



2015 NOTICE OF ANNUAL MEETING

March 1, 2015

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 2014 and 2013

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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 27, 2015
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 three 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, 2015

Ed Stephenson,

Ed Stephenson,

Secretary

ELECTION OF DIRECTORS

The term of office for three directors will expire this year. The candidates nominated for the four-year term expiring in April 2019 are:

CONNIE GLOSSER

Ms. Glosser, 48, is an active Certified Public Accountant with over 20 years experience in public accounting. Her areas of expertise are financial accounting and auditing for small businesses in the

agricultural, construction, insurance and non-profit sectors. She graduated from St. Mary's College in Moraga with a BS in accounting. She and her family have been residents of Hollister for the past 20 years.

Ms. Glosser is currently working for United Genetic Seeds Company in Hollister as their financial controller. She was appointed to a board vacancy in November of 2014 and is seeking election to her first term as a director.

STEVE MILLER

Mr. Miller, 63, is the current President and CEO of California Mutual Insurance Company. He has served the insurance industry for over 35 years, holding positions of CFO and COO prior to joining California Mutual. He has provided consulting work for the industry on accounting, regulatory and reinsurance matters.

Mr. Miller is a current director and past President of the Pacific Association of Domestic Insurance Companies. He also served on the State Affairs Committee for the National Association of Mutual Insurance Companies.

He is a graduate of the University of Texas, majoring in accounting and is seeking his fourth term as a director.

CHERI SCHMIDT

Ms. Schmidt, 58, is the current CFO of California Mutual Insurance Company. She has held this position since 2001. Prior to joining California Mutual, she served the industry as an auditor for insurance companies with a public accounting firm.

Ms. Schmidt is the Vice-President of the Northern California Chapter of Insurance Accounting and Systems Association and is a licensed insurance agent. She has resided in Hollister for over 35 years. She was appointed to a board vacancy in 2012, and is seeking election to her second 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.

2013-2014 Board of Directors

Steve Miller, Hollister
John Tobias, Hollister
Kenneth Bettencourt, Gilroy
Ed Stephenson, Hollister
James E. Rollins, Hollister
Sandy Rose, Hollister
Cheri Schmidt, Hollister
Connie Glosser, Hollister
Don Marcus, Hollister

2013-2014 Officers

Steve Miller,
Chief Executive Officer,
President

Ed Stephenson,
Secretary

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

CALIFORNIA MUTUAL INSURANCE COMPANY DECEMBER 31, 2014 AND 2013 UNAUDITED (STATUTORY)

BALANCE SHEET	2014	2013
ASSETS		
Cash in Bank	\$ 1,063,535	\$ 1,537,745
Bonds	8,257,946	8,108,851
Stocks	4,062,472	3,839,541
Agents Balances	610,874	508,462
Reinsurance Recoverable	66,755	61,500
Guaranty Funds on Deposit	35,184	40,530
Other Miscellaneous Assets	298,617	177,150
TOTAL ASSETS	\$ 14,395,383	\$ 14,273,779
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for Losses/Loss Adjustment Expenses	\$ 843,386	\$ 1,176,869
Reserve for Unearned Premium	2,080,994	1,794,403
Accrued Expenses	325,879	241,832
Deferred Income Tax Liability	245,869	294,329
Current Income Tax Liability	9,106	14,100
Reinsurance Payable	17,332	(3,841)
TOTAL LIABILITIES	3,522,566	3,517,692
POLICYHOLDERS' SURPLUS	10,872,817	10,756,087
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 14,395,383	\$ 14,273,779
OPERATING RESULTS		
PREMIUMS EARNED	\$ 3,263,119	\$ 2,823,215
DEDUCTIONS		
Losses and Loss Expenses Incurred	1,584,478	1,370,341
Underwriting Expenses Incurred	1,990,639	1,815,166
UNDERWRITING GAIN (LOSS)	(311,998)	(362,292)
NET INVESTMENT INCOME EARNED	505,704	710,490
OTHER INCOME (EXPENSE)	13,338	12,520
FEDERAL INCOME TAX EXPENSE	41,092	101,672
NET INCOME	\$ 165,952	\$ 259,046
SUMMARY OF SURPLUS		
POLICYHOLDERS' SURPLUS-BEGINNING OF YEAR	\$ 10,756,087	\$ 10,202,092
Net income	165,952	259,046
Net Unrealized Capital Gains (Losses)	(111,228)	389,909
Change in Non-Admitted Assets	13,546	16,302
Change in Net Deferred Income Tax	48,460	(111,262)

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 :

- For our Homeowner members , we offer coverages to enhance the homeowner policy:
 - **CalAdvantage**—Appliance and equipment breakdown; Service Lines (sewer, water and power); increased limits to replace damaged property with green materials
 - **Home-Farm**—small farm and livestock exposures (includes 4-H and FFA coverages)
- For our Commercial members we offer coverage extensions for:
 - **Equipment Breakdown**
 - **Cyber Liability** (to be added this year)
- For our Bed & Breakfast members, our program includes the unique coverages needed when the B&B is also the home of the owner
- Multiple payment options:
 - Automatic recurring payments – service charges waived
 - Credit card and ACH payments – no additional cost
 - Installments—many options

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- For our efforts in reducing our imprint on the environment, we are recognized as a Monterey Area Green Business. We offer:
 - Electronic delivery of documents. Our policyholders may elect to receive their policy documents electronically, saving paper and energy resources.
 - On-line services; view your policy, billing and claims information; make a payment on line
- 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.

Retiring Director—James “Ed” Rollins

James “Ed” Rollins, a director for over 17 years, will be retiring from our board. Mr. Rollins represents the best of California Mutual’s strengths and values. We have appreciated Ed’s intellect and his analytical nature. Ed held high expectations, but was quick to complement a job well done. We have benefited greatly from Ed’s advice and counsel over the years. We wish Ed well.

Passing Director—George Lim

George Lim, an outstanding director for California Mutual, passed away last year. George was very well respected in the insurance community. The breadth of his insurance knowledge and particularly the expanse of his friendships were remarkable. George brought his skills, as well as his sense of humor to every board meeting. We owe a lot to George and we miss him greatly.

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.

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