



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

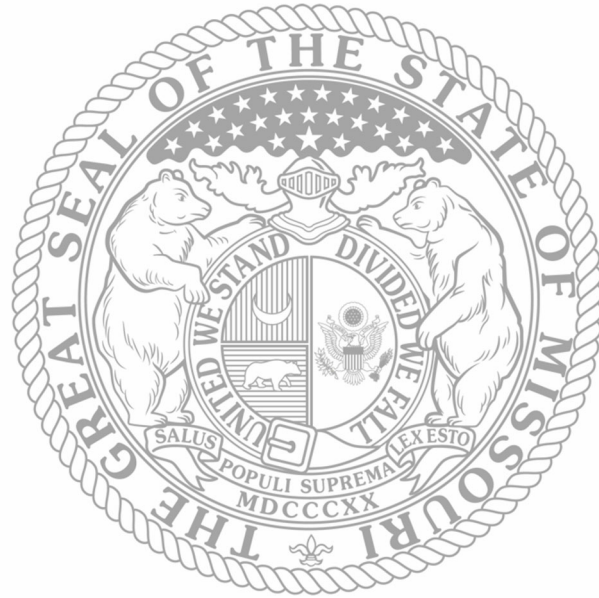
After full consideration and review of the report of the financial examination of Bar Plan Surety & Fidelity Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of 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 Bar Plan Surety & Fidelity Company as of December 31, 2019 be and is hereby ADOPTED as filed and for Bar Plan Surety & 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) 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

BAR PLAN SURETY & FIDELITY COMPANY

AS OF
DECEMBER 31, 2019

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY.....	2
GENERAL.....	2
MERGERS, ACQUISITIONS, AND MAJOR CORPORATE EVENTS.....	2
DIVIDENDS AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES.....	2
MANAGEMENT AND CONTROL	2
BOARD OF DIRECTORS	2
SENIOR OFFICERS.....	3
PRINCIPAL COMMITTEES	3
CORPORATE RECORDS	3
HOLDING COMPANY, SUBSIDIARIES, AND AFFILIATES	4
ORGANIZATIONAL CHART	4
INTERCOMPANY TRANSACTIONS.....	4
TERRITORY AND PLAN OF OPERATION	5
GROWTH OF COMPANY AND LOSS EXPERIENCE.....	5
REINSURANCE.....	5
GENERAL.....	5
ASSUMED REINSURANCE	5
CEDED REINSURANCE	6
ACCOUNTS AND RECORDS.....	6
INDEPENDENT AUDITOR.....	6

ACTUARIAL OPINION.....	6
CONSULTING ACTUARY	6
INFORMATION SYSTEMS.....	6
FINANCIAL STATEMENTS	6
ASSETS.....	7
LIABILITIES, SURPLUS AND OTHER FUNDS.....	7
STATEMENT OF INCOME.....	8
RECONCILIATION OF CAPITAL AND SURPLUS	8
COMMENTS ON FINANCIAL STATEMENT ITEMS	9
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	9
SUMMARY OF RECOMMENDATIONS.....	9
SUBSEQUENT EVENTS.....	9
ACKNOWLEDGMENT	10
VERIFICATION.....	10
SUPERVISION	11

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

Bar Plan Surety & Fidelity Company (NAIC #10966)

hereinafter referred to as such, as BPSF, 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 Bar Plan Surety & Fidelity 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 BPSF 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 was incorporated in Missouri on August 14, 1998. The Company began operations on February 5, 1999.

Mergers, Acquisitions, and Major Corporate Events

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

Dividends and Capital Contributions

During the examination period, the Company paid the following ordinary dividends to its sole shareholder, TBP Holding Company, Inc.

Year	Amount
2017	\$ 86,374
2018	89,478
2019	281,693
Total	\$ 457,545

Surplus Notes

BPSF does not have any surplus notes outstanding.

MANAGEMENT AND CONTROL

Board of Directors

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

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
John R. Gunn Saint Louis, Missouri	Chairman The Gunn Law Firm, P.C.
Phillip D. Fraim Oklahoma City, Oklahoma	President and Secretary Oklahoma Mutual Insurance Company
Vanita A. Massey Overland Park, Kansas	Treasurer Social Security Administration
Karen R. McCarthy Saint Louis, Missouri	President and Chief Executive Officer The Bar Plan Surety and Fidelity Company
Michael D. Yarber Austin, Texas	President Texas Lawyers' Insurance Exchange
Thomas J. Watson Madison, Wisconsin	Senior Vice President Wisconsin Lawyers Mutual Insurance Company
Lois M. Zerrer Springfield, Missouri	Retired Attorney Zerrer Elder Law Office LLC
Micah D. Hall Saint Louis, Missouri	Attorney The Hall Law Firm, LLC
Kimberly M. Edgar Saint Louis, Missouri	Vice President of Underwriting The Bar Plan Surety & Fidelity Company

Senior Officers

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

<u>Name</u>	<u>Office</u>
Karen R. McCarthy	President & Chief Executive Officer
Phillip D. Fraim	Secretary
Vanita A. Massey	Treasurer
Gregory H. Klaus	Chief Financial Officer
Patrick M. O'Leary	Vice President
Kimberly M. Edgar	Vice President
Teresa M. Niederwimmer	Vice President

Principal Committees

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

Corporate Records

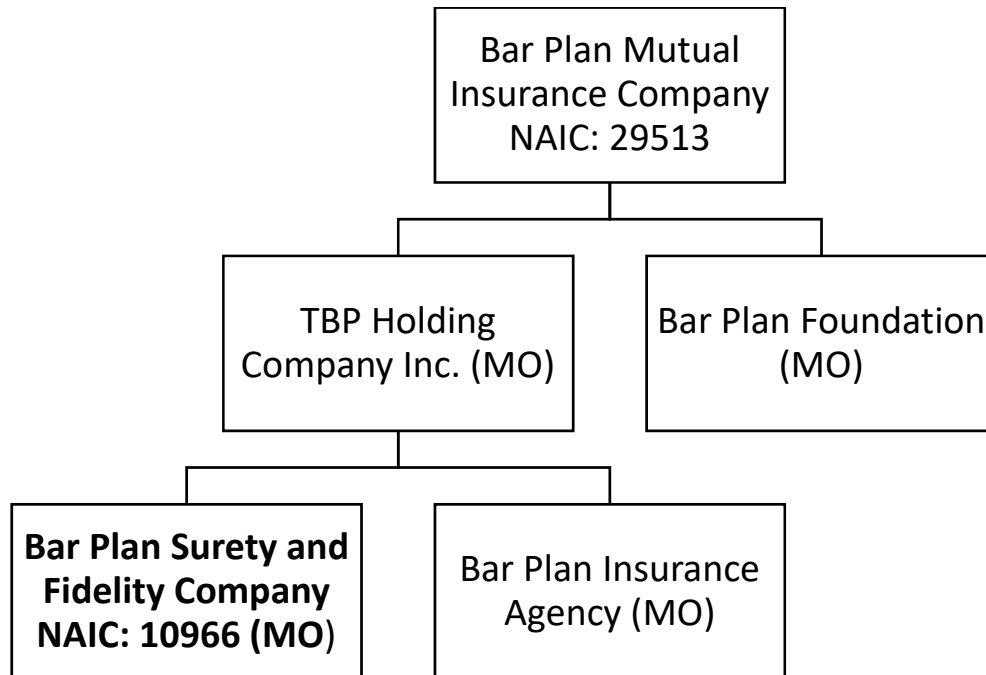
The Company's Articles of Incorporation and Bylaws were reviewed. No amendments to the Articles of Incorporation or Bylaws were made during the examination period. The minutes of the meetings of the stockholders, board and committees were reviewed for the period beginning January 1, 2017, through current.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

Holding Company, Subsidiaries, and Affiliates

BPSF 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 for BPSF each year of the examination period. BPSF is ultimately controlled by the policyholders of the Bar Plan Mutual Insurance Company (BPM), which elect the Board of Directors for BPM.

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 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.

TERRITORY AND PLAN OF OPERATION

The Company is licensed under Chapter 379 RSMo (Insurance Laws Other Than Life) to write fidelity and surety insurance in Missouri. At year-end 2019, the Company was also licensed in five other states: Connecticut, Illinois, Kansas, Oklahoma and New Hampshire. Bar Plan Surety and Fidelity Company writes court fiduciary bonds and court guarantee judicial bonds on an occurrence basis. Despite its small size, the Company is one of the largest court surety underwriters in the state of Missouri. The Company produces business through direct marketing and independent agents, each generating approximately one-half of the Company's total written premiums. The majority of BPSF's business is written in Missouri (71.3%) with the remaining business written in Connecticut (9.2%); Illinois (5.2); Kansas (4.9%); New Hampshire (1.9%); and Oklahoma (7.5%).

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	\$ 464,119	\$ 38,376	\$ 4,473,924	.10
2018	506,346	42,227	4,694,882	.11
2019	497,829	(8,517)	4,966,920	.10

BPSF experienced negative Net Loss in 2018 and 2019 and negative Loss Adjustment Expenses in 2019 due to favorable claim development.

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	\$ 449,829	\$ 68,054	.15
2018	473,006	11,772	.02
2019	484,698	(110,321)	(.22)

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	\$ 1,063,325	\$ 1,158,375	\$ 1,136,653
Reinsurance Ceded:			
Non-Affiliates	599,206	652,029	638,824
Net Premiums Written	\$ 464,119	\$ 506,346	\$ 497,829

Assumed Reinsurance

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

Ceded Reinsurance**Excess of Loss (pro-rata)**

The Company and BPM 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 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%).

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 Bar Plan Surety and Fidelity 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	\$ 5,041,481	\$	\$ 5,041,481
Stocks:			
Common Stocks	243,648		243,648
Cash, Cash Equivalents, and Short-Term Investments	508,642		508,642
Investment Income Due and Accrued	24,348		24,348
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	134,961	63,194	71,767
Reinsurance:			
Amounts Recoverable from Reinsurers	8,716		8,716
Other Amounts Receivable Under Reinsurance Contracts	80,975		80,975
Net Deferred Tax Asset			
Guaranty Funds Receivable or on Deposit	15,366		15,366
TOTAL ASSETS	\$ 6,058,137	\$ 63,194	\$ 5,994,943

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Losses	\$ 270,074
Loss Adjustment Expenses	95,124
Commissions Payable, Contingent Commissions, and Other Similar Charges	5,154
Other Expenses	10,809
Taxes, Licenses, and Fees	5,867
Current Federal and Foreign Income Taxes	139,447
Unearned Premiums	294,647
Advance Premiums	13,131
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	75,018
Amounts Withheld or Retained by Company for Account of Others	63,868
Remittances and Items Not Allocated	(579)
Payable to Parent, Subsidiaries, and Affiliates	45,386
Aggregate Write-Ins for Liabilities	10,077
TOTAL LIABILITIES	\$ 1,028,023
Common Capital Stock	1,500,000
Gross Paid In and Contributed Surplus	2,167,549
Unassigned Funds (Surplus)	1,299,371
TOTAL CAPITAL AND SURPLUS	\$ 4,966,920
TOTAL LIABILITIES AND SURPLUS	\$ 5,994,943

STATEMENT OF INCOME
For the Year Ended December 31, 2019

Premiums Earned	\$	484,698
DEDUCTIONS:		
Losses Incurred		(98,796)
Loss Adjustment Expenses Incurred		(11,525)
Other Underwriting Expenses Incurred		46,550
Total Underwriting Deductions	\$	<u>(63,771)</u>
Net Underwriting Gain (Loss)	\$	548,469
Net Investment Income Earned		107,375
Net Realized Capital Gains		13,080
Net Investment Gain (Loss)	\$	120,455
Aggregate Write-Ins for Miscellaneous Income		667
Federal and Foreign Income Taxes Incurred		<u>136,138</u>
NET INCOME (LOSS)	\$	<u>533,453</u>

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital and Surplus, Beginning of Year	\$ 4,318,718	\$ 4,473,924	\$ 4,694,882
Net Income (Loss)	256,292	339,555	533,453
Change in Net Unrealized Capital Gains			
(Losses) Less Capital Gains Tax	16,680	(24,791)	20,728
Change in Net Deferred Income Tax	(32,302)	1,825	(411)
Change in Nonadmitted Assets	910	(6,153)	(39)
Dividends to Stockholders	(86,374)	(89,478)	(281,693)
Net Change in Capital and Surplus	155,206	220,958	272,038
Capital and Surplus, End of Year	\$ 4,473,924	\$ 4,694,882	\$ 4,966,920

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.

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