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 Surety and Fidelity Company as of December 31, 2008

ORDER

After full consideration and review of the report of the financial examination of The Bar Plan Surety and Fidelity 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 Surety and Fidelity 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 Surety and Fidelity Company

As of:
DECEMBER 31, 2008

FILED
APR 02 2010
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

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 Surety and Fidelity 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. Earnings have been somewhat erratic over the past few years but, overall, the Company is financially sound. The Company is led by an experienced management team.

SUBSEQUENT EVENTS

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

COMPANY HISTORY

General

The Company incorporated on August 14, 1998 and received a Certificate of Authority from the Department of Insurance, Financial Institutions and Professional Registration on February 5, 1999. The Company is authorized to write fidelity and surety lines of property and casualty insurance, specifically, probate and court bonds.

Capital Stock

The Company has 1,500,000 shares of $1 par value common stock authorized, issued and outstanding as of December 31, 2008.

Dividends

The Company paid no dividends to the sole stockholder during the examination period.

Acquisitions, Mergers, and Major Corporate Events

There were no acquisitions, mergers or other major corporate events during the examination period.

Surplus Debentures

The Company had no surplus debentures at December 31, 2008.

CORPORATE RECORDS

A review was made of the articles of incorporation and bylaws of the Company. There were no amendments to either during the examination period.

The minutes of the meetings of the sole stockholder and Board of Directors were also reviewed for the period under examination. The minutes appeared to properly document and approve applicable corporate events and transactions.

Management

The bylaws require nine members to serve on the Board of Directors. Members serving at December 31, 2008, were as follows:

Name and Location	Position
Michael P. Gunn, Chairman; St. Louis, MO	Attorney
John F. Bild, Treasurer; St. Louis, MO	Attorney
Phillip D. Fraim, Secretary; Oklahoma City, OK	President, Oklahoma Mutual Insurance Company
Karen R. McCarthy; St. Louis, MO	President and CEO, The Bar Plan Mutual Insurance Company
Richard G. Steele; Cape Girardeau, MO	Attorney
George D. Krempley; Columbus, OH	President and CEO, Ohio Bar Liability Insurance Company
Vanita A. Massey; Overland Park, KS	Social Security Administration
Lois M. Zerrer; Springfield, MO	Attorney
William R. Stroud, Jr.; Cary, NC	Lawyers Insurance Agency, Inc.

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

Finance & Investment	Audit Committee
Richard G. Steele, Chair	Phillip D. Fraim, Chair
William Stroud	George Krempley
George Krempley	Vanita Massey
	Lois Zerrer
Executive	Board Succession
Michael P. Gunn, Chair	Michael P. Gunn, Chair
Karen R. McCarthy	Karen R. McCarthy
Phillip D. Fraim	Phillip D. Fraim
John F. Bild	John F. Bild
Reinsurance	Claims
Karen R. McCarthy, Chair	John F. Bild, Chair
William Stroud	Michael P. Gunn
Vanita Massey	Richard G. Steele
	Lois Zerrer

The officers elected and serving as of December 31, 2008, were as follows:

Name	Office
Karen R. McCarthy	President and CEO
Phillip D. Fraim	Secretary
John F. Bild	Treasurer
Gregory H. Klaus	Chief Financial Officer
Patrick M. O'Leary	Vice President, General Counsel
Kimberly M. Edgar	Vice President, Bond Underwriting

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.

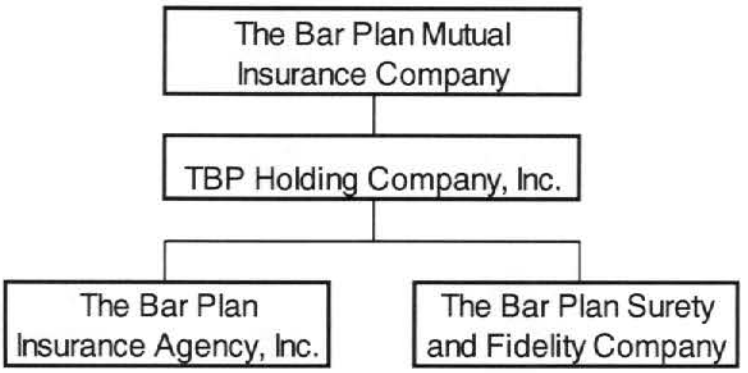
MANAGEMENT AND CONTROL

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 Mutual Insurance Company (Mutual). The Company receives management and administrative services from Mutual and, in turn, provides underwriting, policy processing and general administrative services for the issuance of surety bonds. The Company pays $6,250 per month for the services provided by Mutual. The Company receives an underwriting fee based on the expenses incurred producing surety business for Mutual. That fee is determined by the proportion of the direct written surety premium from Mutual 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

The Company paid $75,000 per year during the past three years for the administrative services agreement fee.

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, Oklahoma, Illinois, Connecticut and Kansas to write fidelity and surety lines of property and casualty insurance. Non-contract court bond business is produced by attorneys and independent agents. In Missouri, attorneys appointed by the company as attorneys in fact, may execute bonds underwritten and approved by the Company.

Policy Forms and Underwriting, Advertising and Treatment of Policyholders

The Department has a market conduct staff that performs a review of these issues and generates a separate market conduct report. There has never been a market conduct examination of this company.

GROWTH OF COMPANY

There has been a slow increase in premiums written and a somewhat stable level of admitted assets in the Company. Earnings have fluctuated in recent years largely due to varying levels of losses paid. Capital and surplus have remained at satisfactory levels during the examination period.

LOSS EXPERIENCE

The Company experienced net underwriting losses in four of the past five years. However, only in 2004 were those losses substantial when the Company produced a net underwriting loss in excess of $740,000. Since then, the Company has had relatively small losses with an underwriting gain in 2007.

REINSURANCE

Premiums reported for the period under examination were as follows:

	2006	2007	2008
Direct Premiums Written	$682,839	$832,761	$754,313
Ceded Premiums	366,902	454,806	420,973
Net Premums Written	$315,937	$377,955	$333,340

Assumed Reinsurance

The Company has no assumed business.

Ceded Reinsurance

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 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
US Treasury Note	$1,500,000	$1,507,349	$1,499,927

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
Oklahoma	US Treasury Note	$325,000	$353,919	$324,400

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	$2,105,017	$0	$2,105,017
Cash	2,118,249	0	2,118,249
Investment income due and accrued	23,851	0	23,851
Uncollected premiums	104,075	52,180	51,895
Amounts recoverable from reinsurers	(14,489)	0	(14,489)
Net deferred tax asset	62,702	45,258	17,444
Guaranty funds receivable or on deposit	18	0	18
Receivables from parent	8,148	0	8,148
Total Assets	$4,416,058	$105,925	$4,310,133
Liabilities			
Losses			$264,332
Loss adjustment expenses			111,273
Commissions payable			40,151
Other expenses			35,250
Taxes, licenses and fees			4,331
Current federal income taxes			116,121
Unearned premiums			194,017
Advance premium			11,861
Ceded reinsurance premiums payable			41,341
Amounts withheld or retained by company			27,535
Payable to parent, subsidiaries and affiliates			0
Payable for securities			101,872
Unclaimed property			1,987
Total Liabilities			950,071
Capital and Surplus			
Common capital stock			1,500,000
Gross paid in and contributed surplus			2,317,549
Unassigned funds (surplus)			(457,487)
Surplus as regards policyholders			3,360,062
Total Liabilities and Surplus			$4,310,133

INCOME STATEMENT
For Year Ending December 31, 2008

Premiums earned		$352,943
Losses incurred	$119,141	
Loss adjustment expenses incurred	119,597	
Other underwriting expenses incurred	205,859	
Total underwriting deductions		444,597
Net underwriting gain (loss)		(91,654)
Net investment income earned	157,161	
Net realized capital gains (losses)	(62,925)	
Net investment gain (loss)		94,236
Total other income		5,737
Net income before federal income taxes		8,319
Less: Federal and foreign income taxes incurred		24,130
Net income		($15,811)

CAPITAL AND SURPLUS
Changes for 2008

Surplus as regards policyholders, December 31, 2007		$3,378,647
Net income	($15,811)	
Change in net deferred income tax	31,089	
Change in nonadmitted assets	(33,863)	
Changes per examination	0	
Change in surplus as regards policyholders for the year		(18,585)
Surplus as regards policyholders, December 31, 2008		$3,360,062

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 Surety and Fidelity 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 Shadowens

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