



2013 NOTICE OF ANNUAL MEETING

March 1, 2013

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 2012 and 2011

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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 22, 2013
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, 2013

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 2017 are:

ED STEPHENSON

Mr. Stephenson, 77, has worked in the banking industry for 39 years and was president of San Benito Bank from 1983 to 2004. He has served 26 years as a director of San Benito County Saddle Horse Association, 10 years as an officer of Monterey Bay Area Council of Boy Scouts of America, and 26 years as a member of the Hollister Rotary Club. He is also serving on the Board of the Community Foundation for San Benito County and is a past Chairman. For the past three years he has served as chairman of the Community Food Bank of San Benito County.

Mr. Stephenson holds a bachelors degree in economics from Stanford University and a MBA from University of California , Berkeley. He served in the Marine Corps Reserves as an infantry platoon commander.

Mr. Stephenson is seeking election to his third term as a director.

JOHN TOBIAS

Mr. Tobias, 58, has owned and operated Tobias Farms since 1976, growing a variety of organic and conventional row crops. He has been a long time member of the San Benito County Farm Bureau, served on the 33rd District Agricultural Association (San Benito County Fairgrounds) for 16 years and is currently serving his fourth term as a director of the San Benito County Water District. John has an active interest in the future of agriculture in the community.

Mr. Tobias was raised on a cattle and dry farming ranch in San Benito County and graduated for Oregon State University with a degree in business administration with a concentration in accounting and minor in agriculture.

Mr. Tobias is seeking his first election 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.

**2012-2013
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
Cheri Schmidt, Hollister

**2012-2013
Officers**

Steve Miller,
Chief Executive Officer,
President

Ed Stephenson,
Secretary

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

**CALIFORNIA MUTUAL INSURANCE COMPANY
DECEMBER 31, 2012 AND 2011
UNAUDITED (STATUTORY)**

BALANCE SHEET	2012	2011
ASSETS		
Cash in Bank	\$ 984,502	\$ 1,159,530
Bonds	8,144,725	7,522,917
Stocks	3,293,536	3,136,009
Agents Balances	475,153	403,382
Reinsurance Recoverable	(9,728)	88,301
Guaranty Funds on Deposit	35,109	29,716
Other Miscellaneous Assets	192,964	185,503
TOTAL ASSETS	\$ 13,116,261	\$ 12,525,358
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for Losses/Loss Adjustment Expenses	\$ 1,053,255	\$ 1,139,248
Reserve for Unearned Premium	1,511,727	1,403,414
Accrued Expenses	220,131	114,874
Deferred Income Tax Liability	183,067	116,542
Current Income Tax Liability	(39,116)	49,510
Reinsurance Payable	(14,894)	18,755
TOTAL LIABILITIES	2,914,170	2,842,343
POLICYHOLDERS' SURPLUS	10,202,091	9,683,015
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 13,116,261	\$ 12,525,358
OPERATING RESULTS		
PREMIUMS EARNED	\$ 2,297,508	\$ 2,639,674
DEDUCTIONS		
Losses and Loss Expenses Incurred	640,806	1,216,350
Underwriting Expenses Incurred	1,722,890	1,663,767
UNDERWRITING GAIN (LOSS)	(66,188)	(240,443)
NET INVESTMENT INCOME EARNED	626,605	636,783
OTHER INCOME (EXPENSE)	(15,308)	61,779
FEDERAL INCOME TAX EXPENSE	128,292	76,221
NET INCOME (LOSS)	\$ 416,817	\$ 381,898
SUMMARY OF SURPLUS		
POLICYHOLDERS' SURPLUS-BEGINNING OF YEAR	\$ 9,683,015	\$ 9,691,325
Net income (loss)	416,817	381,898
Net Unrealized Capital Gains (Losses)	150,045	(401,669)
Change in Non-Admitted Assets	18,740	(132,198)
Change in Net Deferred Income Tax	(66,525)	143,659
POLICYHOLDERS' SURPLUS-END OF YEAR	\$ 10,202,092	\$ 9,683,015

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. Facing rising insurance premiums, our founders incorporated to insure their farm buildings and farm equipment for fire losses.

Today California Mutual provides comprehensive coverages for Homeowners, Rental Properties, Motels, Bed & Breakfast Inns, Shopping Centers, Mercantile Buildings, 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.

We recognize that there are 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- or better and have financial surplus (net worth) exceeding \$10 billion.

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 a few highlights of coverages and services we have added for our members:

- Equipment Breakdown
 - This valuable covers is included in our commercial policies
 - CalAdvantage—our homeowners policyholders may add this optional coverage for:
 - Appliance and equipment breakdown
 - Service line damage
- Expanded payment options include:
 - Automatic recurring payments – service charges waived
 - Credit and debit card payments

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- In early summer of this year, look for an electronic delivery option of your policy documents. Electronic delivery will further our certification as a **Certified Green Company** as recognized by the Monterey Bay Area Green Business Program.
- Our on-line services include viewing of policy information, billing history, claim history and making on-line payments.
- We continue to review pricing to assure member value. In recent years, rates were improved for:
 - Newer Commercial buildings
 - Newer Homes
 - Renewed policies
 - Higher deductibles
 - Many counties including central and coastal California

Retiring Director

Elwood Dryden, a director of California Mutual for over 30 years, will be retiring from our board. Mr. Dryden represents the best of California Mutual's strengths and values. Elwood, well respected in our community, is the type of director all mutual companies desire. We have benefited greatly from his sound advise and counsel. We wish him well.

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.

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.

Respectfully submitted,

Steve Miller

President