



## 2014 NOTICE OF ANNUAL MEETING

March 1, 2014

### 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 2013 and 2012

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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 28, 2014  
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, and
2. For the transaction of any other business that may properly come before that meeting or any adjournment thereof.

Hollister, California  
March 1, 2014

*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 2018 are:

#### **JAMES ROLLINS**

Mr. Rollins, 84, is a retired businessman residing in Hollister. He is a graduate of Rutgers University majoring in physics and mathematics. During his career in the electronics industry, Mr. Rollins held engineering and management positions, including President of Gordos West Corporation, a manufacturer of electronic components. He was the founder and owner of Maxim Electronic Sales prior to his retirement.

Mr. Rollins is seeking election to his fifth term as a director.

#### **SANDY ROSE**

Ms. Rose is a licensed insurance agent/broker and was active in the insurance industry for 41 years. As a member of the Independent Insurance Agents Association, she has taken extensive classes in property and casualty insurance and served on the Agri-Business committee as its chairperson. She was the California representative to serve on the ISO committee and was instrumental in the formation of the generic agri-business application that was adopted by all carriers. Ms. Rose was the owner of Sandy Rose Insurance Services until its sale in 2004.

Ms. Rose is a lifetime resident of San Benito County. She is currently serving on the board of the Community Foundation for San Benito County, and is a member of Rotary. Ms. Rose served on the San Benito Grand Jury and previously served as President of the San Benito County Business Council and member of the San Benito County Chamber of Commerce.

Ms. Rose is seeking her third term as a director.

#### **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.

**CALIFORNIA MUTUAL INSURANCE COMPANY**  
**DECEMBER 31, 2013 AND 2012**  
**UNAUDITED (STATUTORY)**

<b>BALANCE SHEET</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash in Bank	\$ 1,537,745	\$ 984,502
Bonds	8,108,851	8,144,725
Stocks	3,839,541	3,293,536
Agents Balances	508,462	475,153
Reinsurance Recoverable	61,500	(9,728)
Guaranty Funds on Deposit	40,530	35,109
Other Miscellaneous Assets	<u>177,150</u>	<u>192,964</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,273,779</u></b>	<b><u>\$ 13,116,261</u></b>
<b>LIABILITIES AND POLICYHOLDERS' SURPLUS</b>		
Reserve for Losses/Loss Adjustment Expenses	\$ 1,176,869	\$ 1,053,255
Reserve for Unearned Premium	1,794,403	1,511,727
Accrued Expenses	241,832	220,131
Deferred Income Tax Liability	294,329	183,067
Current Income Tax Liability	14,100	(39,116)
Reinsurance Payable	<u>(3,841)</u>	<u>(14,894)</u>
<b>TOTAL LIABILITIES</b>	<b><u>3,517,692</u></b>	<b><u>2,914,170</u></b>
<b>POLICYHOLDERS' SURPLUS</b>	<b><u>10,756,087</u></b>	<b><u>10,202,091</u></b>
<b>TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS</b>	<b><u>\$ 14,273,779</u></b>	<b><u>\$ 13,116,261</u></b>
<b>OPERATING RESULTS</b>		
<b>PREMIUMS EARNED</b>	\$ 2,823,215	\$ 2,297,508
<b>DEDUCTIONS</b>		
Losses and Loss Expenses Incurred	1,370,341	640,806
Underwriting Expenses Incurred	<u>1,815,166</u>	<u>1,722,890</u>
<b>UNDERWRITING GAIN (LOSS)</b>	<b>(362,292)</b>	<b>(66,188)</b>
<b>NET INVESTMENT INCOME EARNED</b>	<b>710,490</b>	<b>626,605</b>
<b>OTHER INCOME (EXPENSE)</b>	<b>12,520</b>	<b>(15,308)</b>
<b>FEDERAL INCOME TAX EXPENSE</b>	<u>101,672</u>	<u>128,292</u>
<b>NET INCOME (LOSS)</b>	<b><u>\$ 259,046</u></b>	<b><u>\$ 416,817</u></b>
<b>SUMMARY OF SURPLUS</b>		
<b>POLICYHOLDERS' SURPLUS-BEGINNING OF YEAR</b>	\$ 10,202,092	\$ 9,683,015
Net income (loss)	259,046	416,817
Net Unrealized Capital Gains (Losses)	389,909	150,045
Change in Non-Admitted Assets	16,302	18,740
Change in Net Deferred Income Tax	<u>(111,262)</u>	<u>(66,525)</u>
<b>POLICYHOLDERS' SURPLUS-END OF YEAR</b>	<b><u>\$ 10,756,087</u></b>	<b><u>\$ 10,202,092</u></b>

**2013-2012****Board of Directors**

Steve Miller, Hollister  
 John Tobias, Hollister  
 Kenneth Bettencourt, Gilroy  
 Ed Stephenson, Hollister  
 James E. Rollins, Hollister  
 George Lim, Corte Madera  
 Sandy Rose, Hollister  
 Cheri Schmidt, Hollister

**2013-2012****Officers**

Steve Miller,  
 Chief Executive Officer,  
 President

Ed Stephenson,  
 Secretary

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

### ***To Our Members***

California Mutual Insurance Company began operations in 1920 when a group of local businessmen came together to form the Farmers Mutual Fire Insurance Company of San Benito County to insure local properties for fire only.

Today California Mutual provides coverages for Homeowners, Rental Properties, Motels, Strip Shopping Centers, Mercantile Buildings, Bed & Breakfast Inns, Light Industrial Buildings, Office Buildings, Farms and more. We are represented by independent agents throughout California.

We recognize that there are many choices in insurance carriers today and we are honored to have each of you as members. Most of our members are long-term policyholders.

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.

Our reinsurers, who provide financial support for catastrophic losses, are rated A-(Excellent) or better and have financial surplus (net worth) exceeding \$10 billion.

California Mutual is structured 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 value additions for our members :

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

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- For our efforts in reducing our imprint on the environment, California Mutual is recognized as a Monterey 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 offer Equipment Breakdown coverage for our Commercial property members.
- We will offer, later this year, a Home/Farm endorsement for Homeowner members who have small farm and livestock exposure (including 4-H and FFA)
- We continue to review pricing to assure member value.
- We have an excellent staff and board of directors to serve our members and to assure our members of a financially stable company.

***Be Local. We are a California domestic company***

California Mutual is a 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 company 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](http://www.calmutual.com).

***Your privacy is important***

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

Respectfully submitted,

*Steve Miller*

President