STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of The Bar Plan Mutual Insurance Company as of December 31, 2008

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, 2008, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER 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) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) 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 March 23, 2010.

John M. Huff, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

The Bar Plan Mutual Insurance Company

As of:
DECEMBER 31, 2008

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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December 21, 2009
St. Louis, MO

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs:

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

The Bar Plan Mutual Insurance Company

hereinafter referred to as the "Company." The Company's office is located at 1717 Hidden Creek Court; St. Louis, Missouri 63131-1826; telephone number (314) 965-3333. Examination fieldwork began on August 17, 2009 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

This examination covers the period from January 1, 2006 through December 31, 2008, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2008.

Procedures

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key activities included: Investments, Treasury, Premiums, Reinsurance, Claims and Actuarially Determined Liabilities, Affiliated Parties, Debt and Surplus, Taxes, Expenses, and Management and Control.

The examiners relied upon information and workpapers provided by the Company's independent auditor, Brown Smith Wallace, LLC, St. Louis, Missouri, for its audit covering the period from January 1, 2008 through December 31, 2008. Such reliance included fraud risk analysis, internal control narratives and test of internal controls.

SUMMARY OF SIGNIFICANT FINDINGS

The Company continues to operate in a sound manner. No significant findings were identified during this examination. After excessive losses were incurred a few years ago, management implemented measures to strengthen the underwriting process. This has, in large part, lead to substantial improvement in the Company's overall financial results.

SUBSEQUENT EVENTS

There have been no significant subsequent events since December 31, 2008.

COMPANY HISTORY

General

The company was incorporated on November 21, 1985 as a Chapter 383 RSMo (Malpractice Insurance) company. The Missouri Bar formed this company with the original name of The Bar Plan. A certificate of authority was granted and the company commenced business on January 1, 1986.

On January 1, 1991, the Company converted from a Chapter 383 RSMo (Malpractice Insurance) company to a Chapter 379 RSMo (Insurance Other Than Life) company as an assessable mutual insurance company. At that time, the name was changed to The Bar Plan Mutual Insurance Company.

The Company specializes in writing lawyers professional liability insurance on a claims made basis. That business is written in Missouri, Kansas, Indiana and New Mexico. The company also writes surety business in 47 states and the District of Columbia as well as through its subsidiary, The Bar Plan Surety and Fidelity Company.

Capital Stock

The Company is a mutual insurance company and has no capital stock.

Dividends

The Company returned capital contributions to policyholders as shown in the table below.

	Returned Capital Contributions
2006	\$29,800
2007	\$32,600
2008	\$43,800

Mergers and Acquisitions

There were no mergers or acquisitions by the Company during the examination period.

CORPORATE RECORDS

Minutes of the meetings of the Board of Directors and annual meetings of the stockholder were reviewed. Major corporate decisions and resolutions were sufficiently documented in the minutes.

Directors serving at December 31, 2008 were:

James E. Baldwin
Lebanon, MO

Jerome E. Brant
Liberty, MO

Dennis L. Gillen
Wichita, KS

Ann P. Hagan
Mexico, MO

Kent O. Hyde
Springfield, MO

Walter R. Lamkin
St. Louis, MO

David E. Larson
Leawood, KS

Karen R. McCarthy
St. Louis, MO

Richard G. Steele
Cape Girardeau, MO

Officers serving at December 31, 2008 were:

Name	Position
Karen R. McCarthy	President & CEO
Gregory H. Klaus	Chief Financial Officer
Ann P. Hagan	Secretary
Richard G. Steele	Treasurer
Patrick M. O'Leary	Vice President
Stephen C. Couch	Vice President
Kimberly M. Edgar	Vice President
Cynthia L. Pulvirenti	Vice President
Gayle E. Tegtmeier	Vice President

As of December 31, 2008, the Board of Directors had appointed the following members to serve on the committees listed below:

Executive	**Finance and Investment**	**Claims**
David E. Larson	David E. Larson	David E. Larson
Jerome E. Brant	Kent O. Hyde	Kent O. Hyde
Ann P. Hagan	Richard G. Steele	Richard G. Steele
Richard G. Steele		Ann P. Hagan

Audit	**Operations**	**Long Range Planning**
James E. Baldwin	Ann P. Hagan	Walter R. Lamkin
Ann P. Hagan	Dennis L. Gillen	Jerome E. Brant
Jerome E. Brant	Walter R. Lamkin	Karen R. McCarthy
Dennis L. Gillen		

Conflict of Interest

All officers and directors provided signed conflict of interest disclosures each year of the examination. No instances of conflict of interest situations were reported.

Surplus Debentures

The Company had a surplus note totaling $5,020,222 at December 31, 2008. This note was issued on September 21, 2006 with an interest rate of 9.1% until September 15, 2011, at which time it becomes a floating rate obligation.

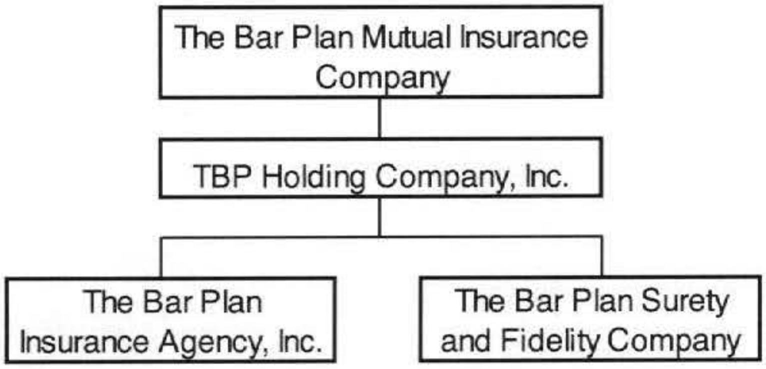
MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo. Pursuant to Missouri Insurance Regulation 20 CSR 200-11.100 and Section 382.100 RSMo, the Company has filed Form B of the Insurance Holding Company System with the Department.

Organizational Structure

The Bar Plan Mutual Insurance Company owns 100% of TBP Holding Company, Inc., which, in turn, owns 100% of The Bar Plan Insurance Agency, Inc. and The Bar Plan Surety and Fidelity Company. The following organizational chart depicts the ownership structure of the Company:



Intercompany Transactions

The Company is a party to two intercompany agreements. The Company is party to a tax allocation agreement which calls for consolidated income tax filings for all entities in the holding company system. Taxes are allocated to the individual companies on the basis of each company's contribution as if they were stand alone entities.

The Company participates in a management and administrative services agreement with The Bar Plan Surety and Fidelity Company (Surety). The Company provides management and administrative services to Surety which, in turn, provides underwriting, policy processing and general administrative services for the issuance of surety bonds. The Company receives $6,250 per month for the services provided to Surety. The Company pays Surety an underwriting fee based on the expenses incurred producing surety business. That fee is determined by the proportion of the direct written surety premium of the Company as compared to the total direct surety premium written by both companies. Settlement is to occur by the 15th of each month.

Payments to Affiliates

Notes to the financial statements in the annual statement disclosed that the Company made the following payments to Surety:

2006	\$71,935
2007	\$86,882
2008	\$139,046
Total	\$297,863

FIDELITY BOND AND OTHER INSURANCE

The Company has a fiduciary liability policy with a limit of \$1,000,000 and no deductible. This coverage is provided for all companies within the holding company system and exceeds the National Association of Insurance Commissioners' suggested minimum guidelines.

The Company is also adequately insured through policies providing coverage for real and personal property, general liability, automobile liability, workers compensation and employer liability, and directors' and officers' liability.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company's primary benefits provided to full time employees include: paid time off, holidays, cafeteria plan, group life, short-term disability insurance, long-term disability insurance, employee group health insurance, including dental coverage, and a 401(k) savings plan with employer match. Adequate provision had been made in the financial statements for these liabilities.

TERRITORY AND PLAN OF OPERATION

Territory and Plan of Operations

The Company is licensed in Missouri under Chapter 379 RSMo (Insurance Other Than Life) to write liability and surety insurance.

The Company writes professional liability insurance for individuals and small firms in the states of Missouri, Kansas, Indiana and New Mexico. Policies are written on a claims made basis. The Company also writes surety coverage and is licensed in 47 states and the District of Columbia for that type of business.

The Company generates most of its business in Missouri and Kansas through direct marketing. The remainder is produced by various independent insurance agents. In Indiana, all business is produced through the Indiana Bar Association's endorsed agent. Business is produced in New Mexico through one agency as well.

Treatment of Policyholders

The Department has a Market Conduct staff that performs a review of these issues and generates a separate market conduct report. The most recent Market Conduct examination covered the period of November 1, 1997 to October 31, 1998. That report disclosed no issues having a significant impact on the financial condition of the Company.

GROWTH OF COMPANY

The Company's growth since inception has been somewhat stable, especially over the past five years. There has been a modest increase in premiums written each year until 2008 when premiums dropped slightly back to levels experienced around three years ago. Growth as measured by total admitted assets has experienced a similar pattern.

LOSS EXPERIENCE

The Company has improved its loss experience over the past two years. In 2005, the Company had a net loss ratio of 114%. This declined to just over 65% during 2008. The improvement was attributed to strengthened underwriting implemented after the losses experienced in 2005 and base rate increases.

REINSURANCE

Premiums reported for the period under examination were as follows:

	2006	2007	2008
Direct Premiums Written	$23,556,830	$23,757,127	$20,966,757
Ceded Premiums	9,572,318	9,635,449	8,185,595
Net Premums Written	$13,984,512	$14,121,678	$12,781,162

Assumed Reinsurance

The Company has no assumed business.

Ceded Reinsurance

Reinsurance is placed with various reinsurers through an intermediary, AonBenfield, and directly with Swiss Reinsurance America Corporation. The Company's Lawyer's

Professional Liability Excess of Loss Reinsurance Program currently consists of two contracts:

- The first policy (Treaty #08IL\B801230) covers excess of loss from $250,000 to $750,000, if there is no Separate Defense Expense Limit Endorsement. If this endorsement does exist, the policy is covered from $250,000 to $1,750,000.

- The second policy (Treaty #08IL\B801231) covers excess of loss from $1,000,000 to $4,000,000, if there is no Separate Defense Expense Limit Endorsement. If this endorsement does exist, the policy is covered from $1,000,000 to $5,000,000.

The Bar Plan Mutual Insurance Company and its subsidiary, the Bar Plan Surety and Fidelity Company have a combination quota share/excess of loss agreement for its surety and fidelity bond business.

The combined companies retain 50% of the premium and losses up to and including a $500,000 bond. For any bond written in excess of $500,000, the companies' retention and premium participation is the percentage that $250,000 bears to the total bond penalty. The treaty is limited to bonds in the amount of $2,000,000 or less. The companies have the ability to write bonds in excess of $2,000,000 on a facultative basis. Half of the reinsurance is placed with Ensurance Reinsurance Corporation of America and half is placed with Swiss Reinsurance America Corporation through an intermediary, AonBenfield.

ACCOUNTS AND RECORDS

General

The general ledger system is maintained on a system developed by The Freedom Group. The annual and quarterly statements are prepared from software provided by Eagle TM. Eagle TM (Eagle Technology Management, Inc.) is comprised of many of the former founders of the Freedom Group, but is no longer affiliated with Freedom. ADP provides all payroll related processing.

Independent Auditor

The Company is audited by the accounting firm of Brown Smith Wallace, LLC. Workpapers from the most recent audit were used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial items reported in the financial statements were certified by Charles V. Faerber, FSA, ACAS, of Rudd and Wisdom, Inc.

Consulting actuary Jon W. Michelson, FCAS, MAAA, with Expert Actuarial Services, LLC, was retained by the Department to review the adequacy of reserves and other related liabilities. His report concluded that the Company's reserves at December 31, 2008 were adequate.

Information Systems

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Missouri Department of Insurance, Financial Institutions and Professional Registration conducted a review of the Company's information systems. No significant issues were identified.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2008, as reflected below, were sufficient in par and market value to meet the minimum requirement of $1,200,000 in accordance with Section 379.098 RSMo – Security Deposits.

Security	Par Value	Market Value	Statement Value
Jackson County Missouri Consolidated School District Bond	$ 500,000	$ 547,180	$ 513,392
St. Louis County Missouri Revenue Bond	500,000	510,730	500,000
US Treasury Note	535,000	547,792	532,393
US Treasury Note	535,000	542,565	534,623
US Treasury Note	535,000	592,512	533,676
Total	$ 2,605,000	$ 2,740,779	$ 2,614,084

Deposits with Other States

The following funds were on deposit with other states as of December 31, 2008:

State	Security	Par Value	Market Value	Statement Value
Florida	US Treasury Note	$225,000	$250,243	$224,583
Georgia	Evergreen Inst.Treasury Fund	25,000	25,000	25,000
Louisiana	US Treasury Note	75,000	82,775	74,993
Massachusetts	US Treasury Note	525,000	587,465	529,204
Nevada	US Treasury Note	250,000	236,875	251,825
New Mexico	US Treasury Note	125,000	118,438	125,757
North Carolina	Evergreen Inst.Treasury Fund	200,000	200,000	200,000
Ohio	US Treasury Note	300,000	331,101	300,728
Oklahoma	US Treasury Note	325,000	340,730	325,962
Oregon	US Treasury Note	275,000	303,509	276,922
Virginia	US Treasury Note	250,000	277,618	250,039
Wyoming	US Treasury Note	175,000	185,321	173,588
Total		$ 2,750,000	$ 2,939,075	$ 2,758,601

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2008, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

BALANCE SHEET
As of December 31, 2008

Assets	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$41,911,137	$0	$41,911,137
Common stocks	7,071,595	0	7,071,595
Properties occupied by the company	1,665,350	0	1,665,350
Cash and short-term investments	3,693,621	0	3,693,621
Investment income due and accrued	532,211	0	532,211
Uncollected premiums and agents' balances	3,404,349	43,964	3,360,385
Amounts recoverable from reinsurers	54,231	0	54,231
Current federal income tax recoverable	222,217	0	222,217
Net deferred tax asset	2,215,946	1,199,637	1,016,309
Guaranty funds receivable or on deposit	289,291	0	289,291
EDP equipment and software	69,073	12,950	56,123
Furniture and equipment	36,545	36,545	0
Receivables from affiliates	7,858	0	7,858
Aggregate write-ins	341,242	168,439	172,803
Total Assets	$61,514,666	$1,461,535	$60,053,131
Liabilities			
Losses			$17,167,568
Loss adjustment expenses			10,244,406
Commissions payable			135,859
Other expenses			285,880
Taxes, licenses and fees			100,512
Unearned premiums			6,279,414
Advance premium			1,159,625
Ceded reinsurance premiums payable			711,393
Amounts withheld or retained by company			44,568
Remittances and items not allocated			138,617
Provision for reinsurance			30,000
Payable to parent, subsidiaries and affiliates			48,586
Aggregate write-ins for liabilities			456,095
Total Liabilities			36,802,523
Capital and Surplus			
Aggregate write-ins for special surplus funds			2,586,000
Surplus notes			5,020,222
Unassigned funds (surplus)			15,644,386
Surplus as regards policyholders			23,250,608
Total Liabilities and Policyholders Surplus			$60,053,131

INCOME STATEMENT
For Year Ending December 31, 2008

Premiums earned		$13,348,184
Losses incurred	2,660,407	
Loss adjustment expenses incurred	6,095,559	
Other underwriting expenses incurred	4,719,771	
Total underwriting deductions		13,475,737
Net underwriting gain (loss)		(127,553)
Net investment income earned	1,609,358	
Net realized capital gains (losses)	(31,337)	
Net investment gain (loss)		1,578,021
Finance and service charges not included in premiums	253,275	
Aggregate write-ins for miscellaneous income	10,236	
Total other income		263,511
Net income before federal income taxes		1,713,979
Less: Federal and foreign income taxes incurred		19,847
Net income		$1,694,132

CAPITAL AND SURPLUS
Changes for 2008

Surplus as regards policyholders, December 31, 2007		$23,439,387
Net income	1,694,132	
Change in net unrealized capital gains or (losses)	(1,264,988)	
Change in net deferred income tax	(651,802)	
Change in nonadmitted assets	(95,921)	
Change in provision for reinsurance	173,600	
Surplus adjustments paid in	(43,800)	
Changes per examination	0	
Change in surplus as regards policyholders for the year		(188,779)
Surplus as regards policyholders, December 31, 2008		$23,250,608

COMMENTS ON FINANCIAL STATEMENTS

There are no changes in the Company's financial statements.

SUMMARY OF RECOMMENDATIONS

There are no recommendations as a result of this examination.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and staff of The Bar Plan Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, James Wright, Rick Stamper, CFE, and Andy Balas, CFE, CPA, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, 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 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.

Robert P. Jordan

Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 12th day of January 2010
My commission expires:
Mar 01, 2013

Vanessa Howell
Notary Public

VANESSA D. HOWELL
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: March 01, 2013
Commission Number: 09666191

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.

Michael H. Shadowens

Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration