



March 1, 2018

## 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
- Financials 2017 and 2016

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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, 2018**

**AT 3:00 P.M.**

In the office of the Company located at:

**650 SAN BENITO STREET,  
SUITE 250, HOLLISTER, CA**

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, 2018

*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 2022 are:

### **MILO PEARSON**

Mr. Pearson, 71, has over 40 years of insurance experience in both the private and public sectors that reflect significant leadership and executive responsibility, including Chairman of the Board of the Caribbean Catastrophe Risk Insurance Facility, COO of the California Earthquake Authority and Deputy Commissioner of the California Department of Insurance. In addition, he served as Executive Director for the Pacific Association of Domestic Insurance Companies. Mr. Pearson also operates an insurance consulting practice.

Mr. Pearson is a graduate of California State University at Long Beach.

Mr. Pearson was appointed to a board vacancy in 2015 and is seeking election to his first full term as a director.

### **RAY BORZINI**

Mr. Borzini, 66, is a retired Prudential Insurance Agent from King City California. Mr. Borzini worked as an agent in Southern Monterey County from 1975 until 2007. Ray currently works as a business development officer for 1st Capital Bank in Salinas.

Ray and his wife now live in Corral de Tierra and enjoy team roping and a little golf.

Mr. Borzini is a graduate of California Polytechnic State University and was appointed to a board vacancy in February 2018.

Mr. Borzini 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.

## 2016-2017 Board of Directors

Steve Miller, Hollister  
John Tobias, Hollister  
Kenneth Bettencourt, Gilroy  
Ed Stephenson, Hollister  
Cheri Schmidt, Hollister  
Connie Glosser, Hollister  
Don Marcus, Hollister  
Milo Pearson, San Clemente  
Ray Borzini, Salinas

## 2016-2017 Officers

Steve Miller,  
Chief Executive Officer, President

Ed Stephenson,  
Secretary

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

### CALIFORNIA MUTUAL INSURANCE COMPANY DECEMBER 31, 2017 AND 2016 UNAUDITED (STATUTORY)

BALANCE SHEET	2017	2016
<b>ASSETS</b>		
Cash in Bank	\$ 1,070,374	\$ 886,672
Bonds	8,201,014	7,980,162
Stocks	5,281,869	4,658,644
Agents Balances	671,504	649,906
Reinsurance Recoverable	241,571	66,535
Guaranty Funds on Deposit	-	20,155
Other Miscellaneous Assets	210,391	297,114
<b>TOTAL ASSETS</b>	<b>\$ 15,676,723</b>	<b>\$ 14,559,188</b>
<b>LIABILITIES AND POLICYHOLDERS' SURPLUS</b>		
Reserve for Losses/Loss Adjustment Expenses	\$ 866,144	\$ 660,975
Reserve for Unearned Premium	2,308,911	2,253,716
Accrued Expenses	327,337	277,634
Deferred Income Tax Liability	287,433	252,734
Current Income Tax Liability	12,304	-
Reinsurance Payable	34,621	157,305
<b>TOTAL LIABILITIES</b>	<b>3,836,750</b>	<b>3,602,364</b>
<b>POLICYHOLDERS' SURPLUS</b>	<b>11,839,973</b>	<b>10,956,824</b>
<b>TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS</b>	<b>\$ 15,676,723</b>	<b>\$ 14,559,188</b>
<b>OPERATING RESULTS</b>		
<b>PREMIUMS EARNED</b>	<b>\$ 4,244,753</b>	<b>\$ 3,897,837</b>
<b>DEDUCTIONS</b>		
Losses and Loss Expenses Incurred	2,154,912	2,004,037
Underwriting Expenses Incurred	2,065,944	2,155,689
<b>UNDERWRITING GAIN (LOSS)</b>	<b>23,897</b>	<b>(261,889)</b>
<b>NET INVESTMENT INCOME EARNED</b>	<b>349,280</b>	<b>280,119</b>
<b>OTHER INCOME (EXPENSE)</b>	<b>8,199</b>	<b>9,787</b>
<b>FEDERAL INCOME TAX EXPENSE</b>	<b>63,538</b>	<b>(34,193)</b>
<b>NET INCOME</b>	<b>\$ 317,838</b>	<b>\$ 62,210</b>
<b>SUMMARY OF SURPLUS</b>		
<b>POLICYHOLDERS' SURPLUS-BEGINNING OF YEAR</b>	<b>\$ 10,956,824</b>	<b>\$ 10,839,017</b>
Net income	317,838	62,210
Net Unrealized Capital Gains (Losses)	596,091	62,811
Change in Non-Admitted Assets	3,919	(681)
Change in Net Deferred Income Tax	(34,699)	(6,533)
<b>POLICYHOLDERS' SURPLUS-END OF YEAR</b>	<b>\$ 11,839,973</b>	<b>\$ 10,956,824</b>

## **To Our Members**

**Financials**—For the year 2017, our premium showed a steady growth of 8.8%. Our Policyholder Surplus grew 8% due to higher returns on our investment portfolio. Income from underwriting improved over the prior year to about breakeven at a 99.4% combined ratio. We continue to maintain a strong balance sheet with conservative writings to surplus ratio of less than .5 to 1.

**Background**—California Mutual Insurance Company began operations in 1920 when a group of local businessmen came together to form 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, Bed & Breakfast Inns, Strip Shopping Centers, Mercantile, Light Industrial and Office Buildings 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 structured as a mutual insurance company, which is operated with a long-term view to create stability and value for our policyholders.

**A.M. Best Rating**—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.

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

### **Services and Values for our Members -**

- **Multiple payment options:**
  - Automatic recurring payments – *service charges waived*
  - Credit card and ACH payments – *no additional cost*
  - Installments—many options
- **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 payments on line.

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***For our Homeowner members we offer coverages to enhance the homeowners policy:***

- **Appliance Breakdown and Service Line Coverage**—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
- **Home Farm**—for members who have small farm and livestock exposures (includes 4-H and FFA coverage)
- **Credits available**— New Home—up to 30%; New Loan on new purchase—up to 10%; Non-Flammable Roof—5%; Claims Free—10%; Protective Devices—up to 27%; Deductible—up to 30%; Total Maximum Credit increased to 60%

***For our Commercial members we offer coverage extensions for:***

- **Equipment Breakdown**
- **Cyber Liability and Data Compromise Coverage**
- **Employment Practices Liability (EPL)** coming later in 2018
- Our **Bed & Breakfast Program** includes unique coverages needed when the B & B is also the home of the owner.

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

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

We have an excellent staff and board of directors to serve our members and to assure our members of a financially stable company.

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