



**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, 2005

ORDER

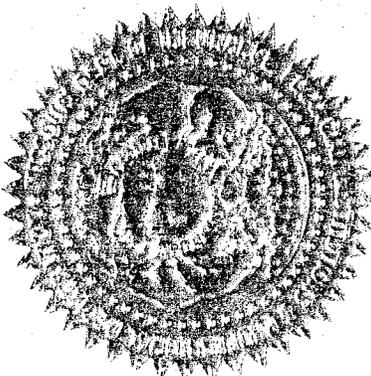
After full consideration and review of the report of the financial examination of The Bar Plan Surety and Fidelity Company for the period ended December 31, 2005, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, Director, 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 June 15, 2007.

A handwritten signature in black ink, appearing to read "Douglas M. Ommen".

DOUGLAS M. OMMEN, Director
Department of Insurance, Financial Institutions
and Professional Registration



REPORT OF
FINANCIAL EXAMINATION

THE BAR PLAN SURETY
AND FIDELITY COMPANY

As of:

DECEMBER 31, 2005

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 29, 2007
St. Louis, Missouri

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

Honorable Ann H. Womer Benjamin, Director
Department of Insurance
State of Ohio
Secretary, Midwestern Zone, NAIC

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

Dear Sirs/Madam:

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 such or as the "Company." The Company's office is located at 1717 Hidden Creek Court, St. Louis, Missouri 63131, telephone number (314) 965-3333. Examination fieldwork began on October 10, 2006, and concluded on March 29, 2007.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2002, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2003, through December 31, 2005, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2005.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, Brown Smith Wallace, LLC, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments - Previous Examination

The previous examination report contained no comments of weaknesses identified during the examination.

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, 2005.

Dividends

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

Management

The bylaws require nine members to serve on the Board of Directors. Members serving at December 31, 2005, were as follows:

<u>Name and Location</u>	<u>Position</u>
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, 2005, the Board of Directors had appointed the following members to serve on the committees listed below:

Executive

Michael P. Gunn, Chairman
 Karen R. McCarthy, President and CEO
 Phillip D. Fraim, Secretary
 John F. Bild, Treasurer

Board Succession

Michael P. Gunn, Chairman
 Karen R. McCarthy, President and CEO
 Phillip D. Fraim, Secretary
 John F. Bild, Treasurer

Finance & Investment

Richard G. Steele, Chair
 William Stroud
 George Krempley

Reinsurance

Karen R. McCarthy, Chair
 William Stroud
 Vanita Massey

Audit Committee

Phillip D. Fraim, Chair
 George Krempley
 Vanita Massey
 Lois Zerrer

Claims Committee

John F. Bild, Chair
 Michael P. Gunn
 Richard G. Steele
 Lois Zerrer

The officers elected and serving as of December 31, 2005, were as follows:

Name

Karen R. McCarthy
 Phillip D. Fraim
 John F. Bild

Office

President and CEO
 Secretary
 Treasurer

Gregory H. Klaus
Kimberly M. Edgar

Vice President, Finance
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.

Corporate Records

A review was made of the articles of incorporation and bylaws of the Company. The bylaws were amended in 2005 to reflect a change in the manner in which directors are elected to the board.

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.

Acquisitions, Mergers, and Major Corporate Events

On December 31, 2003, TBP Holding Company, Inc., the immediate parent of the Company, sold all the outstanding common stock of The Bar Plan Title Insurance Company to Reliant Holding Company of Prairie Village, Kansas. At that time, The Bar Plan Title Insurance Company changed its name to Guarantee Title Insurance Company.

Surplus Debentures

The Company had no surplus debentures at December 31, 2005.

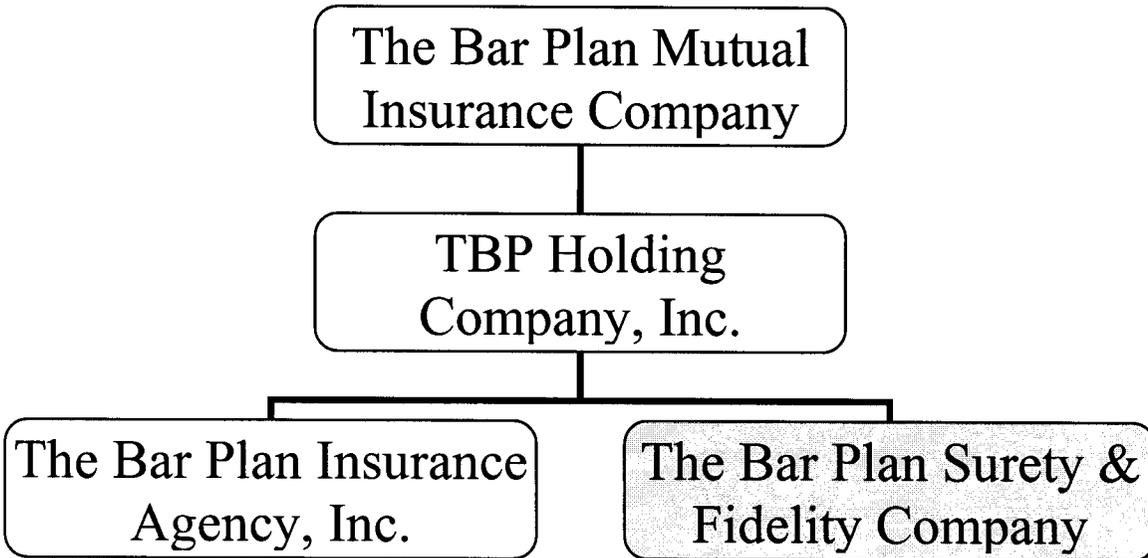
AFFILIATED COMPANIES

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's ultimate controlling entity, The Bar Plan Mutual Insurance 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 & 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 tax allocation agreement 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

Notes to the financial statements in the annual statement disclosed that the Company made payments to Mutual totaling \$75,000 per year in each of the past three years. During 2005, the Company received a \$500,000 capital contribution from its parent, TBP Holding Company, Inc.

FIDELITY BOND AND OTHER INSURANCE

The Company participates in an employee dishonesty policy with a limit of \$500,000 and \$250 deductible. This exceeds the National Association of Insurance Commissioners' suggested minimum guidelines.

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

EMPLOYEE BENEFITS AND PENSION PLAN

The Company's primary benefits provided to full time employees include: paid time off, holidays, cafeteria plan, group life, short-term disability, long-term disability, employee group health plan including dental coverage and a 401(k) savings plan with employer match.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2005, as reflected below, were deemed sufficient in par and market value to meet the deposit requirements for the state of Missouri in accordance with Section 379.098 RSMo (Securities To Be Deposited By All Companies).

	<u>Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
	US Treasury Note	<u>\$1,485,000</u>	<u>\$1,483,782</u>	<u>\$1,510,478</u>

Deposits with Other States

The Company also has funds on deposit with one other state. Those funds on deposit as of December 31, 2005, were as follows:

<u>State</u>	<u>Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
Oklahoma	US Treasury Note	<u>\$325,000</u>	<u>\$322,881</u>	<u>\$324,747</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed in Missouri, Oklahoma, Illinois 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 issue bonds 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.

REINSURANCE

General

Premiums written during the period under examination were as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct	\$ 538,452	\$ 579,914	\$ 643,666
Reinsurance Ceded	<u>(290,824)</u>	<u>(319,252)</u>	<u>(355,587)</u>
Net Premiums	<u>\$ 247,628</u>	<u>\$ 260,662</u>	<u>\$ 288,079</u>

Assumed

The Company has no assumed business.

Ceded

The Company cedes reinsurance to Employers Reinsurance Corporation and XL Reinsurance America Inc. on a quota share basis. The Company retains 50% of premium written on bonds up to \$500,000. For bonds between \$500,000 and \$2,000,000, the retention is the percentage resulting from the ratio of \$250,000 to the total bond written. If bonds are written in an amount over \$2,000,000, the Company can reinsure those on a facultative basis.

ACCOUNTS AND RECORDS

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

For the years 2003 and 2004, the Company's financial statements were audited by the firm of PricewaterhouseCoopers, LLP. The 2005 audit was conducted by Brown Smith Wallace, LLC.

Independent Actuary

Charles V. Faerber, FSA, ACAS, of Rudd and Wisdom, Inc. provided the actuarial opinion for the Company in 2005. John R. Kryczka, FCAS, MAAA from PricewaterhouseCoopers, LLP provided the opinions for the remaining years covered by this examination.

Consulting Actuary

The Department contracted with Gregory S. Wilson, FCAS, MAAA, from the actuarial firm of Lewis & Ellis, Inc. to evaluate the adequacy of the Company's loss related reserves. His evaluation concluded that the Company's reserves at December 31, 2005 were adequate.

EDP Audit Specialist

The Department's EDP Audit Specialist, Andy Balas, reviewed the Company's controls and procedures relating to information processing. He concluded, although the Company is not large enough to fully implement separation of duties, controls were adequate.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2005, 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 "Notes to the 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
December 31, 2005

<i>Assets</i>	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 3,225,064	\$ -	\$ 3,225,064
Cash and short-term investments	706,691	-	706,691
Investment income due and accrued	27,366	-	27,366
Uncollected premiums and agents' balances	94,695	38,885	55,810
Amounts recoverable from reinsurers	(40,511)	-	(40,511)
Net deferred tax asset	23,045	6,879	16,166
Guaranty funds receivable or on deposit	89	-	89
Total Assets	\$ 4,036,439	\$ 45,764	\$ 3,990,675

<i>Liabilities</i>	Current Year
Losses	\$ 322,770
Loss adjustment expenses	140,737
Commissions payable	1,506
Other expenses	10,067
Taxes, licenses and fees	(6,661)
Current federal income taxes	24,741
Unearned premiums	153,501
Advance premium	24,378
Ceded reinsurance premiums payable (net of ceding commissions)	22,794
Amounts withheld or retained by company for account of others	244
Payable to parent, subsidiaries and affiliates	620
Aggregate write-ins for liabilities	149,531
Total Liabilities	844,228
<i>Surplus</i>	
Common capital stock	1,500,000
Gross paid in and contributed surplus	2,317,549
Unassigned funds (surplus)	(671,102)
Total Surplus	3,146,447
Total Liabilities and Surplus	\$ 3,990,675

INCOME STATEMENT
For the Year Ending December 31, 2005

Premiums earned	\$ 276,317
Losses incurred	36,909
Loss expenses incurred	82,094
Other underwriting expenses incurred	171,533
Total underwriting deductions	<u>290,536</u>
Net underwriting gain (loss)	(14,219)
Net investment income earned	94,731
Net realized capital gains (losses)	0
Net investment gain (loss)	<u>94,731</u>
Net income before federal income taxes	80,512
<i>Less: Federal and foreign income taxes incurred</i>	<u>24,741</u>
Net income	<u><u>\$ 55,771</u></u>

CAPITAL AND SURPLUS
December 31, 2005

Surplus as regards policyholders, December 31 prior year	\$ 2,539,858
Net income	55,771
Change in net unrealized capital gains or (losses)	-
Change in net deferred income tax	(13,420)
Change in nonadmitted assets	64,238
Surplus adjustments paid in	500,000
Changes per examination	-
Change in surplus as regards policyholders for the year	<u>606,589</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$ 3,146,447</u></u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and the employees of The Bar Plan Surety and Fidelity Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Art Palmer, CFE and Rick Stamper, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration (MDIFP), participated in this examination.

VERIFICATION

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

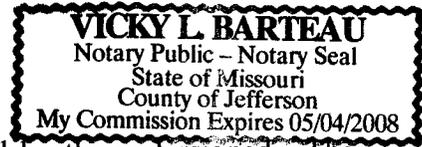
I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony 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
MDIFP

Sworn to and subscribed before me this 8th day of March, 2007
My commission expires:

May 4, 2008

Vicky L. Barbeau
Notary Public



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.

Christiana Dugopolski
Christiana Dugopolski, CFE, CPA
Audit Manager, St. Louis
MDIFP