

# THE BAR PLAN®

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## 2019 Annual Report

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### MESSAGE FROM CEO, KAREN MCCARTHY

I hope this finds all of you doing well and thriving as you stay safe and healthy! I am pleased to report that, while we would love to return to more in-person meetings and interactions, The Bar Plan is managing well through this pandemic. Our Underwriting and Claim departments are servicing clients in a timely and robust manner, and our Risk Management team is providing quality and timely ethics and risk avoidance webinars to ensure that lawyers receive the CLE hours they need.

We are also providing a wide range of important and timely resources to help lawyers manage the challenges presented by COVID-19, [including resources](#) for those who may have been displaced from their firms.

Now, on to the Annual Report...

## **Financials**

I am pleased that we had a profitable year from operations. However, due to a one-time write-off, we had an overall net loss for the year. The Bar Plan is implementing a new integrated administrative software solution to create additional efficiencies and to meet the future technology needs and expectations of our customers. The first software developer we engaged on this project failed to deliver. We ultimately terminated that relationship and hired a new developer who is on track to complete the project in 2021. Although we anticipate a significant recovery of the expenditures related to the first developer, accounting rules require a write-off of these expenditures in the year the project was scrapped. Any subsequent recovery will be recorded as revenue in the year we recover these funds. This write-off had no impact on surplus, which remains strong.

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

December 31, 2019 and 2018  
(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
<b>ADMITTED ASSETS</b>		
Bonds	\$22,864	\$24,250
Common stocks	\$10,429	\$9,261
Real estate - home office	\$1,192	\$1,288
Receivable for securities	\$0	\$3
Cash & short-term investments	\$1,592	\$1,281
<b>Total cash and invested assets</b>	<u>\$36,077</u>	<u>\$36,083</u>
<b>Receivables:</b>		
Premium receivable	\$2,489	\$2,741
Reinsurance recoverable on paid losses	\$86	\$83
Profit commission receivable	\$33	\$10
Accrued investment income	\$131	\$138
Receivable from subsidiaries	\$80	\$69
<b>Other Assets:</b>		
Deferred tax asset, net	\$260	\$666
Federal income tax recoverable	\$68	\$0
Electronic data processing equipment	\$20	\$31
<b>Other assets</b>	<u>\$116</u>	<u>\$163</u>
<b>TOTAL ADMITTED ASSETS</b>	<b><u><u>\$39,360</u></u></b>	<b><u><u>\$39,984</u></u></b>
<b>LIABILITIES AND SURPLUS</b>		
<b>Liabilities:</b>		
Reserve for losses	\$9,814	\$10,380
Reserve for loss adjustment expenses	\$6,546	\$6,571
Commissions payable	\$57	\$57
Accrued expenses	\$174	\$215
Taxes, licenses, and fees	\$119	\$157
Unearned premiums	\$4,724	\$5,071
Advanced premiums	\$773	\$883
Remittances and items not allocated	\$31	\$23
Accounts withheld by company for accounts of others	\$298	\$263
Ceded reinsurance premiums payable	\$497	\$531
Payable for securities	\$9	\$3
Unclaimed funds	\$32	\$38
Payable to subsidiaries	\$34	\$57
Reinsurance payable on paid losses	\$0	\$0
Provision for reinsurance	\$67	\$67
<b>Total liabilities</b>	<u>\$23,175</u>	<u>\$24,316</u>
<b>Surplus:</b>		
Surplus note	\$5,011	\$5,013
Unassigned surplus	<u>\$11,174</u>	<u>\$10,655</u>
<b>Total surplus</b>	<u>\$16,185</u>	<u>\$15,668</u>

## Statutory Statements of Operations and Changes in Surplus

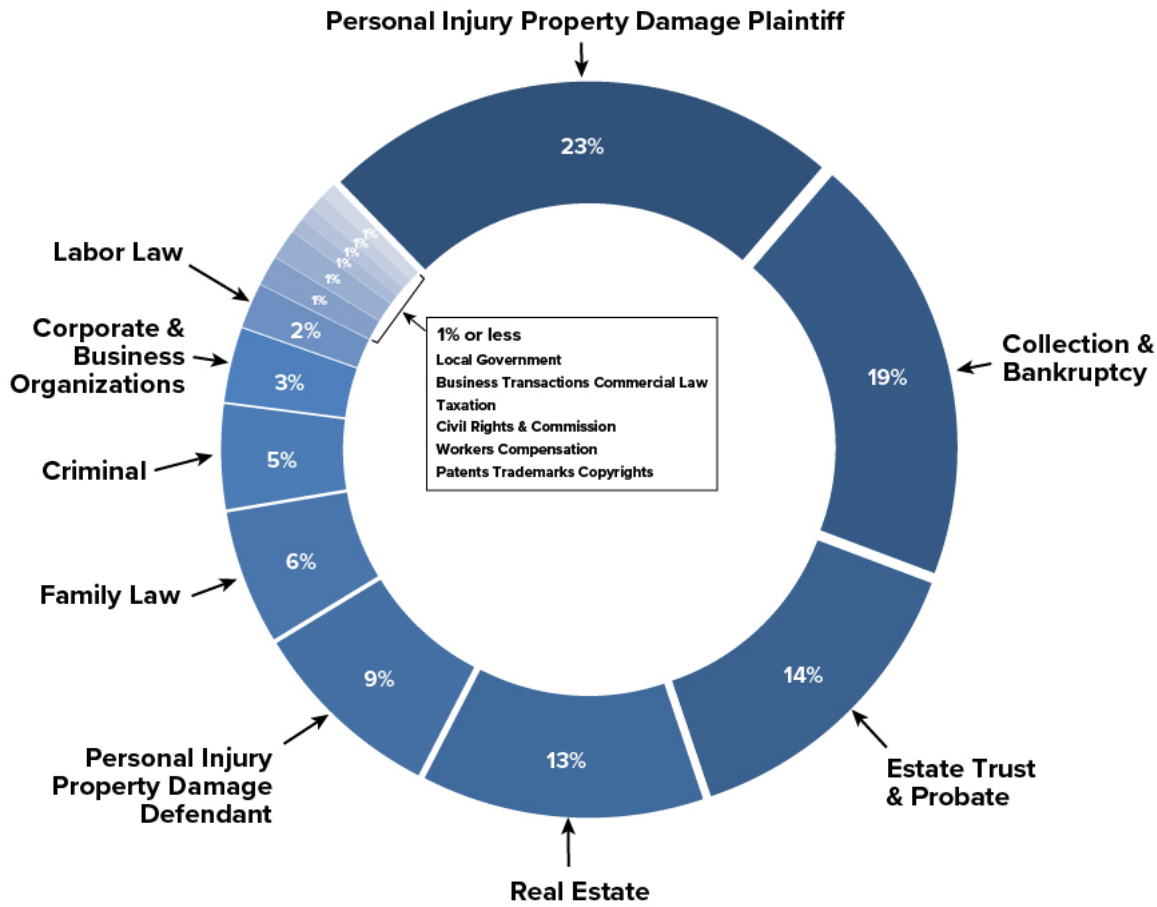
Years ended December 31, 2019 and 2018  
(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
<b>Net premiums earned</b>	\$9,087	\$9,520
Losses incurred	\$2,060	\$2,969
Loss adjustment expense incurred	\$3,513	\$2,415
Other underwriting expense incurred	<u>\$4,378</u>	<u>\$4,352</u>
Net underwriting gain (loss)	<u>(\$864)</u>	<u>(\$216)</u>
Investment Income:		
Investment income, net of investment expenses	\$348	\$69
Net realized capital loss on investments - net of federal income tax for 2013 and 2012 of \$0 and \$0, respectively	<u>\$65</u>	<u>\$103</u>
<b>Net investment income</b>	\$413	\$172
<b>Loss on disposal of EDP Software</b>	<b>(\$2,314)</b>	\$0
Other income, net	<u>\$223</u>	<u>\$270</u>
<b>Income (loss) before federal income taxes</b>	(\$2,542)	\$226
<b>Federal income taxes expense (benefit)</b>	<u>(13)</u>	<u>(\$20)</u>
<b>Net income (loss)</b>	<u><u>(\$2,529)</u></u>	<u><u>\$246</u></u>
<b>Other changes in surplus:</b>		
Net increase/(decrease) in non-admitted assets	\$2,446	(\$287)
Change in net unrealized capital gains/(losses) on bonds and common stock	\$750	(\$68)
Change in provision of reinsurance	0	\$64
Change in net deferred income tax	(\$150)	\$69
Cumulative effect of changes in accounting principles	-	-
Prior year tax period adjustment	<u>-</u>	<u>-</u>
<b>Change in surplus</b>	<u>\$517</u>	<u>\$24</u>
<b>Surplus, beginning of year</b>	<u>\$15,668</u>	<u>\$15,644</u>
<b>Surplus, end of year</b>	<u><u>\$16,185</u></u>	<u><u>\$15,668</u></u>

# Open Claims in 2019 by Area of Practice

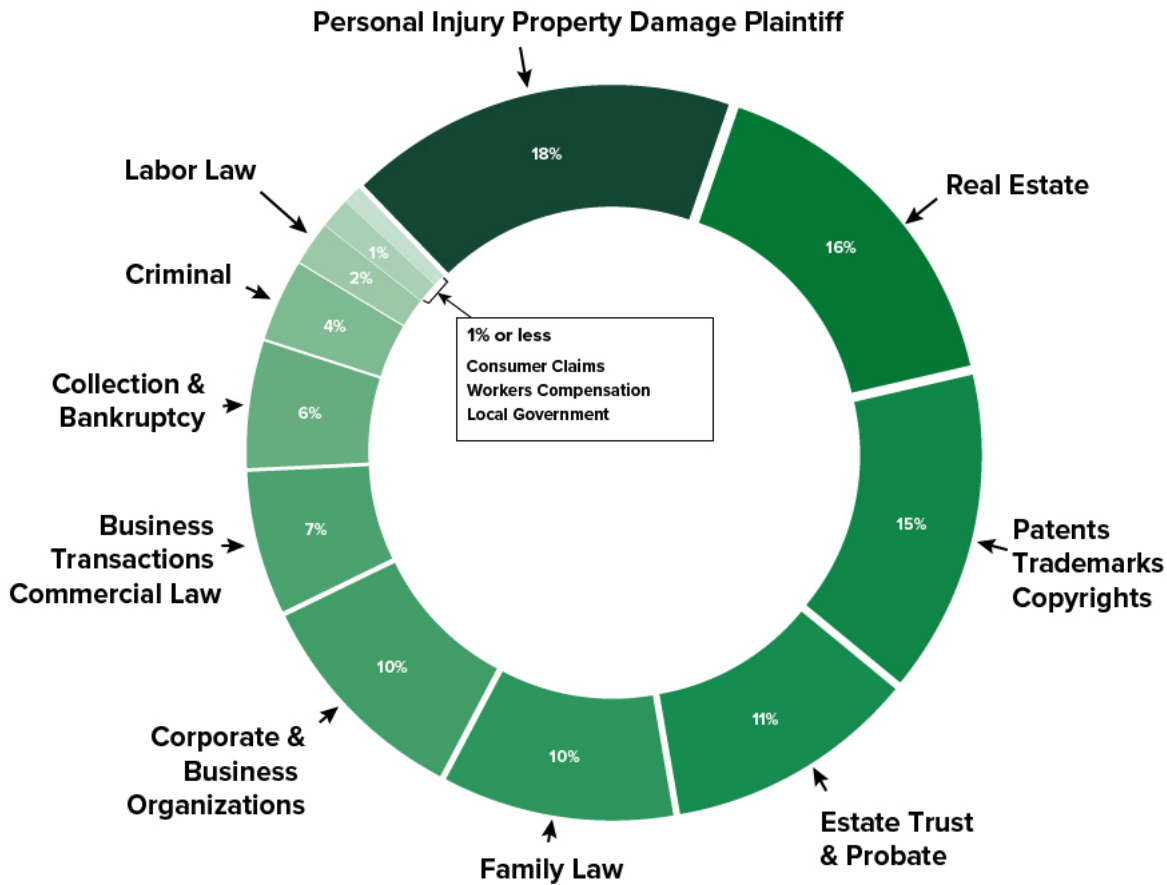
Summaries of the Company's financial position at year end 2019 and 2018 are presented. The Company was audited by the accounting firm of Brown Smith Wallace, LLC.

ALL CLAIMS OPENED IN 2019



## CLAIMS SEVERITY BY AREA OF LAW:

ALL CLAIMS CLOSED WITH INDEMNITY PAYMENTS IN 2019



## 2019 Operations

The Bar Plan’s Court Bond Program continues its steady growth and profitability. We thank our many marketing partners and the attorneys who have been the backbone of this success. They have come to rely on our commitment to customer service and support, our timely turnaround times, and our attorney-managed underwriting that understands what they need and provides it on the first try. We are fortunate to have had consistent, quality leadership in that program over the years, and the results speak for themselves.

Service to the legal community has always been a hallmark of The Bar Plan, and that commitment has never been stronger. The Bar Plan staff are currently serving in leadership roles in the ABA, and in state and local Bar Associations, and our Corporate Secretary, John Gunn, will serve as President of The Missouri Bar for the 2020-21 Bar year. We congratulate John, an outstanding leader and advocate for lawyers and the legal profession, and we are committed to assisting him in any way we can to advance the Bar’s priorities.

Thank you for your continued support. If you have any questions or comments, please feel free to reach out to me or any member of our leadership team.

Best regards and please stay safe.

Karen McCarthy  
 CEO & President  
 The Bar Plan

### The Bar Plan

[622 Emerson Road, Suite 100](https://www.thebarplan.com/2019-annual-report/)  
[St. Louis, MO 63141](https://www.thebarplan.com/2019-annual-report/)  
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- [Company Overview](#)
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- [The Bar Plan Foundation](#)
- [Annual Reports](#)
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- [Annual Golf Tournament](#)
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