

WE

THE
BAR PLAN

2018 ANNUAL REPORT

HELP

LAW

YEARS

BUILD A BETTER PRACTICE..

YEAR IN REVIEW

The Bar Plan is committed to the legal community. Unlike many commercial carriers that have entered and exited this market, The Bar Plan has remained a constant, serving Missouri lawyers continuously since 1986. There is no other carrier that has written enough of this market or stayed in this market continuously to know how to price this line of business.

COMMUNITY INVOLVEMENT:

Our Board Members and members of our staff actively participate on numerous bar committees/sections, as well as in legal industry organizations:

Karen McCarthy, President & CEO is a member of The Missouri Bar Board of Governors, Treasurer of the Board for Legal Services of Eastern Missouri, serves on the Kansas Task Force for Lawyer Well-being, and Member of The Missouri Bar Annual Meeting Planning Committee.

John Gunn, Chair of the Surety & Fidelity Board and Secretary of The Bar Plan Mutual Board of Directors, was elected Vice President of The Missouri Bar in 2018.

Sara Neill, Member of The Bar Plan Board of Directors, was recently sworn-in as President of the Bar Association of Metropolitan St. Louis.

Christina Lewis Abate, Director of Underwriting, is a Member of the Board of Governors for the Bar Association of Metropolitan St. Louis, and Co-Chair of Motion for Kids.

Susan McCourt Baltz, Director of Marketing, is the Chair of the Legal Marketing Association for the St. Louis Region, and Member of the Justice For All Ball, hosted by Legal Services of Eastern Missouri.

Charles Coffey, Senior Claims Counsel, is an appointed member of The Missouri Bar's Member Services & Resources Committee, ABA YLD liaison to the Standing Committee on Bar Activities & Services, and Vice Chair of the ABA's Tort, Trial & Insurance Practice Section Professional Liability Insurance General Committee. He is also an appointed member of the TIPS Outreach to Young Lawyers and the Technology and New Media Standing Committee.

Whittney Dunn, Risk Manager is St. Louis County Representative on Missouri Bar Young Lawyers' Section Council (YLS), Missouri Bar YLS Delegate to the ABA House of Delegates., and on the ABA YLD Liaison to the Center for Professional Responsibility.

Jeff Thompson, Regional Sales Manager, is a Member of The Missouri Bar Solo & Small Firm Conferences Planning Committee.

AGENCY:

The Bar Plan Insurance Agency sponsored/exhibited at over 60 legal conferences, seminars, and social events in 2018 across Missouri, Kansas, Tennessee, Indiana, and New Mexico.

COURT BOND PROGRAM:

The Court Bond combined program generated over \$1.6 million in direct written premium in 2018. This represents a 7% increase over 2017. As of Dec. 31, 2018, the company had 4,244 bonds in-force in 29 states.

FOUNDATION:

In 2018, The Bar Plan Foundation presented over 60 Ethics CLE seminars to over 1,000 attorneys on the topic of "Ethics & Malpractice Issues of Electronic Information" in each of our markets.

The Annual Golf Tournament Beneficiary was Healing Action, a non-profit established to deliver care to survivors of sex trafficking, who received a donation of \$6,778. Also a total of \$16,000 was awarded to third-year law students at several law schools.

BUILD A BETTER PRACTICE SPEAKER SERIES:

After conducting several focus groups and hearing from insureds that they were interested in help with business operations and related topics; The Bar Plan started the Build a Better Practice Speaker Series for solo and small firms in 2018.

These value-added webinars focus on topics and tips on how to increase business through disciplines outside of practicing law such as marketing, business development, IT, and accounting.

For 2019 dates & topics visit:
www.thebarplan.com/babpss

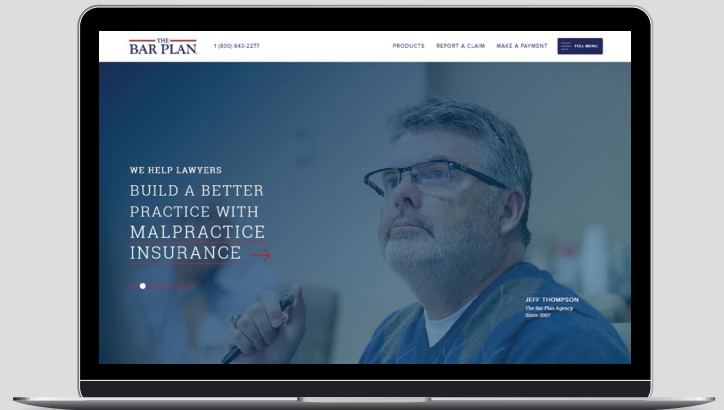


NEW WEBSITE:

In 2018 The Bar Plan launched a new website with a simplified navigation, mobile-friendly design.

The new design also expanded the article section so as to provide easier access to a growing library of content including risk management, practice management, and tips on how to run a successful law practice.

The new flexible layout also allows for future improvements to the application process and paying premiums online.



ADDED CYBER LIABILITY:

The Bar Plan added Cyber Liability Coverage to all full-time policies with an effective date on or after January 1, 2018. Limits of liability are \$50,000 per claim, with aggregate limits of \$50,000 for firms up to 10 attorneys, or \$150,000 for firms with more than 10 attorneys. This coverage is provided at no additional premium for full-time policies.

AWARDS & ENDORSEMENTS:

In 2018 The Bar Plan continued to be rated "A" "Exceptional" by Demotech, Inc. The Bar Plan is also the only endorsed carrier for Lawyers' Professional Liability Insurance and Court Bonds by The Missouri Bar, and is also the Endorsed Carrier of the Tennessee Bar Association, and a sustaining partner of The Bar Association of Metropolitan St. Louis. In 2018 we became a Strategic Partner of the State Bar of New Mexico. The Bar Plan was voted 1# by the Reader Rankings Poll from *Missouri Lawyers Weekly* in 2018.





BY THE NUMBERS

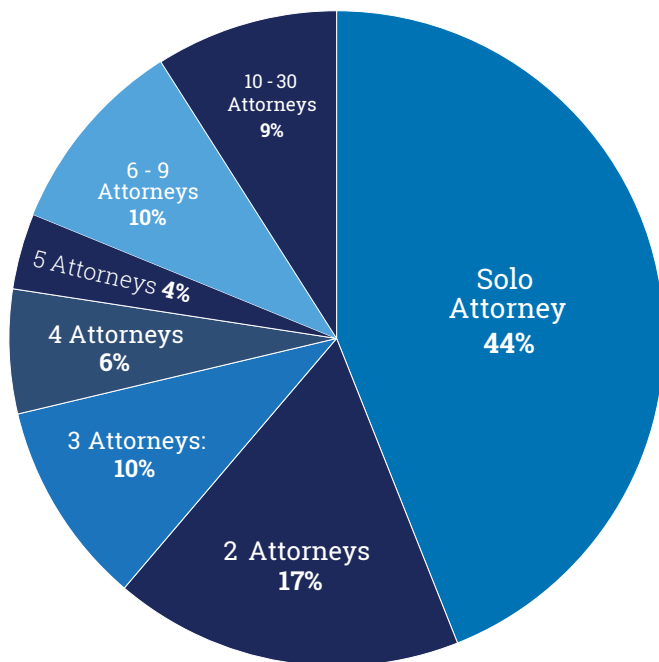
Net Income: **\$246,114**

Total Admitted Assets: **\$39 Million**

Policyholder Surplus: **\$15.6 Million**

2018 LAW FIRM SIZE PROFILE

ALL STATES



FINANCIAL STRENGTH

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 be the leader in providing comprehensive insurance products and services focused on the legal profession.

In 1986 we wrote our first policy. 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. 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.

DEMOTECH, INC.

The Bar Plan has maintained an "A" "Exceptional" Financial Stability Rating from Demotech, Inc. since 2012, which was most recently reaffirmed on March 20, 2019. The Bar Plan earned its "A" "Exceptional" rating based on a strong balance sheet, key financial indicators, and demonstrable financial stability.



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 since 1985. Demotech assigns 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. Unlike other ratings agencies, Demotech focuses on objective measures rather than subjective measures that often unfairly penalize regional, specialty companies. Demotech's philosophy is to review and evaluate insurers based on objective financial criteria rather than solely on financial size.

CLAIMS

The Average Total Incurred Cost (defense expense plus damages) for claims closed in 2018 was \$143,732. Collection & Bankruptcy continued to be the #1 most frequent claim opened in 2018 due to violations of the Fair Debt Collection Practices Act (FDCPA).

Personal Injury, Property Damage Plaintiff accounted for 27% of all claim dollars spent on claims that were closed in 2018.



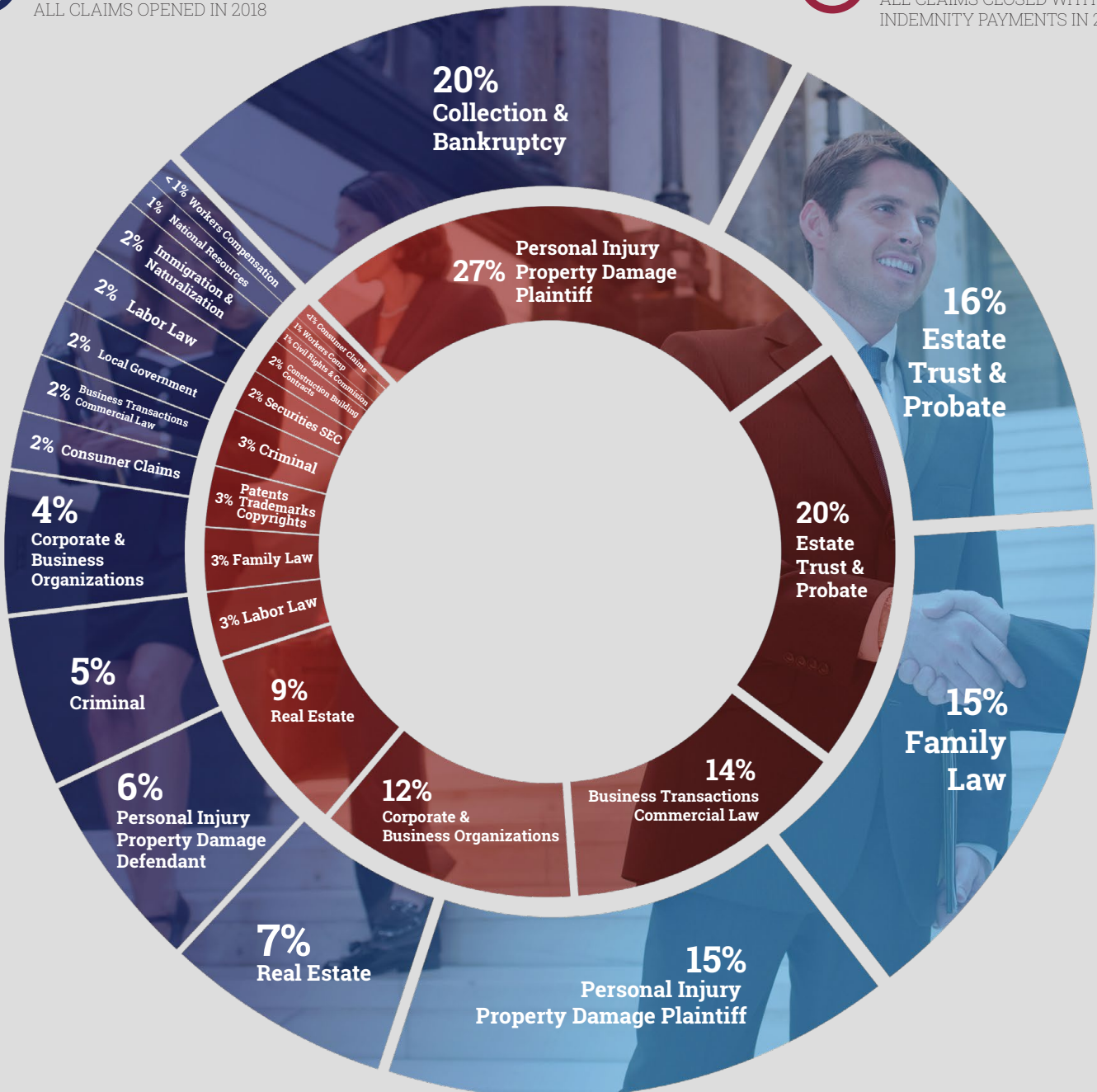
CLAIMS OPENED BY AREA OF PRACTICE:

ALL CLAIMS OPENED IN 2018



CLAIMS SEVERITY BY AREA OF LAW:

ALL CLAIMS CLOSED WITH INDEMNITY PAYMENTS IN 2018



FINANCIALS

Statutory Statements of Admitted Assets, Liabilities, and Surplus

Years ended December 31, 2018

(Dollars in thousands)

	<u>2018</u>
ADMITTED ASSETS	
Bonds	\$ 24,250
Common stocks	9,261
Real estate - home office	1,288
Receivable for securities	3
Cash & short-term investments	<u>1,281</u>
Total cash and invested assets	36,083
Receivables:	
Premium receivable	2,741
Reinsurance recoverable on paid losses	83
Profit commission receivable	10
Accrued investment income	138
Receivable from subsidiaries	69
Other Assets:	
Deferred tax asset, net	666
Electronic data processing equipment	31
Other assets	<u>163</u>
TOTAL ADMITTED ASSETS	<u>\$ 39,984</u>
LIABILITIES AND SURPLUS	
Liabilities:	
Reserve for losses	\$ 10,380
Reserve for loss adjustment expenses	6,571
Commissions payable	57
Accrued expenses	215
Taxes, licenses, and fees	157
Unearned premiums	5,071
Advanced premiums	883
Remittances and items not allocated	23
Accounts withheld by company for accounts of others	263
Ceded reinsurance premiums payable	531
Payable for securities	3
Unclaimed funds	38
Payable to subsidiaries	57
Reinsurance payable on paid losses	-
Provision for reinsurance	<u>67</u>
Total liabilities	24,316
Surplus:	
Surplus note	5,013
Unassigned surplus	<u>10,655</u>
Total surplus	15,668
TOTAL LIABILITIES AND SURPLUS	<u>\$ 39,984</u>

Statutory Statements of Operations and Changes in Surplus

Years ended December 31, 2018

(Dollars in thousands)

	<u>2018</u>
Net premiums earned	\$ 9,520
Losses incurred	2,969
Loss adjustment expense incurred	2,415
Other underwriting expense incurred	<u>4,352</u>
Net underwriting gain (loss)	<u>(216)</u>
Investment Income:	
Investment income, net of investment expenses	69
Net realized capital loss on investments - net of federal income tax for 2013 and 2012 of \$0 and \$0, respectively	<u>103</u>
Net investment income	172
Other income, net	<u>270</u>
Income (loss) before federal income taxes	226
Federal income taxes expense (benefit)	<u>(20)</u>
Net income (loss)	<u>\$ 246</u>
Other changes in surplus:	
Net increase/(decrease) in non-admitted assets	(281)
Change in net unrealized capital gains/(losses) on bonds and common stock	(68)
Change in provision of reinsurance	64
Change in net deferred income tax	63
Cumulative effect of changes in accounting principles	-
Prior year tax period adjustment	<u>-</u>
Change in surplus	<u>24</u>
Surplus, beginning of year	<u>15,644</u>
Surplus, end of year	<u>\$ 15,668</u>

Summaries of the Company's financial position at year end 2018 and 2017 are presented. The Company was audited by the accounting firm of Brown Smith Wallace, LLC.



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WE HELP LAWYERS BUILD A BETTER PRACTICE.®

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