



2012 NOTICE OF ANNUAL MEETING

March 1, 2012

Notice of Annual Meeting and Proxy Statement of Members

- Notice of Annual Meeting and Proxy Statement of Members
- Board of Directors and Officers
- Letter from the President
- Financial 2011 and 2010

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To the Members (policyholders) of California Mutual Insurance Company (the Company)

Notice is hereby given that the annual meeting of the members of the Company will be held on:

**MONDAY, APRIL 23, 2012
AT 3:00 P.M.**

In the office of the Company located at: **650 SAN BENITO STREET,
SUITE 250, HOLLISTER**

For the following purposes:

1. Election of two directors,
2. Amend Bylaws to increase the number of directors from "seven (7)" to "not less than seven (7) or more than nine (9)", and
3. For the transaction of any other business that may properly come before that meeting or any adjournment thereof.

Hollister, California
March 1, 2012

Ed Stephenson,

Ed Stephenson,
Secretary

ELECTION OF DIRECTORS

The term of office for two directors will expire this year. The candidates nominated for the four-year term expiring in April 2016 are:

KENNETH BETTENCOURT

Mr. Bettencourt, 65, is the owner/broker of Ridgemark Realty. Previously he was President of Ridgemark Corporation, Vice-President and County Manager of Western Title Insurance Company and Vice-President of Fidelity National Title Company of Monterey County.

Mr. Bettencourt is a graduate of Gavilan College and has served as a director of California Mutual since 1982.

GEORGE LIM

Mr. Lim, 60, is Western Regional Director of Newport Financial Group, an independent insurance consulting company, specializing in market and product development. Previously he was Senior Vice-President and General Manager of HartRe Company LLC, San Francisco, Vice-President of San Francisco Reinsurance Company and Assistant Secretary for Fremont Insurance.

Mr. Lim is a graduate of University of San Francisco and has served as a director since 2003.

AMEND BYLAWS

Article 3. Section 3.02 Number and Qualification of Directors

Current Language: The number of Directors of this Company shall be seven (7).

Proposed Language: The number of Directors of this Company shall be not less than seven (7) or more than nine (9).

OTHER MATTERS

As of this date there are no other matters management intends to present or has reason to believe others will present at the meeting. The members acting as your proxy will vote on those matters in accordance with their best judgment.

2011-2012

Board of Directors

Steve Miller, Hollister
 Elwood Dryden, Hollister
 Kenneth Bettencourt,
 Gilroy
 Ed Stephenson, Hollister
 James E. Rollins, Hollister
 George Lim, Corte Madera
 Sandy Rose, Hollister

2011-2012

Officers

Steve Miller,
 Chief Executive Officer,
 President

Ed Stephenson,
 Secretary

Cheri Schmidt,
 Chief Financial Officer,
 Vice-President, Treasurer

CALIFORNIA MUTUAL INSURANCE COMPANY
DECEMBER 31, 2011 AND 2010
UNAUDITED (STATUTORY)

BALANCE SHEET	2011	2010
ASSETS		
Cash in Bank	\$ 1,159,530	\$ 884,239
Bonds	7,522,917	8,078,317
Stocks	3,136,009	3,272,118
Agents Balances	403,382	548,612
Reinsurance Recoverable	88,301	61,500
Guaranty Funds on Deposit	29,716	22,016
Other Miscellaneous Assets	<u>185,503</u>	<u>269,785</u>
TOTAL ASSETS	<u>\$ 12,525,358</u>	<u>\$ 13,136,587</u>
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for Losses/Loss Adjustment Expenses	\$ 1,139,248	\$ 1,360,520
Reserve for Unearned Premium	1,403,414	1,735,986
Accrued Expenses	114,874	115,037
Deferred Income Tax Liability	116,542	260,201
Current Income Tax Liability	49,510	(94,711)
Reinsurance Payable	<u>18,755</u>	<u>68,229</u>
TOTAL LIABILITIES	<u>2,842,343</u>	<u>3,445,262</u>
POLICYHOLDER'S SURPLUS	<u>9,683,015</u>	<u>9,691,325</u>
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	<u>\$ 12,525,358</u>	<u>\$ 13,136,587</u>
OPERATING RESULTS		
PREMIUMS EARNED	\$ 2,639,674	\$ 3,326,758
DEDUCTIONS		
Losses and Loss Expenses Incurred	1,216,350	1,463,759
Underwriting Expenses Incurred	<u>1,663,767</u>	<u>1,769,407</u>
UNDERWRITING GAIN (LOSS)	(240,443)	93,592
NET INVESTMENT INCOME EARNED	636,783	395,211
OTHER INCOME (EXPENSE)	61,779	10,100
FEDERAL INCOME TAX EXPENSE	<u>76,221</u>	<u>85,909</u>
NET INCOME (LOSS)	<u>\$ 381,898</u>	<u>\$ 412,994</u>
SUMMARY OF SURPLUS		
POLICYHOLDERS' SURPLUS-BEGINNING OF YEAR	\$ 9,691,325	\$ 9,296,430
Net income (loss)	381,898	412,994
Net Unrealized Capital Gains (Losses)	(401,669)	208,876
Change in Non-Admitted Assets	(132,198)	(202,622)
Change in Net Deferred Income Tax	<u>143,659</u>	<u>(24,353)</u>
POLICYHOLDERS' SURPLUS-END OF YEAR	<u>\$ 9,683,015</u>	<u>\$ 9,691,325</u>

To Our Members

California Mutual is a California domestic insurance company, which began operations in 1920, when a group of local businessmen came together to form the Farmers Mutual Fire Insurance Company of San Benito County. Our founders incorporated to insure farm buildings and equipment for fire loss only.

Today California Mutual provides coverages for Homeowners, Rental Properties, Motels, Mercantile Buildings, Bed & Breakfast Inns, Light Industrial Buildings, Office Buildings, Farms and more throughout California.

While our business has changed, California Mutual's mission is the same - provide our members with competitive pricing, fair claims handling and strong financials.

California Mutual is rated A-(Excellent) by the A.M. Best Company, a leading insurance industry rating agency. This rating is assigned to companies which have excellent financial strength, operating performance, and market profile when compared to the firm's established standards. In A.M. Best's opinion California Mutual has a strong ability to meet ongoing obligations to its policyholders.

A source of California Mutual's financial strength is its structure as a mutual insurance company. Mutual organizations operate with a long-term view to create stability and value for its policyholders.

Here are highlights of recent value additions for our members

- In partnership with Agility Recovery, we now provide an emergency preparedness portal called "myAgility Family". This portal provides a range of secured services including a Private Virtual Safe Deposit Box, Family Preparedness Plan, Alert Notification Service and Reminder Service. This portal is available to our Homeowners and Bed & Breakfast policyholders free of charge.
- We added payment options to include:
 - Automatic recurring payments – service charges waived
 - Credit card payments – no additional cost
 - ACH payments – no additional cost
- We offer electronic delivery of documents. Our policyholders may elect to receive their policy documents electronically, saving paper and energy resources.

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- Our on-line services include viewing of policy information, billing history, claim history and making on-line payments.

For our efforts in reducing our imprint on the environment, California Mutual was recently recognized as a Monterey Bay Area Green Business Company.

- We introduced a Homeowners enhancement endorsement - **CalAdvantage** which includes coverages for:
 - Appliance and equipment breakdown
 - Damage to your service lines (sewer, water and power)
 - Additional limits to replace damaged property with green materials
- We continue to review pricing to assure member value. In recent years, rates were improved for:
 - Commercial buildings up to 35 years of age
 - Newer Homes
 - Homes up to 45 years old
 - Renewed policies
 - Higher deductibles
 - Many zip codes in California

Be Local. We are a California domestic company

California Mutual is California domestic company insuring Californians. Domestic companies play an important role in providing stability to the market for Californians. When insuring your business or home we believe choosing a California domestic is a wise choice.

We invite you to visit our website for more information on California Mutual and the services we offer www.calmutual.com. You may also “like us” on Facebook ,before April 14th, to enter into a drawing for a Kindle Fire.

Your privacy is important

The Information we gather is used by California Mutual only to conduct California Mutual business. We do not share policyholder information with any third parties for their use.

We recognize that there are many choices in insurance carriers today and we are honored to have each of you as members.

Respectfully submitted,

Steve Miller

President