public policy.”

It was upon graduation from Washington University School of Law, that Seth became familiar with The Bar Plan. “I was very active with BAMSL (‘Bar Association of Metropolitan St. Louis’) so as a young lawyer I got to know the executives at The Bar Plan when they were young lawyers. I’ve known about The Bar Plan for 20 years.” After working at a large St. Louis-based law firm, and as in-house counsel, for the first time, Seth needed to find malpractice insurance on his own; and he knew exactly where to start.

“When I started my own firm, The Bar Plan was where I wanted to go. I had some bad experiences with some of the other insurance companies we had used previously and so dealing with The Bar Plan made a lot of sense for me,” Seth said. “I knew all the people, I knew the reputation.”

After knowing Seth for several years, The Bar Plan Sales Agent, Jeff Thompson, was happy to take that initial call from Seth. “I was introduced to him while he was with a prior firm. Even though he was not insured by us at the time, he was always supportive of The Bar Plan and appreciative of our commitment to the legal community.”

Director of Underwriting, Christina Lewis Abate, focuses on educating insureds through the underwriting process to ensure insureds are given the best possible price and coverage appropriate to their firms and practices. “At The Bar Plan, we have the insured’s best interests at heart,” said Christina. “Our underwriters and sales representatives work with our clients to make sure their needs are met. For example, we provide full career coverage, whenever possible, and free extended reporting coverage to eligible clients who are at the end of their careers. Our clients want a policy that will cover them should a potential claim arise, and that is our goal too.”

Our exceptional customer service continues to set us apart from competitors. “I’ve been really pleased with the service I get. When there have been issues, they are dealt with quickly and efficiently and renewal is very easy,” Seth said. “Ever since (my first policy) the renewals have been seamless, they’ve been easy. Every year Jeff reminds me, we talk about my options, and move forward. It’s really been a great relationship and I really enjoy working with him.”

In 1983, the mission of The Missouri Bar when they gathered to form The Bar Plan, was to provide a stable, financially secure source of malpractice insurance for attorneys in Missouri with broad coverage at the best possible price. While we have expanded into other states over the years - Kansas, Tennessee, Indiana and New Mexico – the mission to provide lawyers with financially secure insurance coverage has remained unchanged. We are proud to be the only endorsed carrier of both The Missouri Bar and the Tennessee Bar Association.

The Bar Plan Insurance Agency, Inc. not only sells lawyers’ professional liability insurance, but also our Court Bond Program, a lawyers’ business owner’s policy and workers’ compensation insurance. Additionally, our Agency continues to administer Group Term Life Insurance for The Missouri Bar.



Seth Albin
Principal, Albin Law

Financial

As President of Demotech, Inc., Joseph Petrelli has been analyzing and rating insurance companies like The Bar Plan for more than 30 years. Demotech, a financial analysis firm specializing in evaluating the financial stability of regional and specialty insurers, was the first company to review and rate these types of companies.

Demotech has served the insurance industry since 1985 by assigning accurate, reliable and proven Financial Stability Ratings® (FSRs) for Property & Casualty insurers and Title companies. FSRs are a leading indicator of financial stability, providing an objective baseline of the future solvency of an insurer. Demotech's philosophy is to review and evaluate insurers based on objective financial criteria rather than solely on financial size.

Demotech has rated The Bar Plan since 2012 and has consistently assigned an "A" "Exceptional" rating. With admitted assets of \$43.6 million, and a surplus of \$17.6 million, The Bar Plan earned our "A" "Exceptional" rating based on a strong balance sheet, key financial indicators, and demonstrable financial stability.

When evaluating specialty insurance carriers, Joe said "We understand their business models. We understand they use reinsurance; we understand they focus on a niche so they can excel at it." Unlike other ratings agencies, Demotech focuses on objective measures rather than subjective measures that often unfairly penalize regional, specialty companies. One of the differences between how Demotech views specialty insurance carriers and how other rating companies view them is that "they think bigger is better. We don't. We think better is better," Joe said.

As a mutual insurance company, The Bar Plan is owned by our policyholders, and as such, is operated quite differently than the large, publicly-traded stock companies. In fact, when looking for malpractice insurance, Joe recommends that attorneys take into consideration the benefits of a mutual company versus a stock company. "Serving multiple masters (policyholders and investors) is difficult to do. We all talk about (the hazards of) multitasking companies are multitasking when trying to serve both investors and policyholders."

The Bar Plan remains steadfast in our mission to provide great service and value to our policyholders for the long term. Our "A" rating and our 65% market share* in Missouri are proof of loyalty and commitment that has lasted through generations.

Statutory Statements of Admitted Assets, Liabilities, & Surplus

(Dollars in thousands) (December 31)

	2016	2015
Admitted Assets		
Bonds	\$26,226	\$26,772
Common stocks	10,950	10,182
Real estate - home office	1,385	1,475
Receivable for securities	-	1
Cash & short-term investments	309	59
Total cash & invested assets	38,870	38,489
Receivables:		
Premium receivable	3,160	3,274
Reinsurance recoverable on paid losses	49	800
Profit commission receivable	5	-
Accrued investment income	155	143
Receivable from subsidiaries	139	125
Federal income tax recoverable	30	31
Premium tax receivable	-	-
Other Assets:		
Deferred tax asset, net	955	919
Electronic data processing equipment	40	69
Other assets	194	215
Total Admitted Assets	\$43,597	\$44,065
Liabilities And Surplus		
Liabilities:		
Reserve for losses	\$11,378	\$11,893
Reserve for loss adjustment expenses	7,531	7,506
Commissions payable	65	59
Accrued expenses	184	200
Taxes, licenses, & fees	15	78
Current federal & foreign income taxes	-	-
Unearned premiums	5,257	5,365
Advanced premiums	634	651
Remittances and items not allocated	24	82
Accounts withheld by company for accounts of others	195	145
Ceded reinsurance premiums payable	585	591
Payable for securities	-	-
Unclaimed funds	13	17
Payable to subsidiaries	33	65
Profit commission payable	-	-
Provision for reinsurance	122	126
Total liabilities	26,036	26,778
Surplus:		
Policyholder contributions	-	-
Surplus note	5,010	5,009
Unassigned surplus	12,551	12,278
Total surplus	17,561	17,287
Total Liabilities And Surplus	\$43,597	\$44,065

Statutory Statements of Operations & Changes in Surplus

(Dollars in thousands) (December 31)

	2016	2015
Net premiums earned	\$10,088	\$10,495
Losses incurred	1,803	3,393
Loss adjustment expense incurred	4,204	3,050
Other underwriting expense incurred	4,559	4,331
Net underwriting gain (loss)	(478)	(279)
Investment Income:		
Investment income, net of investment expenses	373	374
Net realized capital loss on investments net of federal income tax for 2013 and 2012 of \$0 and \$0, respectively	75	160
Net investment income	448	534
Other income, net	282	314
Income (loss) before federal income taxes	252	569
Federal income taxes expense (benefit)	1	10
Net income (loss)	\$251	\$559
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	(274)	(723)
Refunds of policyholder contributions	-	(12)
Change in net unrealized capital gains/(losses) on bonds and common stock	121	(424)
Change in provision of reinsurance	4	42
Change in net deferred income tax	172	(39)
Cumulative effect of changes in accounting principles	-	-
Prior year tax period adjustment	-	-
Change in surplus	274	(597)
Surplus, beginning of year	17,287	17,884
Surplus, end of year	\$17,561	\$17,287

Summaries of the Company's financial position at year end 2016 and 2015 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



Joseph Petrelli

President, Demotech, Inc. - Financial Stability Ratings®

Claims

Laura Gerdes Long has not only been an insured of The Bar Plan for most of her career, but she has also been on our defense panel for many years. As such, she knows the importance of the protection afforded to lawyers via their malpractice insurance policy. “I’ve had the fortunate position of seeing first-hand how lawyers are protected (by The Bar Plan policy) in really bad situations. So being an insured of The Bar Plan has been really comforting.”

Laura, a Principal at Danna McKitrick, P.C., has been defending lawyers against malpractice claims for over 20 years. In that time she has worked with many different insurance carriers. “What’s neat about working with The Bar Plan claim attorneys is that they are some of the best lawyers in that they ask really good questions. They really engage and analyze throughout the course of the litigation. This can be unique when you work with some insurance companies,” Laura said. “It’s a horrible situation for the lawyers who are being sued for breaching their professional duties. Sometimes, most times, it’s the worst thing that’s ever happened to them. As lawyers ourselves, we can understand at a deeper level how that must feel and how to help get them out of this predicament.”

Claim Attorney Charles Coffey, likewise feels the same about working with Laura. “I know that when she is handling a claim, our insured will be well taken care of and all appropriate defenses and strategies will be considered. Laura has tirelessly and successfully helped our insureds navigate complicated claims.”

For the last five years, Fair Debt Collection Practices Act (FDCPA) claims have been the number one most common type of claim reported to The Bar Plan. Many lawyers collect debts on behalf of clients without being aware that they are straying into conduct regulated by the FDCPA. Unlike The Bar Plan, the vast majority of commercial carriers do not cover this exposure.

In 2016, the most costly claims to resolve fell within the Corporate and Business area of practice, accounting for 25 percent of all claim dollars spent. Business transactions, by definition, are complicated. As a result, when the transaction goes poorly, especially due to an error by an attorney, it can be costly to investigate, defend and adjust.

Claim Frequency remained virtually unchanged in 2016. The average cost of a claim closed in 2016 with payment was \$75,672.

The Bar Plan Claim Department, along with our esteemed defense panel, continues to strive to make the claim process as seamless as possible for our insureds. “Our Claim Attorneys have all been in private practice – they understand the pressure for lawyers to not only bill time, but also to never make a mistake,” said Teresa Niederwimmer, Vice President – Claims. “However, we hear time and time again from insureds who have been in the unfortunate position of being sued, that our claim staff, defense panel, and our internal processes gave them confidence that their issue was being handled by not only people seasoned in this area, but people who cared about them as people.”

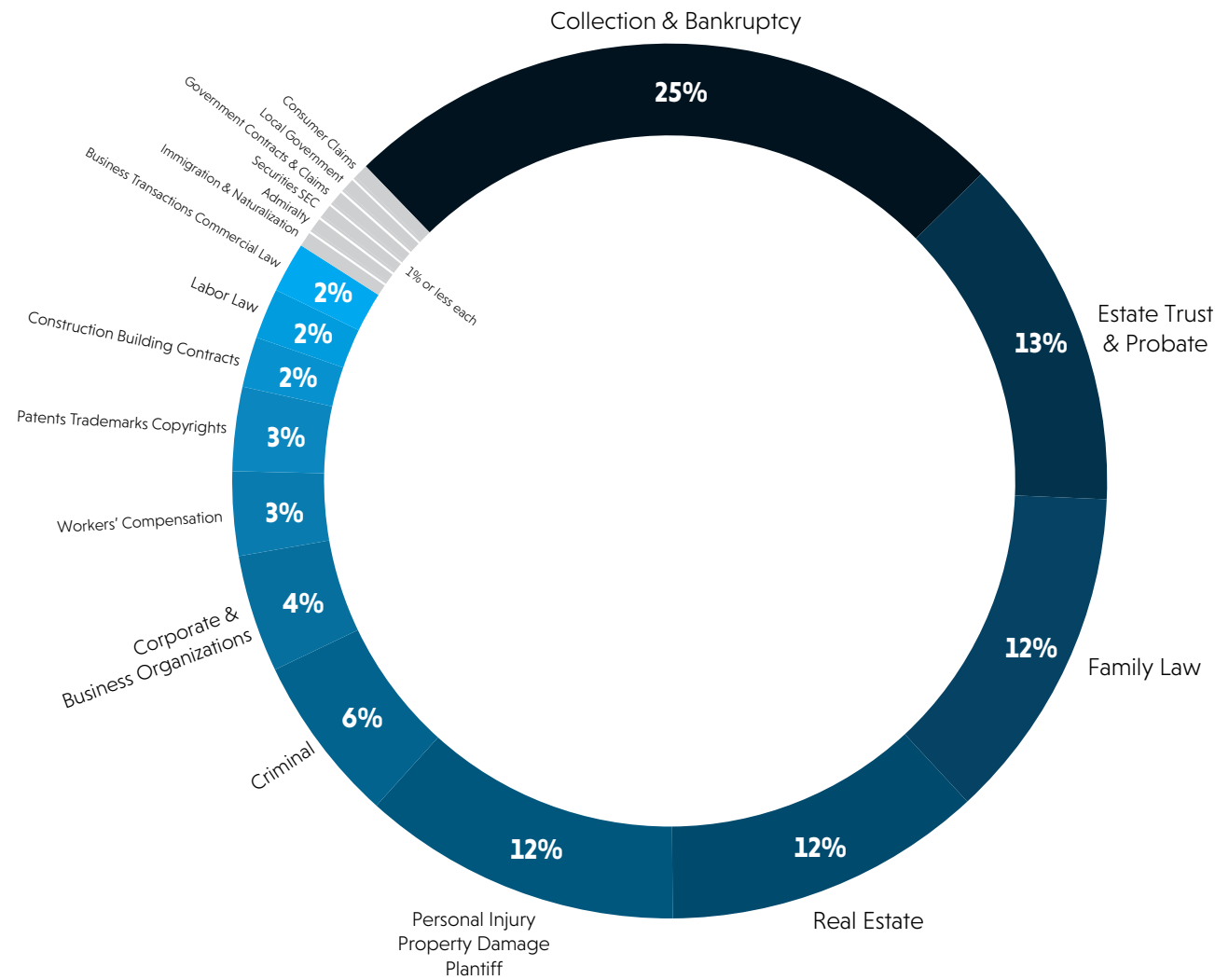
Laura Gerdes Long

Principal, Danna McKitrick, P.C.

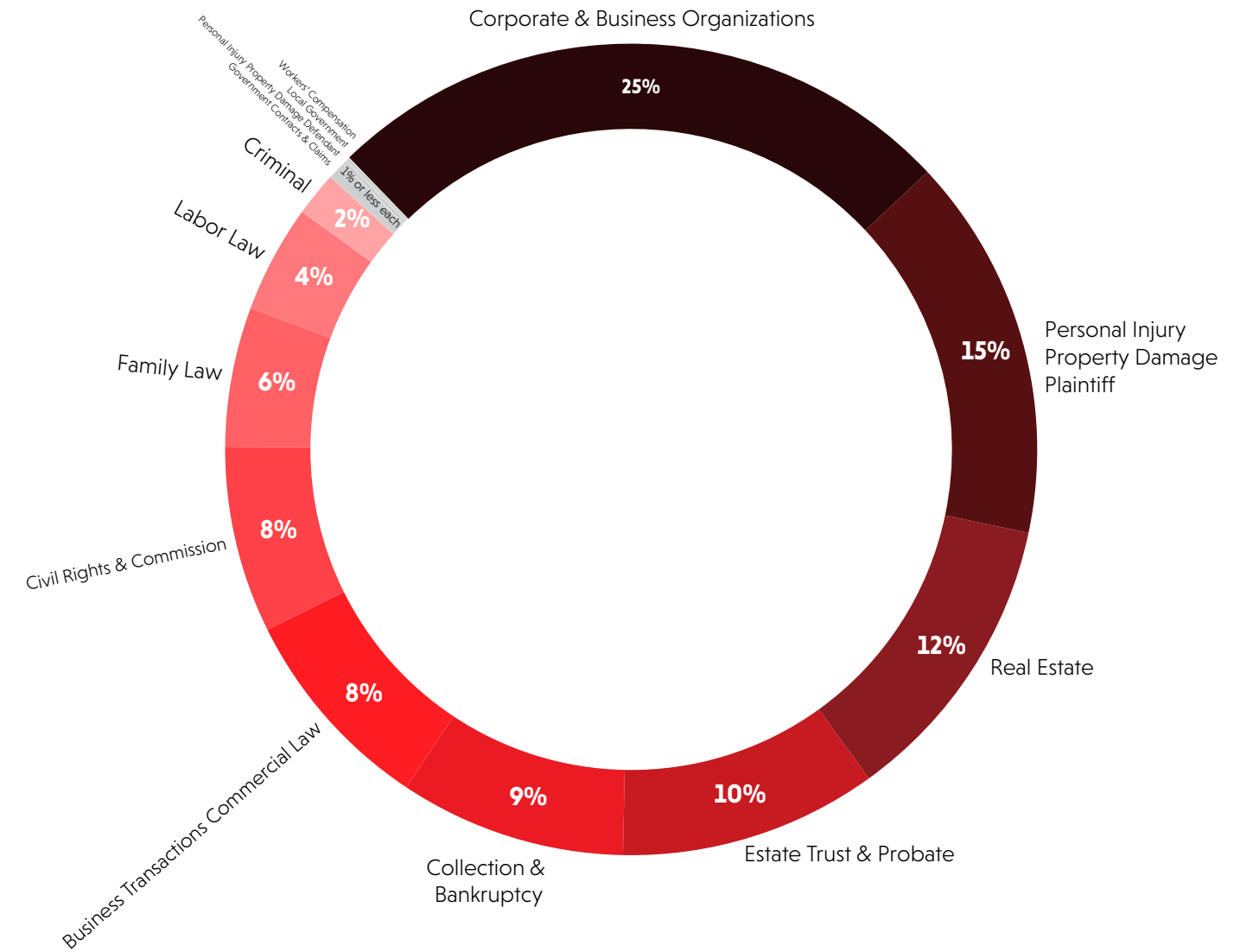


Claims Reported in 2016 | By area of law. (As of December 31, 2016)

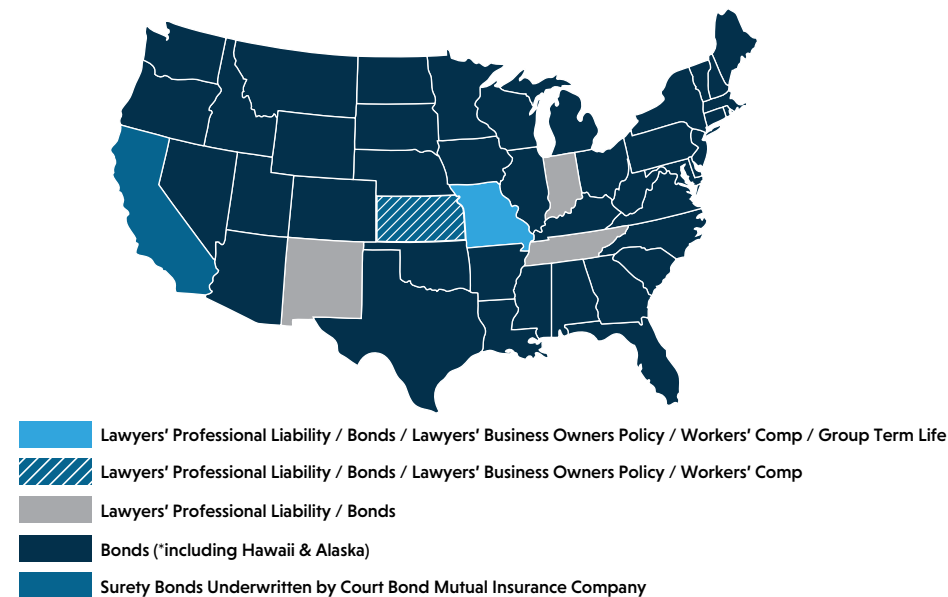
Fair Debt Collection Practices Act claims make up the largest portion of claims reported.



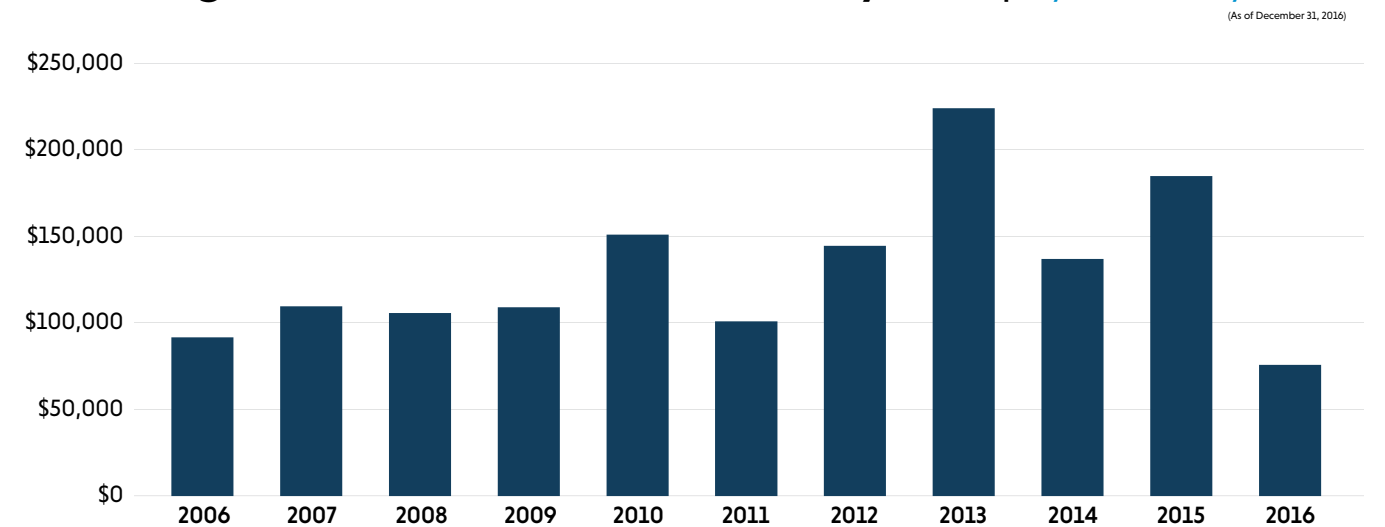
Percentage of Dollars Spent on Claims Closed in 2016 | By area of law. (As of December 31, 2016)



Where We Write | By state.



Average Cost of Closed Claims with Payment | By closed year. (As of December 31, 2016)





Micah D. Hall
Principal, The Hall Law Firm

Bonds

As a client of The Bar Plan Surety and Fidelity Company, Micah Hall was already very familiar with the quality of the product and the service she received when she got the call to join the company's Board of Directors.

"It was exciting to be part of something that I knew provided great service and a great product. I wanted to be a part of that," Micah said. "One of the things I hope to accomplish is to help spread the word about the court bonds that they offer, and that The Bar Plan offers more products than just malpractice insurance."

Kimberly Edgar, Vice President of Surety Underwriting, did not have to think long about an ideal candidate for the open board position. "Micah is very professional and very knowledgeable in probate," Kim said. "She was chosen because of her extensive probate experience and her knowledge of the program as a loyal customer to The Bar Plan."

Micah is currently Principal at the Hall Law Firm in St. Louis where her practice focuses on probate, domestic and civil litigation cases as well as Estate Planning. "The Bar Plan is my first go-to. They are quick to get a response to me within 48 hours or sooner. I don't know other companies that would be so helpful in making sure that your experience is positive and seamless."

Great service, competitive rates and quick turnaround time on applications ensures that The Court Bond Program continues to thrive year after year. In 2016, market share in Missouri grew to 37.2% of the available market*.

The program is licensed nationwide and writes Court Bonds in all 50 states. In addition to working directly with attorneys, we also work with marketing partners and agents across the United States. Adam Pierce, Director of Property & Casualty Operations at Lawyers Insurance Agency in North Carolina works regularly with the Court Bond staff. "The Bar Plan isn't just another bond underwriter – they are a true partner and extension of our sales team," said Adam. "They make an otherwise time-consuming process quick and easy for us. If you are not offering bonds through The Bar Plan, you are missing out on a great opportunity!"

The Bar Plan specializes in court fiduciary and court judicial guarantee bonds. Its underwriters understand the urgency and special requirements associated with legal proceedings. The court bond program is underwritten by The Bar Plan Mutual Insurance Company (in California d/b/a Court Bond Mutual Insurance Company) and its wholly-owned subsidiary The Bar Plan Surety and Fidelity Company.

Foundation

The Bar Plan Foundation, a non-profit organization created in 1993, provides education in ethics, malpractice prevention, and professionalism in the practice of law. It uses a multi-faceted approach including its ethics CLE seminar and webinar series, Risk Management hotline, and practice management program. The Foundation awards scholarships to third year law students at several law schools who exemplify the highest degree of ethics and professionalism.

The Foundation also supports our communities through grants from funds raised at its Annual Golf Tournament. The grant recipient from our 2016 Annual Golf Tournament was Confluence Missouri, Inc., a not-for-profit organization, which implements new programs for affordable civil and family court mediation; conflict coaching and communication skill building; and other litigant support services. Confluence began its efforts by offering family court mediation on a sliding fee scale to compliment volunteer mediation offered in St. Louis County Family Court. It thereby provides services to those who cannot afford traditional mediation services, but do not qualify for volunteer services.

Confluence's Founder, Simone McCartney, said the funds she received from the Foundation in 2016 "will be used towards education of the dispute resolution and mediation process. In many other cities, ADR (alternative dispute resolution) has become an important tool for the judiciary and low income individuals. We really didn't have anything like that here (in St. Louis)."

Simone was familiar with The Bar Plan long before her charitable organization became the recipient of funds from the golf tournament. "The Bar Plan has been my malpractice carrier for going on 26 years. Beyond that, what comes to mind is their role in providing ethics training," Simone said. "It has helped provide a consistency in the practice of law. It is really important that we all have a common understanding of the ethics rules and how they apply to what we're doing. It creates a norm for all of us and certain expectations as to how our offices function. That's an important role."

In 2016 The Foundation's Risk Managers presented 70 seminars on Ethics & Professionalism to over 3,500 attorneys. To further evolve our programs and our reach, we continue to add webinar dates to our CLE calendar, and in 2017 will host our first 15-hour CLE webinar, approved for credit in Missouri.

Simone McCartney
Founder, Confluence Missouri Inc.



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