



2011 NOTICE OF ANNUAL MEETING

March 15, 2011

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 2010 and 2009

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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, 2011
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 one director, and
2. For the transaction of any other business that may properly come before that meeting or any adjournment thereof.

Hollister, California
March 15, 2011

Ed Stephenson,

Ed Stephenson,
Secretary

ELECTION OF DIRECTOR

The term of office for one director will expire this year. The candidate nominated for the four-year term expiring in April 2015 is:

STEVE MILLER

Mr. Miller, 59, is the current president and CEO of California Mutual Insurance Company. Mr. Miller has served the insurance industry for over 35 years, holding positions of Chief Financial Officer and Chief Operating Officer prior to joining California Mutual. He has also 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 University of Texas majoring in Accounting and is seeking his 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.

2010-2011

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

2010-2011

Officers

Steve Miller,
 Chief Executive Officer,
 President

Ed Stephenson,
 Secretary

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

CALIFORNIA MUTUAL INSURANCE COMPANY
 DECEMBER 31, 2010 AND 2009
 UNAUDITED (STATUTORY)

BALANCE SHEET	2010	2009
ASSETS		
Cash in Bank	\$ 884,239	\$ 772,458
Bonds	8,078,317	8,100,810
Stocks	3,272,118	3,140,032
Agents Balances	548,612	723,881
Reinsurance Recoverable	61,500	64,338
Guaranty Funds on Deposit	22,016	16,264
Other Miscellaneous Assets	269,785	345,351
TOTAL ASSETS	\$ 13,136,587	\$ 13,163,134
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for Losses/Loss Adjustment Expenses	\$ 1,360,520	\$ 1,455,209
Reserve for Unearned Premium	1,735,986	2,018,538
Accrued Expenses	115,037	165,604
Deferred Income Tax Liability	260,201	235,848
Current Income Tax Liability	(94,711)	12,854
Reinsurance Payable	68,229	(21,349)
TOTAL LIABILITIES	3,445,262	3,866,704
POLICYHOLDER'S SURPLUS	9,691,325	9,296,430
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 13,136,587	\$ 13,163,134
OPERATING RESULTS		
PREMIUMS EARNED	\$ 3,326,758	\$ 3,555,046
DEDUCTIONS		
Losses and Loss Expenses Incurred	1,463,759	1,368,311
Underwriting Expenses Incurred	1,769,407	1,971,639
UNDERWRITING GAIN (LOSS)	93,592	215,096
NET INVESTMENT INCOME EARNED	395,211	677,989
OTHER INCOME (EXPENSE)	10,100	13,790
FEDERAL INCOME TAX EXPENSE	85,909	241,665
NET INCOME (LOSS)	\$ 412,994	\$ 665,210
SUMMARY OF SURPLUS		
POLICYHOLDERS' SURPLUS-BEGINNING OF YEAR	\$ 9,296,430	\$ 8,530,492
Net income (loss)	412,994	665,210
Net Unrealized Capital Gains (Losses)	208,876	81,892
Change in Non-Admitted Assets	(202,622)	113,907
Change in Net Deferred Income Tax	(24,353)	(95,071)
POLICYHOLDERS' SURPLUS-END OF YEAR	\$ 9,691,325	\$ 9,296,430

To Our Members

California Mutual Insurance Company is entering our 91st year and I am sure these last several years have been as challenging for our members as it has been for California Mutual. During this economic downturn and slow recovery, we've seen a number of our homeowner policyholders face foreclosure and our business policyholders experiencing lost sales and tight budgets. Nationally, our current political/economic woes bring an uncertainty. However, California Mutual's goals are the same - provide our members with competitive pricing, be fair in our claims handling and maintain strong financials. We are honored to have each of you as a member of California Mutual.

We recognize that there are many choices in insurance carriers and we recognize that value (where price and product meet expectation) is increasingly important. Here is our value proposition:

Financial Stability – We maintain a conservative balance sheet

California Mutual is rated A-(Excellent) by the A.M. Best Company. A.M. Best, a leading insurance industry analyst, has once again given California Mutual an A-(Excellent) rating. 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, we have a strong ability to meet ongoing obligations to our policyholders.

Market Stability – We don't move in and out of markets

We take a long-term view. A source of California Mutual's financial strength is its structure as a mutual insurance company. This means our policyholders' interests are California Mutual's interests as well. Mutual organizations operate with a long-term view to create stability and value for its policyholders.

Products to meet your needs – We don't dazzle with throw-in coverages

We continue to seek ways to provide coverages which are meaningful. We don't dress up our policies with "throw-in" coverages you'll never use.

Later this year we will be introducing a Homeowners enhancement which will include:

Coverage for:

- Appliance and equipment breakdown
- Damage to your Service lines (sewer, water and power)
- Additional limits to replace damaged property with "green" materials

With our 150% Extended Replacement Cost Dwelling and Enhanced limits, this makes for a comprehensive Homeowners policy. Look for our announcement once we receive approval from the California Department of Insurance (CDI).

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Pricing which is competitive

We continue to review pricing to assure member value. Upon CDI approval, we will be lowering rates for both our Homeowners and Dwelling Fire (rental property) programs.

For our Commercial members, we introduced improved rates in 2010 which is reflected in your policy renewal. We are also expanding our lines to provide coverages to retail and service establishments.

We'd rather invest in technology than in mascots and sound bites

Our goal in technology is to provide our members with instant access to information, improve ease of doing business, utilize the newest technologies to lower costs and reduce our impact on the environment by reducing printing and mailing.

Our members can access their policy on-line – view, print, save, view policy forms, view their billing, look up claim history and make payments. We will continue to improve on our features.

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. We are not a large national carrier who can choose to leave the state or raise prices capriciously when times are tough. California Mutual is proud to be a California company insuring 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