

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

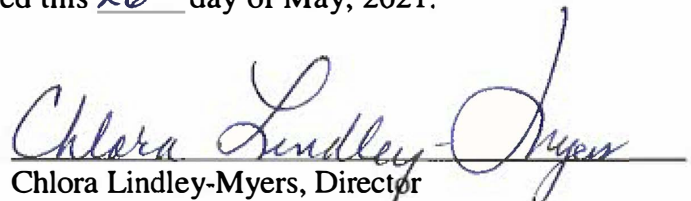
ORDER

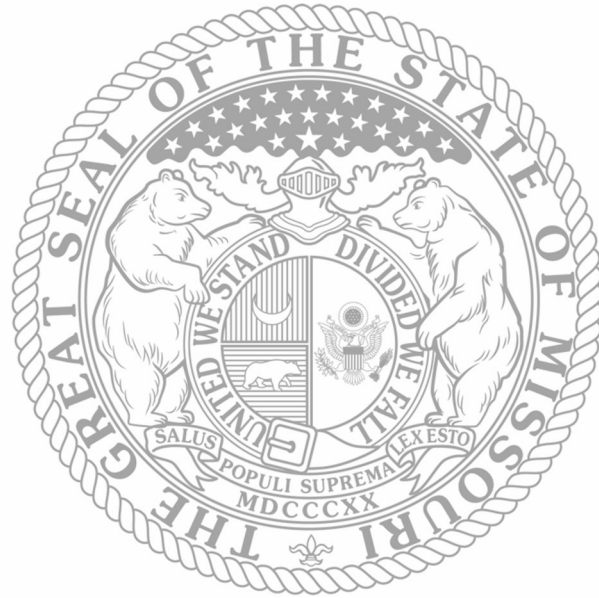
After full consideration and review of the report of the financial examination of The Bar Plan Mutual Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of The Bar Plan Mutual Insurance Company as of December 31, 2019 be and is hereby ADOPTED as filed and for The Bar Plan Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 26th day of May, 2021.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

THE BAR PLAN MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Saint Louis, MO
April 12, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

The Bar Plan Mutual Insurance Company (NAIC #29513)

hereinafter referred to as such, as BPM, or as the Company. Its administrative office is located at 1717 Hidden Creek Court, Saint Louis, Missouri 63131, telephone number (314) 965-3333. The fieldwork for this examination began on December 14, 2020, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state financial examination of The Bar Plan Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2012 through December 31, 2016. The current examination covers the period of January 1, 2017 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to BPM included Investments, Premiums & Underwriting, Claims & Reserving, Reinsurance, Related Parties and

Capital & Surplus. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the balance sheet or income statement identified during the examination.

COMPANY HISTORY

General

The Company incorporated as The Bar Plan on November 21, 1985, as a non-profit association under RSMo Chapter 383 (Malpractice Insurance). The Company commenced business on January 7, 1986.

On January 1, 1991, The Bar Plan converted to a non-assessable mutual insurance company operating under RSMo Chapter 379 (Insurance Laws Other than Life). The Bar Plan changed its name to The Bar Plan Mutual Insurance Company at that time.

Mergers, Acquisitions, and Major Corporate Events

No mergers, acquisitions or other major corporate events occurred during the examination period.

Dividends and Capital Contributions

BPM does not have any stockholders; therefore, there are no stockholder dividends.

No policyholder dividends or contributions were paid during the examination period.

Surplus Notes

On September 21, 2006, the Company issued a \$5 million surplus note with an initial interest rate of 9.1% and a maturity date of September 15, 2036. On September 15, 2011, the initial interest rate converted to a floating rate, equal to the three-month LIBOR (London inter-bank offer rate) plus 3.87%. The note is administered by Wilmington Trust Company, a non-affiliate, as trustee. The balance of the Surplus Note, with accrued interest, was \$5,010,166 at the beginning of the examination period and \$5,011,513 at the end of the examination period. During the examination period, the Department approved twelve interest-only payments totaling \$880,660.60.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors, which are elected by the policyholders. The Company's Bylaws specify that there shall be between nine and eleven members. The Board of Directors appointed and serving as of December 31, 2019, were as follows:

Name and Address

Principal Occupation and Business Affiliation

Kent O. Hyde
Springfield, Missouri

Chairman
Hyde, Love & Overby, LLP

Ann P. Hagan
Mexico, Missouri

Vice Chairman
Hagan & Maxwell LLC

Michael J. Delaney
Jefferson City, Missouri

Retired Treasurer
Hospital Services Group, Inc.

John R. Gunn
Saint Louis, Missouri

Secretary
The Gunn Law Firm, P.C.

Sara G. Neill
Saint Louis, Missouri

Tax Controversy and Litigation Attorney
Capes, Sokol, Goodman & Sarachan, P.C.

Karen R. McCarthy
Saint Louis, Missouri

President & CEO
The Bar Plan Mutual Insurance Company

Brian J. Kinman
Saint Louis, Missouri

Retired Partner
PricewaterhouseCoopers LLP

JoAnne D. Mallonee
Saint Louis, Missouri

Executive Vice President
Huntleigh McGehee

Robert J. Buckley
Columbia, Missouri

Attorney
Oliver Walker Wilson, LLC

Senior Officers

The officers elected and serving, as of December 31, 2019, were as follows:

Name

Office

Karen R. McCarthy

President & Chief Executive Officer

John R. Gunn

Secretary

Michael J. Delaney

Treasurer

Gregory H. Klaus

Chief Financial Officer

Patrick M. O’Leary

Executive Vice President

Christina M. Lewis Abate

Vice President

Teresa M. Niederwimmer

Vice President

Kimberly M. Edgar

Vice President

Cynthia L. Pulvirenti

Vice President

Principal Committees

The following Board committees were in place as of December 31, 2019: Executive Committee, Corporate Governance Committee, Audit Committee, Investment Committee, Compensation Committee and Claims Committee. Each committee consists of all board members.

Corporate Records

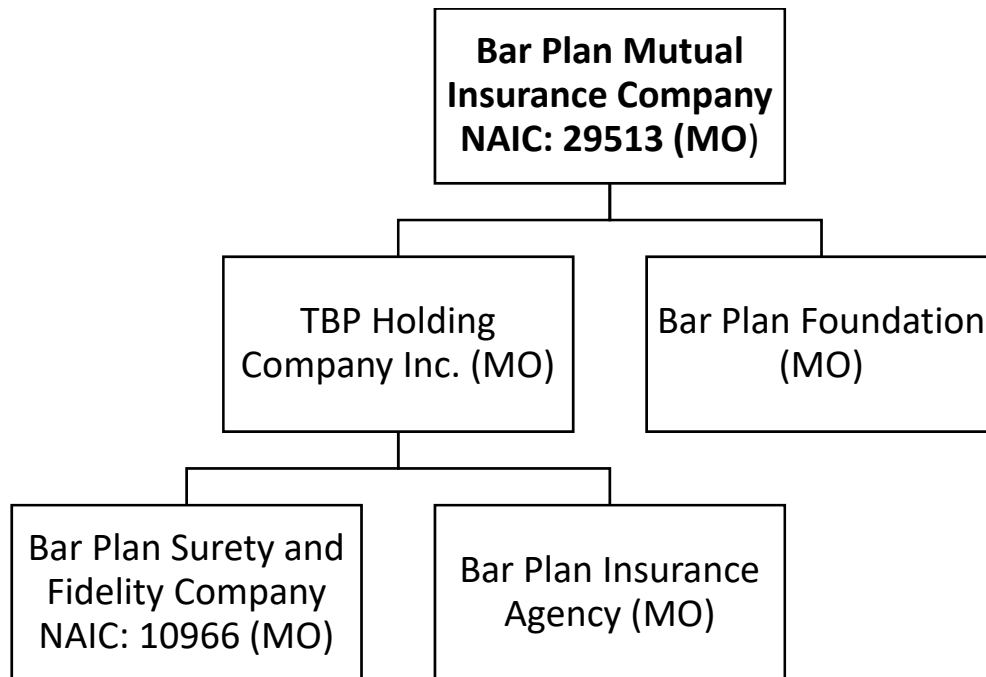
The Company's Articles of Incorporation and Bylaws were reviewed. No amendments to the Articles of Incorporation or Bylaws were made during the examination period. The minutes of the meetings of the policyholders, board and committees were reviewed for the period beginning January 1, 2017, through current. The minutes appear to properly document and approve corporate events and transactions.

Holding Company, Subsidiaries, and Affiliates

BPM is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by BPM each year of the examination period. BPM does not have any stockholders or a controlling entity due to its formation as a mutual insurer. The Company is ultimately controlled by its policyholders, which elect the Board of Directors.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2019.



Intercompany Transactions

The Company has entered into significant contracts with affiliated entities that were in effect as of December 31, 2019. A brief description of these agreements are as follows:

Administrative and Management Services Agreement: This agreement, effective January 1, 1999, is between BPM and Bar Plan Surety and Fidelity Company (BPSF). Per the terms of the agreement, BPM provides BPSF full and part-time personnel to perform daily operations of BPSF. BPSF, in turn, provides BPM with general administrative and management oversight of the surety business produced. BPSF reimburses BPM for its proportional share of related expenses and average cost of salary.

Tax Allocation Agreement: The agreement, effective November 9, 1998, is between BPM and BPSF. Per the terms of the agreement, each party is responsible for its own taxes incurred, credits gained and professional fees.

Administrative, Management and Marketing Services Agreement: The agreement, effective August 18, 2008, is between BPM and The Bar Plan Insurance Agency, Inc. (BP Agency). Per the terms of the agreement, BP Agency provides marketing services to BPM. In return, BPM provides management and administrative services. BP Agency reimburses BPM for its proportional share of related expenses and average cost of salary.

TERRITORY AND PLAN OF OPERATION

The Company is licensed under Chapter 379 RSMo (Insurance Laws Other Than Life) as a property and casualty insurer in Missouri. At year-end 2019, the Company was also licensed in 48 other states and the District of Columbia. Bar Plan Mutual writes Lawyers Professional Liability insurance on a claims-made basis. Its client base consists primarily of sole practitioners and small law firms. The Company also writes an insignificant amount of surety bond business. Five states accounted for 96.8% of the Company's 2019 written premium: Missouri (58.9%); Kansas (14.5%); Indiana (11.7%); New Mexico (6.4%); and, Tennessee (5.3%).

The Company produces business through direct marketing and independent agents. Direct marketing generates approximately 60% of written premiums, while independent agents account for 40% of written premium. In Missouri and Kansas, business is produced by affiliate The Bar Plan Insurance Agency (under an agreement described in the Intercompany Transactions section above) and by independent agents. In Indiana, all business is produced by the Indiana Bar Association's endorsed agent. In Tennessee, the business is produced by an agency that is 50% owned by the Tennessee Bar Association. In New Mexico, the business is produced by an unaffiliated agency with a significant portion of the market.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios for the period under examination:

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2017	\$ 9,466,521	\$ (513,613)	\$ 15,644,299	.61
2018	9,319,439	(147,082)	15,668,454	.59
2019	8,738,865	(580,574)	16,185,497	.54

The table below summarizes the Company's incurred losses and loss ratios for the period under examination:

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2017	\$ 9,450,973	\$ 8,093,114	.86
2018	9,520,423	5,384,586	.56
2019	9,086,504	5,572,290	.61

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

Premium Type	2017	2018	2019
Direct Premiums Written	\$ 15,724,992	\$ 15,267,134	\$ 14,255,025
Reinsurance Ceded:			
Non-Affiliates	6,258,471	5,947,695	5,516,160
Net Premiums Written	\$ 9,466,521	\$ 9,319,439	\$ 8,738,865

Assumed Reinsurance

The Company did not assume any reinsurance during the examination period.

Ceded Reinsurance

Excess of Loss (Layer 1)

The Company's first layer of excess of loss reinsurance is \$750,000 excess of \$250,000. This agreement, effective January 1, 2019, is between The Bar Plan Mutual Insurance Company and several authorized reinsurers. The contract reinsures the Company's Legal Professional Liability (LPL) business written in each of the states and Judges Professional Liability (JPL) business in the State of Missouri. For policies with a "Separate Defense Expense Limit Endorsement," this agreement provides coverage up to \$1,750,000. For policies without the endorsement, coverage is limited to \$750,000.

Excess of Loss (Layer 2)

The Bar Plan Mutual Insurance Company's second layer of excess of loss reinsurance is \$4,000,000 excess of \$1,000,000. This agreement, effective January 1, 2019, is between The Bar Plan Mutual Insurance Company and several authorized reinsurers. The contract reinsures the Company's LPL business written in all states and JPL business in the State of Missouri. For policies with a "Separate Defense Expense Limit Endorsement," this agreement provides coverage up to \$5,000,000. For policies without the endorsement, coverage is limited to \$4,000,000.

Excess of Loss (pro-rata)

The Company and BPSF are parties to a surety pro-rata excess of loss agreement under which they retain 52.5% of the premiums and losses with a maximum retention of \$250,000. This agreement became effective January 1, 2019 and covers fiduciary bond policies. For bonds written in excess of \$476,190, the retention is the percentage that \$250,000 bears to the total bond penalty. This treaty is limited to bonds up to \$2,500,000. Bonds issued in excess of \$2,500,000 require special acceptance by the reinsurers. The counterparties to this agreement are three authorized reinsurers: Endurance Assurance Corporation (55%); Transatlantic Reinsurance Company (35%); and, Aspen Re America, Inc. (10%).

Quota Share

The Company has a quota share agreement to cede 100% of the net liabilities for its cyber insurance endorsements. This agreement became effective January 1, 2018 and an endorsement to that original agreement was subsequently entered into beginning on January 1, 2019. The agreement is between the Company and several authorized reinsurers. The agreement provides coverage for liability of up to \$50,000 per claim up to \$150,000 in the aggregate annually, depending on the number of attorneys on the endorsement.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Brown Smith Wallace, LLP, in Saint Louis, Missouri, performed the statutory audit of the Company for all the years in the examination. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Charles Emma, FCA, MAAA, of EVP Advisors, Inc. for all years in the examination period.

Consulting Actuary

Pursuant to a contract with the Department, Kristine Fitzgerald, ACAS, MAAA, FCA of Actuarial & Technical Solutions, reviewed the underlying actuarial assumptions and methodologies used by BPM to determine the adequacy of loss reserves and LAE reserves. Ms. Fitzgerald determined that the Company made a reasonable provision for the loss and LAE reserves that were reported in the statutory financial statements, as of December 31, 2019.

Information Systems

In conjunction with this examination, examiners conducted a review of the Company's information systems. No material weaknesses were identified.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of The Bar Plan Mutual Insurance Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 22,863,601	\$	\$ 22,863,601
Stocks:			
Common Stocks	10,429,361		10,429,361
Real Estate:			
Properties Occupied by the Company	1,192,068		1,192,068
Cash, Cash Equivalents, and Short- Term Investments	1,591,924		1,591,924
Investment Income Due and Accrued Premiums and Considerations:	130,548		130,548
Uncollected Premiums and Agents' Balances in the Course of Collection	2,553,398	64,800	2,488,598
Reinsurance:			
Amounts Recoverable from Reinsurers	86,025		86,025
Other Amounts Receivable Under Reinsurance Contracts	33,062		33,062
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	68,215		68,215
Net Deferred Tax Asset	259,980		259,980
Guaranty Funds Receivable or on Deposit	1,540		1,540
Electronic Data Processing Equipment and Software	300,849	280,583	20,266
Furniture and Equipment, Including Health Care Delivery Assets	1,904	1,904	
Receivables from Parent, Subsidiaries, and Affiliates	80,123		80,123
Aggregate Write-Ins for Other-Than- Invested Assets	250,636	135,768	114,868
TOTAL ASSETS	\$ 39,843,234	\$ 483,055	\$ 39,360,179

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Losses	\$ 9,814,159
Loss Adjustment Expenses	6,545,853
Commissions Payable, Contingent Commissions, and Other Similar Charges	57,088
Other Expenses	173,832
Taxes, Licenses, and Fees	119,330
Unearned Premiums	4,723,711
Advance Premiums	773,391
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	497,721
Amounts Withheld or Retained by Company for Account of Others	297,587
Remittances and Items Not Allocated	30,854
Provision for Reinsurance	67,000
Payable to Parent, Subsidiaries, and Affiliates	33,759
Payable for Securities	8,592
Aggregate Write-Ins for Liabilities	31,805
TOTAL LIABILITIES	\$ 23,174,682
Surplus Notes	5,011,513
Unassigned Funds (Surplus)	11,173,984
TOTAL CAPITAL AND SURPLUS	\$ 16,185,497
TOTAL LIABILITIES AND SURPLUS	\$ 39,360,179

STATEMENT OF INCOME

For the Year Ended December 31, 2019

Premiums Earned	\$ 9,086,504
DEDUCTIONS:	
Losses Incurred	2,059,722
Loss Adjustment Expenses Incurred	3,512,568
Other Underwriting Expenses Incurred	4,377,732
Total Underwriting Deductions	\$ 9,950,022
Net Underwriting Gain (Loss)	\$ (863,518)
Net Investment Income Earned	347,893
Net Realized Capital Gains	64,849
Net Investment Gain (Loss)	\$ 412,742
Finance and Service Charges Not Included in Premiums	208,023
Aggregate Write-Ins for Miscellaneous Income	(2,298,773)
Federal and Foreign Income Taxes Incurred	(12,490)
NET INCOME (LOSS)	\$ (2,529,036)

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2017 to December 31, 2019

	2017	2018	2019
Capital and Surplus, Beginning of Year	\$ 17,561,317	\$ 15,644,299	\$ 15,668,454
Net Income (Loss)	(1,519,077)	246,114	(2,529,036)
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	271,120	(68,160)	750,099
Change in Net Deferred Income Tax	(330,613)	62,965	(149,633)
Change in Nonadmitted Assets	(329,448)	(280,764)	2,445,614
Change in Provision for Reinsurance	(9,000)	64,000	
Net Change in Capital and Surplus	(1,917,018)	24,155	517,044
Capital and Surplus, End of Year	\$ 15,644,299	\$ 15,668,454	\$ 16,185,497

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On February 3, 2021, the Department received a Form D filing for BPM to reinsure all of Surety's business. This new agreement will also replace the Administrative and Management Services Agreement described in the Intercompany Transactions section of this report. This filing was non-disapproved by the Department on March 19, 2021.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Department has been in communication with BPM regarding the impact of COVID-19 on its business operations and financial position.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of The Bar Plan Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Josh Nash, CPA, CFE and Michael Borawski, CFE (Fraud), examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Saint Louis)

I, Scott Reeves CPA, CFE, CAMS, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of The Bar Plan Mutual Insurance Company, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Scott Reeves, CPA, CFE, CAMS
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 27th day of April, 2021.

My commission expires: 05/31/2022 

Notary Public

SHERMIRA KIMBLE
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: May 31, 2022
18905791

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

Michael R. Shadowens

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance