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THE
BAR PLAN
.....Annual Report 2012.....





Karen McCarthy
President & CEO

Letter From Our CEO

At its core, insurance is the assumption of risk in return for a premium payment. Along with the risk, there is volatility. It is important to stay focused on the mission during these periods of volatility to minimize the negative impacts and to ensure long-term profitability and capital adequacy.

The Bar Plan has emerged from “the perfect storm” of very challenging economic conditions for lawyers and law firms coupled with very aggressive and irresponsible behavior from some competitors. Premium growth and retention rates returned to historical levels in late 2011. Starting in July of 2012 and through the first six months of 2013, we have returned to profitability, and our balance sheet and capital surplus has strengthened considerably.

Having gone through these challenges, I am even more mindful of the advantages, both to the company and our policyholders, of being a mutual insurance company owned by our policyholders. Our mission has always been to provide the broadest possible coverage at the best possible price, consistent with long-term financial strength.

We are able to stay true to this mission because we do not face the short-term profit pressures of a stock company. Rather, our only mission is to charge the right premium to be here for our policyholders over the long-term. And our policyholders know that our profits inure to their benefit, not a stock investor who did not pay any of the premiums.

This model has served The Bar Plan and our policyholders very well, and it has earned us the good will and operating freedom to do the right things for the long-term. We are thankful to our many policyholders who understand the benefits of a bar-related mutual insurance company, and to our many business partners who support our mission and stand by us through the storms.

Karen R. McCarthy
President & CEO
The Bar Plan



Greg Klaus
Chief Financial Officer

Financials

Statutory Statements of Admitted Assets, Liabilities, & Surplus

(Dollars in thousands) (December 31)

	2012	2011
Admitted Assets		
Bonds	\$28,128	\$30,969
Common Stocks	9,891	9,195
Real Estate - Home Office	1,732	1,827
Cash & Short-Term Investments	4,446	6,728
Total Cash & Invested Assets	44,197	48,719
Receivables:		
Premium Receivable	3,154	3,262
Reinsurance Recoverable On Paid Losses	406	198
Accrued Investment Income	262	328
Receivable From Subsidiaries	196	19
Federal Income Tax Recoverable	19	-
Other Assets:		
Deferred Tax Asset, Net	936	852
Electronic Data Processing Equipment	49	69
Other Assets	257	334
Total Admitted Assets	\$49,476	\$53,781
Liabilities & Surplus		
Liabilities:		
Reserve For Losses	\$15,296	\$14,873
Reserve For Loss Adjustment Expenses	10,098	8,899
Commissions Payable	688	101
Accrued Expenses	562	151
Taxes, Licenses, And Fees	27	27
Current Federal And Foreign Income Taxes	-	16
Unearned Premiums	5,323	5,144
Advanced Premiums	592	608
Remittances And Items Not Allocated	43	182
Accounts Withheld By Company For Accounts Of Others	409	316
Ceded Reinsurance Premiums Payable	561	637
Payable For Securities	-	304
Unclaimed Funds	16	31
Payable To Subsidiaries	-	19
Profit Commission Payable	194	76
Provision For Reinsurance	61	1
Total Liabilities	33,870	31,385
Surplus:		
Policyholder Contributions	288	302
Surplus Note	5,009	5,011
Unassigned Surplus	10,309	17,083
Total Surplus	15,606	22,396
Total Liabilities & Surplus	\$49,476	\$53,781

Statutory Statements of Operations & Changes in Surplus

(Dollars in thousands) (December 31)

	2012	2011
Net premiums earned	\$10,455	\$10,228
Losses incurred	6,428	1,582
Loss adjustment expense incurred	7,976	6,462
Other underwriting expense incurred	4,562	4,229
Net underwriting gain (loss)	(8,511)	(2,045)
Investment Income:		
Investment income, net of investment expenses	785	991
Net realized capital loss on investments - net of federal income tax for 2012 and 2011 of \$0 and \$0, respectively	88	1,542
Net investment income	873	2,533
Other income, net	282	245
Income (loss) before federal income taxes	(7,356)	733
Federal income taxes expense (benefit)	-	15
Net income (loss)	\$(7,356)	\$718
Other changes in surplus:		
Net increase/(decrease) in nonadmitted assets	786	(313)
Refunds of policyholder contributions	(14)	(20)
Change in net unrealized capital gains/(losses) on bonds and common stock	202	(259)
Change in provision of reinsurance	(61)	(1)
Change in net deferred income tax	(530)	22
Cumulative effect of changes in accounting principles	131	-
Prior year tax period adjustment	52	-
Change in surplus	(6,790)	147
Surplus, beginning of year	22,396	22,249
Surplus, end of year	\$15,606	\$22,396

Claims

Although we continued to see an increase in severity in claims, we are seeing that increase level off. This is due, in part, to focusing our efforts on early evaluation and early resolution where possible. Additionally, we saw the number of claims reported per 100 attorneys stay relatively stable. The Bar Plan obtained a number of successful defense verdicts, summary judgments, victories on appeal, and acceptable settlements. This is due in large part to our outstanding defense counsel and cooperative insureds.

The continued increased severity seen in 2012 still stems from a noticeable increase in claim values across multiple areas of practice, jurisdictions and firm sizes. 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 claims handling and claims avoidance, and they professionally guide our insureds from initial report through the conclusion of each matter reported to The Bar Plan.

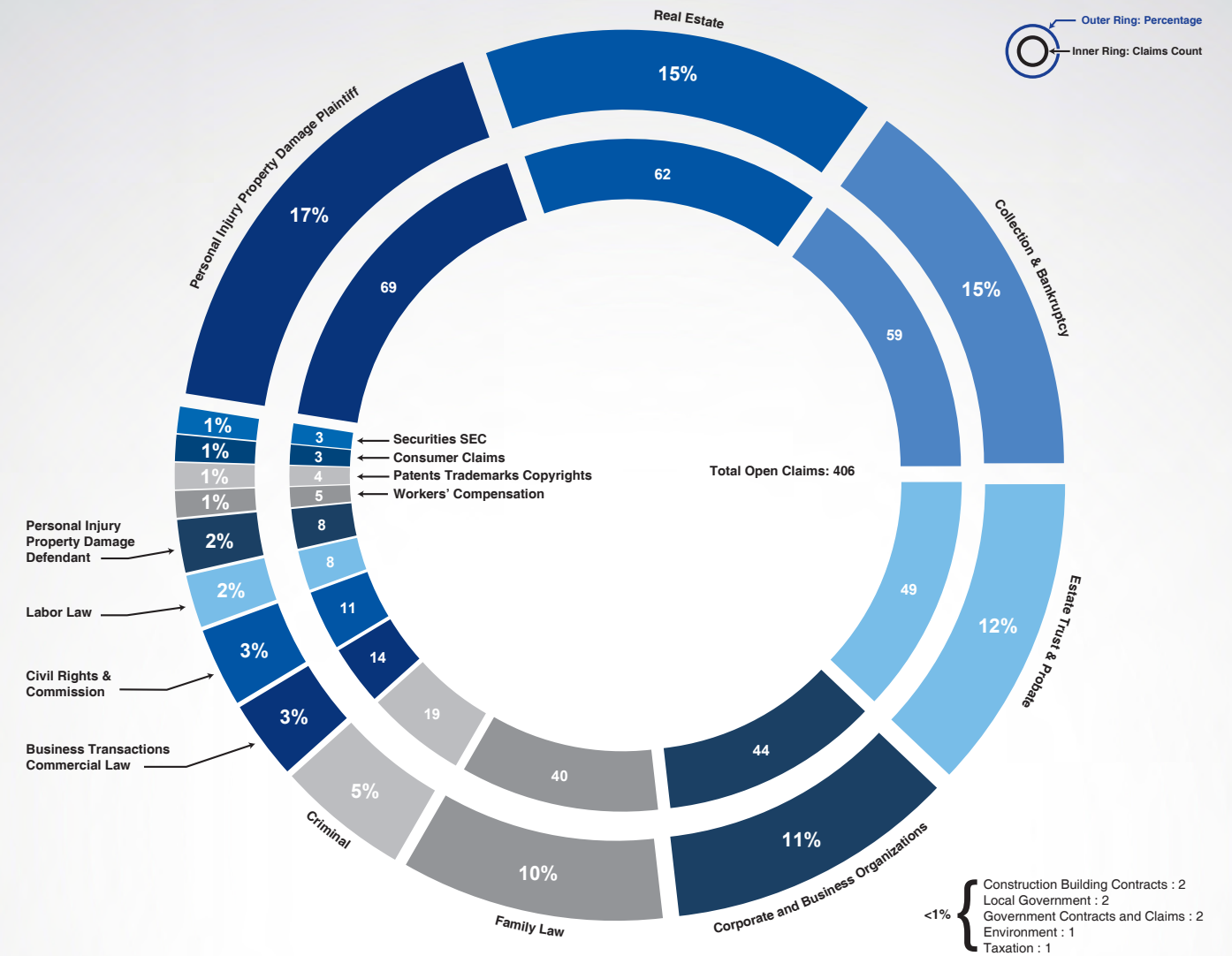
Although we expect the cost of defending legal malpractice claims to continue to be significant, we continue to work to keep those costs in check through aggressive and diligent claims management. This paid off for us in the second half of 2012, and we hope to continue this trend into 2013.



Teresa Niederwimmer
Vice President - Claims

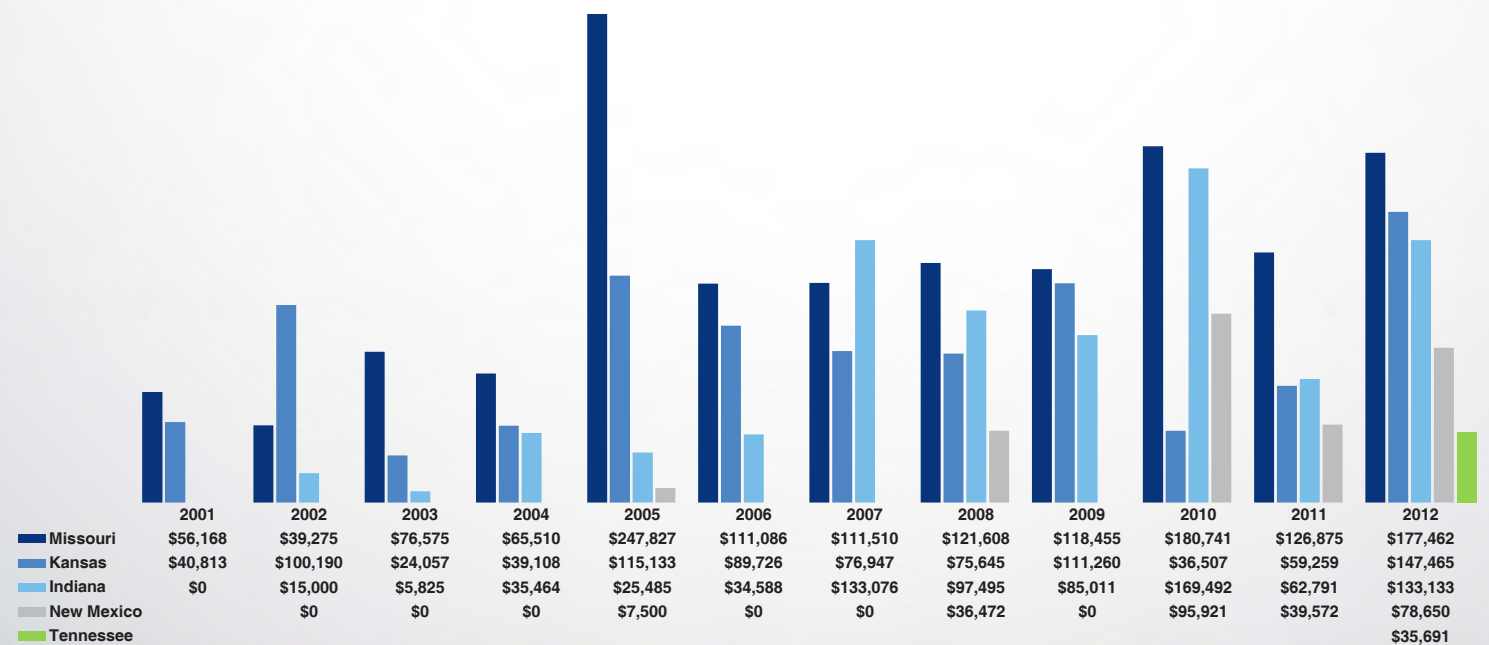
Open Claim Count by area of law.

(December 31 2012)



Average Cost of Closed Claims with Payment by Closed Year.

(Closed years 2001 - 2012)



Agency

The Bar Plan Insurance Agency, Inc. ("Agency") provides sales support for The Bar Plan's Lawyers' Professional Liability Insurance and Court Bond programs.

The Agency also offers a Lawyers' Business Owner's Policy ("BOP") and Workers' Compensation Insurance underwritten by The Hartford, and administers The Missouri Bar's Group Term Life Insurance program.*

We continually monitor the market and add products and coverage requested by our insureds or through our own market analysis. In 2012, a Cyber Liability Insurance option was added to the Lawyers' Business Office Package policy to meet the changing needs of our insureds.

The Bar Plan, our Agency and our team of agents provide financial support to many

law-related conferences, seminars and events throughout the year. Additionally, our agents get to know our insureds and make themselves available in convenient settings for lawyers. In 2012, our agents attended over 60 law-related conferences and seminars.

* Underwritten by ReliaStar Life Insurance Company, a member of the ING family of companies. Program available only to The Missouri Bar members



Mark Bockius
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Surety & Fidelity

The Bar Plan Surety and Fidelity Company ("Surety") is a wholly-owned subsidiary of The Bar Plan Mutual Insurance Company ("Mutual") 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 selected because

of their expertise and proven track records with insurance products for lawyers.

The program continued its steady growth in 2012 and experienced a very low loss ratio, signifying excellent claims experience. In addition to the effects on profitability, this claims experience benefits lawyers who use our program by limiting their exposure to malpractice. We specialize in court bonds and understand

how to properly underwrite them.

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



Kim Edgar
Vice President - Bonds



Cathy Ahearn
Senior Bond Underwriter



Debbie Eller
Bond Underwriter

Foundation

Risk Management Education

In 2012, The Bar Plan Foundation conducted more than 100 seminars across Missouri, Kansas, Indiana, Tennessee, and New Mexico. The seminar series was presented to over 2,500 attorneys and addressed critical risk management and professionalism issues.

Annual Golf Tournament

The Bar Plan Foundation's 19th Annual Golf Tournament was held in August at Greenbriar Country Club. The beneficiaries were Joplin Tomorrow and The Bar Plan Foundation. Both beneficiaries received \$8,750.50. For more information, please visit our website at www.thebarplan.com.

2012 Scholarship Recipients

In 2012, 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. The recipients were:

Sean Brown, the recipient of the Richard P. Sprinkle Scholarship, was a professional pilot for many years prior to entering UMKC School of Law. Sean, a 3rd year student, is a member of the interschool ABA Negotiating Team and the Federalist Society, and served as a justice of the Honor Court. Additionally, his writing ability and academic performance earned him a spot on the UMKC Law Review's staff.

Rachel Wickstrom is The Bar Plan Foundation's Roy A. Larson Scholarship recipient. Rachel is a 3rd year student at UMKC School of Law where she was an officer of the Christian Legal Society and part of the 3rd place National Intellectual Property LawMeet team. She was also a teaching assistant in the Strategies program teaching first-year students study skills.

Nicolas Klitzing is a 3rd year student at Saint Louis University School of Law where he is in the top 10% of his class and serving as a staff member of the Public Law Review. Nick is actively involved with the Public Interest Law Group and has volunteered at the Herbert Hoover Boys & Girls Club. He has worked for several local and national political campaigns, including as an intern in the Office of the Vice President in 2007.

Nick Myers is a 3rd year student at the University of Kansas School of Law and intends to practice environmental law. Nick volunteered at the Kansas Department of Health and Environment as part of an externship. During undergrad, Nick was awarded the Robert Smith Leadership Scholarship and a Pace Setter Award for outstanding work ethic.

Ashlyn Cheray attends Washburn University School of Law, and expects to graduate in May 2013. She plans to practice family law in Kansas upon graduation. During law school, Ashlyn was a semifinalist in the Texas Young Lawyer's Association National Trial Competition, was an Advocate for the Court Appointment Special Advocates, the ABA Representative for the Washburn Student Bar Association, and Vice President of the Washburn Law Hispanic American Law Student Association.

Stan Musgrave is a 3rd year student at the University of Missouri School of Law. Prior to law school, he served as a combat medic and Army nurse in Iraq. During law school, Stan was a Moot Court Finalist and a member of the Criminal Law Association and the Missouri Student Veterans Association.

Kailey Burger attends Washington University as a 3rd year law student. Kailey intends to practice criminal law and has already accepted a position with the New York City Law Department, which she will begin after graduation. During law school, Kailey was a recipient of the Excellence in Oral Advocacy Award, a member of the Dean's list and Executive Articles Editor for the Washington University Journal of Law and Policy.



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Vice President - Risk Management



Christina Lewis Abate
Risk Manager

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