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 & Fidelity for the period ended December 31, 2012.

ORDER

After full consideration and review of the report of the financial examination of The Bar Plan Surety & Fidelity for the period ended December 31, 2012, 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 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 findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of The Bar Plan Surety & Fidelity as of December 31, 2012 be and is hereby ADOPTED as filed and for The Bar Plan Surety & Fidelity 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, if any, mentioned in the Comments on Financial Statement Items and/or Summary of 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 28th day of April, 2014.

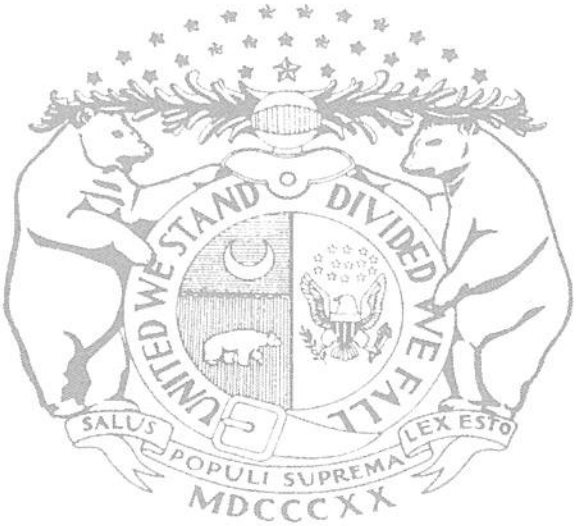
John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

FINANCIAL EXAMINATION

The Bar Plan Surety & Fidelity Company

AS OF:

DECEMBER 31, 2012



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS

AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 13, 2014
Saint Louis, Missouri

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

Director Huff:

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

also referred to as the "Company." The examination was conducted at the Company's main office at 1717 Hidden Creek Court, Saint Louis, MO 63131, telephone number (314) 965-3333. This examination began on September 23, 2013, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We performed a multi-state examination of The Bar Plan Surety and Fidelity Company. The prior exam was completed as of December 31, 2008. This examination covers the period of January 1, 2009, through December 31, 2012. This examination also includes material transactions occurring subsequent to December 31, 2012.

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 of Insurance, Financial Institutions and Professional Registration (Department) or statutes of the state of Missouri prevailed. 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 system 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. The following key activities were identified: Investments; Losses; Premiums and Underwriting; and, Affiliated Parties.

We also relied upon information and workpapers provided by the Company's independent auditor, Brown Smith Wallace LLC, including fraud risk analysis, narratives and internal control testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or errors in the financial statements noted during the course of this examination.

SUBSEQUENT EVENTS

There were no events occurring subsequent to December 31, 2012, through the end of field work, that materially impacted the financial statements.

COMPANY HISTORY

General

The Bar Plan Surety and Fidelity Company incorporated in Missouri on August 14, 1998. On February 5, 1999, the Company received a certificate of authority from the Department and began operations.

Capital and Surplus

The Company is authorized to issue up to 1.5 million shares of $1.00 par value common stock. At year-end 2012, the Company had 1.5 million shares issued and outstanding for a common capital stock balance of $1.5 million. All shares are owned by TBP Holding Company, Inc.

Dividends

On December 20, 2011, the Company requested permission to pay an extraordinary dividend of $150,000 to its sole shareholder, TBP Holding Company, Inc. The Department approved payment of the dividend on December 29, 2011. There were no other dividends paid during the current examination period.

Acquisitions, Mergers and Major Corporate Events

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

Surplus Debentures

The Company had no surplus notes at December 31, 2012.

CORPORATE RECORDS

The Articles of Incorporation and the Bylaws were reviewed. There were no amendments to the Articles of Incorporation or the Bylaws during the examination period.

The minutes of the meetings of the shareholder and of the board of directors were reviewed for the period under examination. The minutes appeared to properly document and approve corporate events and transactions.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a board of nine (9) directors. The directors serving at December 31, 2012, were as follows:

Director	Affiliation
John Bild St. Louis, MO	Attorney John F. Bild, PC
Phillip Fraim Edmond, OK	President and Chief Executive Officer Oklahoma Mutual Insurance Company
John Gunn St. Louis, MO	Attorney The Gunn Law Firm, PC
Michael Gunn St. Louis, MO	Attorney The Gunn Law Firm, PC
Vanita Massey Kansas City, MO	Attorney Social Security Administration
Karen McCarthy St. Louis, MO	President and Chief Executive Officer Bar Plan Mutual Insurance Company
Richard Steele Cape Girardeau, MO	Attorney Bradshaw, Steele, Cochrane & Beren
William Stroud, Jr. Cary, NC	President Lawyers Insurance Agency, Inc.
Lois Zerrer Springfield, MO	Attorney Zerrer Elder Law Office LLC

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2012, were as follows:

Name	Office
Karen McCarthy	President and Chief Executive Officer
Philip Fraim	Secretary
John Bild	Treasurer
Gregory Klaus	Chief Financial Officer
Kimberly Edgar	Vice President, Claims
Patrick O'Leary	Vice President and General Counsel

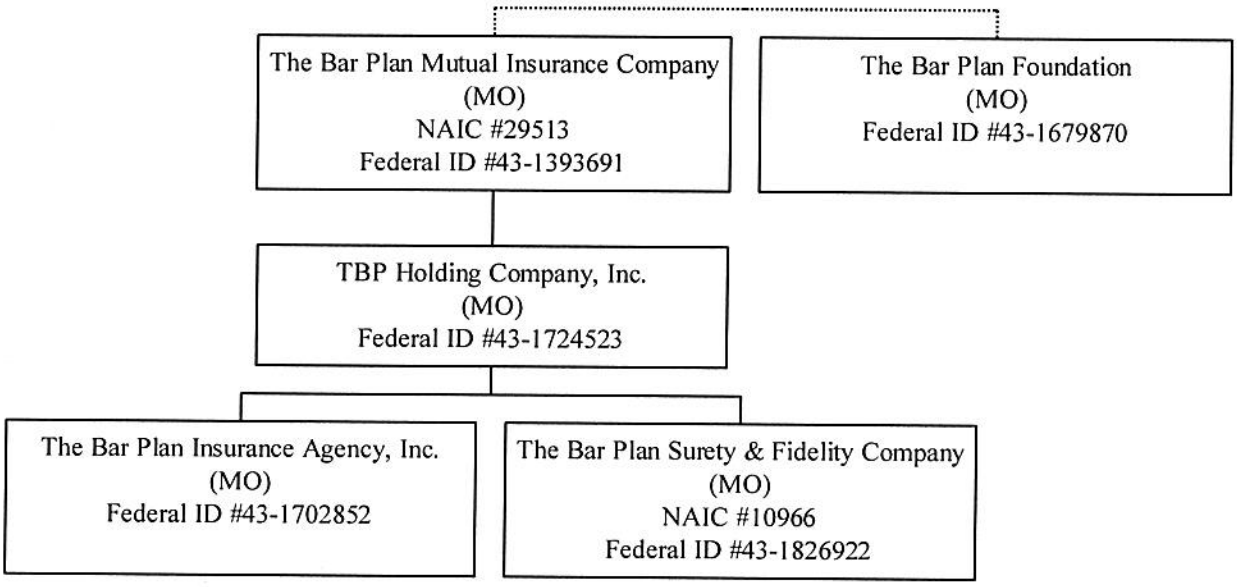
Committees
At year-end 2012, the board of directors reported the following committees:

Executive
Michael Gunn, Chair
Karen McCarthy
Phillip Fraim
John Bild

Audit
Phillip Fraim, Chair
John Gunn
Vanita Massey
Lois Zerrer

Finance & Investment
Richard Steele, Chair
William Stroud, Jr.
John Gunn

Organizational Chart
The Company is a member of an insurance holding company system as defined in Section 382.010 RSMo (Definitions): The Bar Plan Mutual Insurance Company is the ultimate controlling entity (UCE) in the system. The following is the organizational chart which depicts the holding company system at December 31, 2012. The dotted line indicates a non-subsidiary affiliate.



Affiliated Transactions

At year-end 2012, the Company was party to the following intercompany agreements:

Administrative and Management Services Agreement

Parties: The Bar Plan Surety and Fidelity Company and The Bar Plan Mutual Insurance Company (Mutual)

Effective: January 1, 1999, last amended effective January 1, 2009

Terms: Mutual provides the Company with the personnel and other resources necessary for conducting the Company's business including, but not limited to, underwriting, record keeping, claims handling, billing, accounting, electronic data processing, legal, and other general administrative functions. The Company furnishes Mutual with management oversight, association memberships, and other general administrative functions related to the surety business produced.

Rate(s): In exchange for the services provided, the Company pays Mutual $16,500 per month, an amount representing the approximate cost of employees and other overhead costs pertaining to the operation of its business. Mutual pays the Company for production-related expenses based on the Mutual's proportional share of surety premiums. The Company and Mutual settle amounts due under this agreement by the fifteenth day of the following month.

Tax Allocation Agreement

Parties: The Bar Plan Surety and Fidelity Company; The Bar Plan Mutual Insurance Company; and, all other affiliated members of The Bar Plan Holding Company subject to taxation.

Effective: November 9, 1998, last amended November 11, 2008

Terms: All parties within The Bar Plan Holding Company subject to taxation agree to file a consolidated tax return. Any professional fees or other expenses borne by the Company in connection with the preparation of the tax return are allocated among the parties in an equitable manner. The original term of the agreement was for seven years with all terms and conditions to be renegotiated every three years.

Rate(s): Each party pays the taxes incurred or receives the credits gained as if the entity had filed separately from the group on a non-consolidated basis.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a financial institution bond with coverage to $500,000 per occurrence and $500,000 in aggregate. This bond has a $25,000 deductible. This coverage meets the minimum amount recommended by the NAIC.

The Company is also a named insured on policies for the following types of coverage: directors and officers liability; professional liability; employment practices liability; commercial property; general liability; commercial automobile; fiduciary liability; commercial umbrella; cyber security; and, workers' compensation. The Company's coverage appears to be adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. Services are provided by The Bar Plan Mutual Insurance Company under an administrative services agreement. The Bar Plan Mutual Insurance Company offers the following employee benefits: paid vacation, paid sick leave and paid personal time off; group life, health, dental and disability insurance coverage; a 401(k) retirement savings program; tuition assistance; and, an employee assistance program (counseling). Employee benefits costs are included in intercompany charges.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri under Chapter 379 RSMo (Insurance Other Than Life) to write fidelity and surety lines of property and casualty insurance, specifically probate and court bonds. The Company writes court fiduciary bonds and court guarantee judicial bonds on an occurrence basis, marketed by authorized attorneys in the states of Missouri, Connecticut, Illinois, Kansas, Oklahoma and New Hampshire. Although its total business written is less than 1% of all surety business written in Missouri, the Company is the largest court surety underwriter in the state of Missouri.

The Company produces business through direct marketing and through independent agents. The Company has no immediate plans to offer any new insurance products.

GROWTH OF COMPANY

The Company's direct written premiums have remained relatively constant during the current examination period.

The Company's premiums written and surplus for the years under current examination are as follows:

	2009	2010	2011	2012
Net written premiums (000s)	354	371	384	386
Change in written premiums (%)	-5.73	4.80	3.50	0.52
Policyholders' surplus (000s)	3,494	3,584	3,718	3,901
Change in surplus (%)	3.99	2.58	3.74	4.92
Premiums-to-Surplus ratio	0.10	0.10	0.10	0.10

LOSS EXPERIENCE

The following exhibit reflects the underwriting results of the Company over the last four years (in 000s).

	2009	2010	2011	2012
Net Premiums Earned	$ 348	$ 358	$ 381	$ 385
Losses Incurred	(92)	(81)	1	(25)
Loss Adjustment Expenses Incurred	(9)	(23)	4	(18)
Other Underwriting Expenses Incurred	(183)	(178)	(157)	(119)
Net Underwriting Gain/(Loss)	64	76	229	223
Net Investment Gain/(Loss)	104	83	129	15
Net Income (pre-tax)	$ 168	$ 159	$ 358	$ 238

REINSURANCE

General

The Company limits its exposure and protects it surplus through a pro -rata excess of loss agreement. Premiums written and ceded during the current examination period were as follows:

	2009	2010	2011	2012
Direct Written Premiums	$ 814,510	$864,814	$875,051	$873,266
Reinsurance Ceded	(460,901)	(493,322)	(490,605)	(487,617)
Net Written Premiums	$ 353,609	$371,492	$384,446	$385,649

Assumed

The Company assumed no reinsurance during the current examination period.

Ceded

Surety—Excess of Loss

The Company is party to a surety pro-rata excess of loss agreement in which the Company retains 50% of premiums and losses, up to a maximum retention of $250,000. For any bond written in excess of $500,000, the Company's retention is the percentage that $250,000 bears to the total bond penalty. This treaty is limited to bonds issued in amounts of $2,000,000 or less. Bonds issued in excess of $2,000,000 are reinsured facultatively. This agreement, effective January 1, 2012, is between the Company and the reinsurers Endurance Reinsurance Corporation of America (60%) and Transatlantic Reinsurance Company (40%), both of which are authorized. The contract reinsures surety policies written in the United States, Puerto Rico and the District of Columbia.

The above agreement is administered by Willis Re, a Missouri-licensed reinsurance intermediary.

ACCOUNTS AND RECORDS

Independent Auditor
The certified public accounting firm of Brown Smith Wallace LLC audited the Company's financial statements for each year under examination. The 2012 audit workpapers were reviewed and used in the course of this examination as deemed appropriate.

Actuarial Opinion
For each year during the period under examination, claims-related reserves and other actuarial items were reviewed and certified by the Company's appointed actuary, Charles V. Faerber, FSA, ACAS, of Rudd and Wisdom, Inc. Mr. Faerber determined that the 2012 claims-related reserves and other actuarial items were adequate.

Information Systems
In conjunction with this examination, Andrew Balas, AES, CFE, CPA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

Consulting Actuary
Pursuant to a contract with the Department, Robert Daniel, ACAS, MAAA, of Merlinos and Associates, Inc., reviewed the adequacy of the Company's losses and related actuarial items at December 31, 2012. He concluded that the Company's losses and related actuarial items, as of the examination date, were adequate.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2012, as reflected below, were deemed sufficient in par and market value to meet the deposit requirement for the state of Missouri in accordance with Section 379.098 RSMo (Securities to be deposited by all companies, kind and amount):

Type of Security	Par Value	Fair Value	Statement Value
Kansas City MO IDA Revenue Bond	$ 100,000	$ 112,640	$ 106,210
Higginsville MO Sewer Bond	50,000	50,211	50,000
Independence MO SD	100,000	100,794	100,528
US Treasury Note	300,000	300,096	300,023
Livingston County MO SD	100,000	100,275	100,286
Jefferson County MO SD	100,000	103,541	103,630
Kansas City MO Municipal Bond	175,000	183,915	188,760
MO State Environmental Improvement	125,000	140,259	140,176
US Treasury Note	450,000	450,846	450,035
Totals	$ 1,500,000	$ 1,542,577	$ 1,539,648

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2012, were as follows:

State	Type of Security	Par Value	Fair Value	Statement Value
New Hampshire	US Treasury Note	$ 250,000	$ 268,585	$ 267,803
	US Treasury Note	275,000	284,724	284,521
Oklahoma	US Treasury Note	325,000	325,572	325,000
	Totals	$ 850,000	$ 878,881	$ 877,324

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2012, 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 "Comments on 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.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 3,504,146	$ -	$ 3,504,146
Common stocks	100,228	-	100,228
Cash and short-term investments	1,061,026	-	1,061,026
Investment income due and accrued	24,787	-	24,787
Uncollected premiums	78,148	29,293	48,855
Amounts recoverable from reinsurers	(1,432)	-	(1,432)
Other amounts receivable under reinsurance contracts	31,394	-	31,394
Net deferred tax asset	52,355	34,912	17,443
Total Assets	$ 4,850,652	$ 64,205	$ 4,786,447

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$ 213,189
Loss adjustment expenses	95,716
Commissions payable	8,098
Other expenses	3,839
Taxes, licenses and fees	48
Current federal and foreign income taxes	75,285
Unearned premiums	217,816
Advance premium	5,336
Ceded reinsurance premiums payable	47,223
Amounts withheld or retained by company for account of others	47,758
Remittances and items not allocated	(5)
Payable to parent, subsidiaries and affiliates	167,260
Unclaimed property	4,350
Total Liabilities	$ 885,913
Common capital stock	$ 1,500,000
Gross paid in and contributed surplus	2,167,549
Unassigned funds (surplus)	232,985
Surplus as Regards Policyholders	$ 3,900,534
Total Liabilities and Surplus	$ 4,786,447

STATEMENT OF OPERATIONS

Premiums earned	$ 385,097
Losses incurred	25,374
Loss adjustment expenses incurred	17,991
Other underwriting expenses incurred	118,805
Total underwriting deductions	162,170
Net underwriting gain	222,927
Net investment income earned	8,512
Net realized capital gains	6,706
Net investment gain	15,218
Net income (pre-tax)	238,145
Federal and foreign income taxes incurred	71,830
Net income	$ 166,315

SURPLUS RECONCILIATION

	2009	2010	2011	2012
Surplus as regards policyholders, prior year	$ 3,360,062	$ 3,493,514	$ 3,584,302	$3,717,797
Net income	112,902	97,466	275,873	166,315
Change in net unrealized capital gains	-	-	-	(2)
Change in net deferred income tax	(8,400)	3,476	5,903	(11,327)
Change in nonadmitted assets	32,059	(10,154)	(20,007)	39,822
Cumulative effect of changes in accounting principles	-	-	-	600
Surplus adjustments paid in	-	-	(150,000)	-
Prior year tax adjustment	(3,109)	-	21,726	(12,071)
Adjustment for SSAP 101	-	-	-	(600)
Change in surplus as regards policyholders for the year	133,452	90,788	133,495	182,737
Surplus as regards policyholders, current year	$ 3,493,514	$ 3,584,302	$ 3,717,797	$3,900,534

COMMENTS ON FINANCIAL STATEMENTS

None.

GENERAL COMMENTS OR RECOMMENDATIONS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by The Bar Plan Surety and Fidelity Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rick Stamper, CFE; Michael Behrens; and Andrew T. Balas, CFE, AES, CPA, examiners for the Department, and Robert P. Daniel, ACAS, MAAA of Merlinos & Associates, Inc., participated in this examination.

VERIFICATION

State of Missouri)

) ss

City of St. Louis)

I 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.

Thomas J. Cunningham, CPA, CFE
Examiner-in-Charge
Department of Insurance, Financial Institutions and Professional
Professional Registration

Sworn to and subscribed before me this 20 day of February, 2014.

My commission expires:

March 15, 2016

Vonda Wallace
Notary Public

VONDA WALLACE
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: March 15, 2016
Commission Number: 12315291

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 the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Audit Manager
Department of Insurance, Financial Institutions and
Professional Registration