

CHAIRMAN'S STATEMENT

1 April 2013 marked the 25th anniversary of Bar Mutual commencing to provide professional indemnity insurance cover to the self-employed Bar in England and Wales. Over the period of Bar Mutual's existence, Members have been very fortunate that a number of individuals have been willing to devote considerable amounts of unpaid time as Directors to ensure that Bar Mutual was built on solid foundations and would thrive as a business committed to providing comprehensive insurance cover at a readily affordable price.

Without downplaying the efforts of those Directors in any way, I believe it is fair to say that the unstinting contribution of Justin Fenwick QC to Bar Mutual has not been surpassed. Justin stepped down as Chairman (and as a Director) of Bar Mutual on 31 March 2013, having been a Director since December 1997 and Chairman since December 1999. During that time Bar Mutual has successfully adapted to the increased risk (and quantum) of claims and increasingly onerous regulatory standards while simultaneously maintaining premium rates at a level that both sensibly reflects that claims risk for different areas of practice (and is the envy of many other professions), developing strong financial reserves that provide it with a substantial cushion against adverse claims experience and extending the scope of the cover provided to Members.

Much of this success is due to Justin's clear-sighted strategic leadership and detailed knowledge of, and concern for, Bar Mutual's business. As such, the Bar owes him an immense debt of gratitude for his service on its behalf over the past 15 years, so on behalf of the Directors and all Members I thank him for all he has done for Bar Mutual and wish him well for the future.

I am pleased to report that Bar Mutual remains in very sound financial health as at 31 March 2013. During the year to that date, Bar Mutual recorded a surplus of £2.594m. The principal reasons for this favourable result were, first, an impressive investment return of 4.05% and, second, a release of £1.013m from the claims reserves as a result of better than expected claims experience. Bar Mutual's free reserves now stand at £31.333m. The Board is conscious of the difficult financial circumstances faced by many Members and intends to review the free reserves policy during the course of the current financial year. Members may obtain access to the full Directors' Report and Financial Statements for the year ending 31 March 2013 on the Bar Mutual website: <http://www.barmutual.co.uk>.

I would like to take this opportunity to draw Members' attention to two issues relating to the insurance cover provided by Bar Mutual. The first concerns cover for liabilities arising in contract, especially when the contract in question is with an instructing solicitor. The Bar Mutual Terms of Cover has long contained an exclusion from cover in respect of liabilities in contract that would not arise in the absence of the contract – in other words, that would not arise at common law, equity or pursuant to statute.

For this reason, Bar Mutual worked with COMBAR during its negotiations with the City of London Law Society to ensure that a sensible compromise was reached between, on the one hand, the desirability of assisting the move of the relationship

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between barristers and their instructing solicitors onto a modern contractual footing and, on the other, the need to control any additional liability risk for Members and Bar Mutual over and above that which would have arisen absent a contract. To give effect to this compromise, clause 3.1(x) of the Terms of Cover was amended with effect from 1 February 2013.

The second issue is one that has been frequently raised by my predecessor over the years – namely, the adequacy of the level of cover purchased by Members, especially when they cease to practise at the self-employed Bar. The Managers continue to receive claim notifications from retired Members who have opted to reduce the level of their cover upon retirement to the minimum of £500,000 and who must now face claims with a realistic potential quantum substantially in excess of that sum. Once again, I urge all Members to exercise great caution on this issue.

Finally, the forthcoming Annual General Meeting will coincide with the retirement of two long-standing Directors, Colin Reese QC and Richard Anelay QC. Both of them have made important contributions to Bar Mutual, especially Colin Reese, who served as a Deputy Chairman of the Board and chaired both the Investment and Reserves Committees for several years. On behalf of the Directors and Members, I thank them for the time and effort they have committed to Bar Mutual. Michael Horne and Christopher Pocock QC have recently been appointed as Directors and the Board will be looking to supplement its number further in the near future.

Colin Edelman QC
Chairman
June 2013