



2016 NOTICE OF ANNUAL MEETING

March 1, 2016

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 2015 and 2014

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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 25, 2016
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, 2016

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 2020 are:

DON MARCUS

Mr. Marcus, 64, is a 4th generation San Benito County (SBC) resident, managing his home cattle ranch and serving for 29 years as President of Marcus Building Systems. Mr. Marcus has served on the SBC Board of Supervisors, SBC Saddle Horse Association Board of Directors and President, Trustee for San Benito Joint Union High School, and provided labor and material for the construction of St. Benedict Catholic Church.

Mr. Marcus is a graduate of California Polytechnic State University and was appointed to a board vacancy in November of 2014. He is seeking election to his first term as a director.

KENNETH BETTENCOURT

Mr. Bettencourt, 69, 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.

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, 2015 AND 2014
UNAUDITED (STATUTORY)

| BALANCE SHEET | 2015 | 2014 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash in Bank | \$ 1,541,657 | \$ 1,063,535 |
| Bonds | 7,922,849 | 8,257,946 |
| Stocks | 4,202,878 | 4,062,472 |
| Agents Balances | 649,239 | 610,874 |
| Reinsurance Recoverable | 62,807 | 66,755 |
| Guaranty Funds on Deposit | 21,122 | 35,184 |
| Other Miscellaneous Assets | <u>431,505</u> | <u>298,617</u> |
| TOTAL ASSETS | <u>\$ 14,832,057</u> | <u>\$ 14,395,383</u> |
| LIABILITIES AND POLICYHOLDERS' SURPLUS | | |
| Reserve for Losses/Loss Adjustment Expenses | \$ 1,231,001 | \$ 843,386 |
| Reserve for Unearned Premium | 2,173,526 | 2,080,994 |
| Accrued Expenses | 329,942 | 325,879 |
| Deferred Income Tax Liability | 246,201 | 245,869 |
| Current Income Tax Liability | (5,905) | 9,106 |
| Reinsurance Payable | <u>18,275</u> | <u>17,332</u> |
| TOTAL LIABILITIES | <u>3,993,040</u> | <u>3,522,566</u> |
| POLICYHOLDERS' SURPLUS | <u>10,839,017</u> | <u>10,872,817</u> |
| TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS | <u>\$ 14,832,057</u> | <u>\$ 14,395,383</u> |
| OPERATING RESULTS | | |
| PREMIUMS EARNED | \$ 3,934,031 | \$ 3,263,119 |
| DEDUCTIONS | | |
| Losses and Loss Expenses Incurred | 1,856,990 | 1,584,478 |
| Underwriting Expenses Incurred | <u>2,090,366</u> | <u>1,990,639</u> |
| UNDERWRITING GAIN (LOSS) | (13,325) | (311,998) |
| NET INVESTMENT INCOME EARNED | 341,701 | 505,704 |
| OTHER INCOME (EXPENSE) | 12,390 | 13,338 |
| FEDERAL INCOME TAX EXPENSE | <u>80,546</u> | <u>41,092</u> |
| NET INCOME | <u>\$ 260,220</u> | <u>\$ 165,952</u> |
| SUMMARY OF SURPLUS | | |
| POLICYHOLDERS' SURPLUS-BEGINNING OF YEAR | \$ 10,872,817 | \$ 10,756,087 |
| Net income | 260,220 | 165,952 |
| Net Unrealized Capital Gains (Losses) | (294,618) | (111,228) |
| Change in Non-Admitted Assets | (332) | 13,546 |
| Change in Net Deferred Income Tax | <u>930</u> | <u>48,460</u> |
| POLICYHOLDERS' SURPLUS-END OF YEAR | <u>\$ 10,839,017</u> | <u>\$ 10,872,817</u> |

2014-2015
Board of Directors

Steve Miller, Hollister
 John Tobias, Hollister
 Kenneth Bettencourt, Gilroy
 Ed Stephenson, Hollister
 Sandy Rose, Hollister
 Cheri Schmidt, Hollister
 Connie Glosser, Hollister
 Don Marcus, Hollister
 Milo Pearson, Auburn

2014-2015
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 some examples of services and value additions 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.
- ***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

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- Home Farm—for members who have small farm and livestock exposures (includes 4-H and FFA coverage)
- ***For our Commercial members we offer coverage extensions for:***
 - Equipment Breakdown
 - Cyber Liability
 - For our Bed & Breakfast members, our program includes unique coverages needed when the B & B is also the home of the owner.
- 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.

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