

REPORT OF EXAMINATION
OF THE
CALIFORNIA MUTUAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

A handwritten signature in blue ink, appearing to be 'D. Silva', is positioned above the filing date.

Filed on May 12, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION	1
COMPANY HISTORY	2
MANAGEMENT AND CONTROL	2
TERRITORY AND PLAN OF OPERATION.....	4
REINSURANCE:	4
Assumed.....	4
Ceded	5
FINANCIAL STATEMENTS:	7
Statement of Financial Condition as of December 31, 2023.....	8
Underwriting and Investment Exhibit for the Year Ended December 31, 2023	9
Reconciliation of Surplus as Regards Policyholders from December 31, 2019 through December 31, 2023	10
COMMENTS ON FINANCIAL STATEMENT ITEMS:.....	11
Losses and Loss Adjustment Expenses	11
SUBSEQUENT EVENTS	11
SUMMARY OF COMMENTS AND RECOMMENDATIONS:	11
Current Report of Examination	11
Previous Report of Examination	11
ACKNOWLEDGMENT	12

Sacramento, California
May 8, 2025

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

CALIFORNIA MUTUAL INSURANCE COMPANY

(hereinafter also referred to as the Company) with its home office located at 650 San Benito Street, Suite 250, Hollister, California 95023.

SCOPE OF EXAMINATION

We have performed our single-state examination of the Company. The previous examination of the Company was as of December 31, 2019. This examination covered the period from January 1, 2020 through December 31, 2023.

The examination was conducted in accordance with the National Association of Insurance Commissioners Financial Condition Examiners Handbook (Handbook). The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is

identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

COMPANY HISTORY

The Company was incorporated under the laws of the State of California as the Farmers Mutual Fire Insurance Company of San Benito County and commenced operations on September 20, 1920. The Company changed its name to Mid-State Mutual Insurance Company in 1989. On September 8, 2006, the Company received approval to change its name to California Mutual Insurance Company. The Company is a property and casualty insurer that is domiciled in the State of California and is only licensed to do business in California.

MANAGEMENT AND CONTROL

The Company is a mutual insurer owned by its policyholders. It had 2,364 policyholders as of December 31, 2023. The Company has a wholly-owned insurance agency subsidiary, Calvista Insurance Agency, Inc. (Calvista), which is reported as a non-admitted asset in the Company's financial statements.

The Company completed the sale of Calvista's assets to an outside third party on July 1, 2022 and Calvista ceased operations as an independent insurance agency. Calvista plans to maintain \$20,000 in cash to cover any taxes and other fees. The Company does not have any plans to dissolve Calvista at this time.

The following organizational chart shows the relationship between the Company and Calvista as of December 31, 2023. All ownership is 100%:

California Mutual Insurance Company (California)
Calvista Insurance Agency, Inc. (California)

The affairs of the Company are under the direction of the President and Chief Executive Officer, along with eight members of the board of directors. All operations are conducted through the Company's headquarter in Hollister, California.

Following are members of the board and principal officers of the Company serving at December 31, 2023:

Board of Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Ken Bettencourt Gilroy, California	Owner, Broker, and Lead Director Ridgemark Realty
Ray Borzini Cave Creek, Arizona	Retired Business Development Officer 1st Capital Bank, Salinas
Matt Curley San Jose, California	President and Chief Executive Officer California Mutual Insurance Company
Connie Glosser San Francisco, California	Certified Public Accountant Connie Glosser Accounting Services
Don Marcus Hollister, California	Owner Marcus Building Systems
Steve I. Miller Payson, Arizona	Retired California Mutual Insurance Company
Cheri L. Schmidt Hollister, California	Chief Financial Officer California Mutual Insurance Company
John Tobias Hollister, California	Owner Tobias Farms

Principal Officers

<u>Name</u>	<u>Title</u>
Matt Curley	President and Chief Executive Officer
Cheri Schmidt	Chief Financial Officer

TERRITORY AND PLAN OF OPERATION

The Company only writes personal and commercial lines of business in California. The Company is authorized to write the following lines of business as of December 31, 2023: Fire, Marine, Surety, Plate Glass, Liability, Boiler and Machinery, Burglary, Sprinkler, and Miscellaneous. The Company writes primarily commercial multi-perils (non-liability and liability), homeowners multi-peril, dwelling fire, and boiler and machinery.

The Company has approximately 160 active independent agents that generate 99.5% of the premiums.

As of December 31, 2023, the Company reported direct premium written of \$18.4 million, which was comprised of commercial multi-peril (non-liability) \$11.4 million (62.0%), commercial multi-peril (liability) \$4.7 million (25.5%), homeowners multi-peril \$1.4 million (7.5%), boiler and machinery \$0.533 million (2.9%), and fire \$0.293 million (1.6%). The remaining 0.44% or \$0.08 million was spread between allied lines, earthquake, and other liability - occurrence.

REINSURANCE

Assumed

The Company assumes reinsurance from two different sources. It participates in a Regional Reciprocal Catastrophe Pool (RRCP) where the Company assumes a 0.60% share of the pool. The Company has participated in the pool since 2005, experiencing a loss ratio of 10.9% and realized net gain of over \$3.4 million over the period.

The Company assumes director and officer's liability insurance from the NAMIC Insurance Company (NAMICO). As a member of the National Association of Mutual

Insurance Company (NAMIC), the Company is required as a condition of obtaining and maintaining insurance through NAMICO program. The Company assumes a 0.32736% share of the pool, with a limit of 50% on the first \$1 million and 85% on the next \$4 million.

Ceded

The following is a summary of the principal ceded reinsurance treaties in-force as of December 31, 2023:

<u>Type of Contract</u>	<u>Reinsurer's Name</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits</u>
Excess of Loss Multi-Line, Casualty, Clash, and Property Risk			
Layer One \$700,000 xs \$300,000	<u>Authorized/Certified</u> Hannover Re (40.0% \$280,000) Odyssey Re (10.0% \$70,000) Renaissance Reinsurance Ltd. (50.0% \$350,000)	\$300,000 per occurrence	100% of \$700,000 xs \$300,000
Layer Two \$1 million xs \$1 million	<u>Authorized/Certified</u> Hannover Re (40.0% \$400,000) Odyssey Re (10.0% \$100,000) Renaissance Reinsurance Ltd. (50.0% \$500,000)	\$1,000,000 per occurrence	100% of \$1,000,000 xs \$1,000,000
Layer Three Casualty Clash \$1 million xs \$2 million	<u>Authorized/Certified</u> Hannover Re (50.0% \$500,000) Renaissance Reinsurance Ltd. (50.0% \$500,000)	\$2,000,000 per occurrence	100% of \$1,000,000 xs \$2,000,000
Layer Three Property Only \$8 million xs \$2 million	<u>Authorized/Certified</u> DUAL Commercial LLC Tamaesis o/b/o Allianz Global Risks US (7.5% \$600,000) Hannover Re (40.0% \$3,200,000) Odyssey Re (2.5% \$200,000) Renaissance Reinsurance Ltd. (50.0% \$4,000,000)	\$2,000,000 per occurrence	100% of \$8,000,000 xs \$2,000,000
Excess of Loss Property Catastrophe			
Layer One \$1 million xs \$1 million	<u>Authorized/Certified</u> DUAL Commercial LLC Tamaesis o/b/o Allianz Global Risks US (7.5% \$75,000) Hannover Re (30.0% \$300,000) Odyssey Re (7.5% \$75,000) Renaissance Reinsurance Ltd. (25.0% \$250,000) <u>Unauthorized</u> American Agriculture Insurance Co. (30% \$300,000)	\$1,000,000 per occurrence	100% of \$1,000,000 xs \$1,000,000
Layer Two \$2 million xs \$2 million	<u>Authorized/Certified</u> DUAL Commercial LLC Tamaesis o/b/o Allianz Global Risks US (7.5% \$150,000) Hannover Re (30.0% \$600,000)	\$2,000,000 per occurrence	100% of \$2,000,000 xs \$2,000,000

<u>Type of Contract</u>	<u>Reinsurer's Name</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits</u>
	Odyssey Re (7.5% \$150,000) Renaissance Reinsurance Ltd. (25.0% \$500,000)		
	<u>Unauthorized</u> American Agriculture Insurance Co. (30% \$600,000)		
Layer Three \$6 million xs \$4 million	<u>Authorized/Certified</u> DUAL Commercial LLC Tamaesis o/b/o Allianz Global Risks US (7.5% \$450,000) Hannover Re (30.0% \$1,800,000) Odyssey Re (7.5% \$450,000) Renaissance Reinsurance Ltd. (25.0% \$1,500,000)	\$4,000,000 per occurrence	100% of \$6,000,000 xs \$4,000,000
	<u>Unauthorized</u> American Agriculture Insurance Co. (30% \$1,800,000)		
Layer Four Regional Reciprocal Catastrophe Pool \$3 million xs \$10 million	<u>Authorized/Certified</u> Mutual Re: Church Re; Farm Bureau of Michigan; Motorists Mutual; and Renaissance Re (100% \$3,000,000)	\$10,000,000 per occurrence	100% of \$3,000,000 xs \$10,000,000
Equipment Breakdown			
Quota Share	Hartford Steam Boiler Inspection and Insurance Company	\$0.00	100% not to exceed \$25,000,000 any one accident, any one policy
Cyber Liability and Data Compromise			
CyberOne – First Party Coverage Computer Attack and Network Security	Hartford Steam Boiler Inspection and Insurance Company	\$0.00	100% not to exceed - \$100,000 annual aggregate per policy
CyberOne – Data Compromise Response Expenses and Defense & Liability	Hartford Steam Boiler Inspection and Insurance Company	\$0.00	100% not to exceed - \$250,000 annual aggregate per policy
Employment Practices Liability			
Coverage up to 250 employees	Hartford Steam Boiler Inspection and Insurance Company	\$0.00	100% not to exceed - \$1,000,000 annual aggregate per policy

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance for the period ending December 31, 2023. The accompanying comments to the amounts in the financial statements should be considered an integral part of the financial statements. No adjustments were made to the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2023

Underwriting and Investment Exhibit for the Year Ended December 31, 2023

Reconciliation of Surplus as Regards Policyholders from December 31, 2019
through December 31, 2023

Statement of Financial Condition
as of December 31, 2023

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 9,543,972	\$	\$ 9,543,972	
Common stocks	6,819,016	320,000	6,499,016	
Cash	7,658,496		7,658,496	
Investment income due and accrued	114,834		114,834	
Uncollected premiums and agents' balances in the course of collection	1,017,971	3,226	1,014,745	
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	2,665,157		2,665,157	
Amounts recoverable from reinsurers	23,249		23,249	
Current federal and foreign income tax recoverable and interest thereon	62,105		62,105	
Aggregate write-ins for other than invested assets	291,223	5,000	286,223	
Total assets	<u>\$ 28,196,023</u>	<u>\$ 328,226</u>	<u>\$ 27,867,797</u>	

<u>Liabilities, Surplus, and Other Funds</u>			<u>Notes</u>
Losses		\$ 3,003,271	(1)
Loss adjustment expenses		1,071,211	(1)
Commissions payable, contingent commissions, and other similar charges		972,817	
Other expenses		1,678	
Taxes, licenses, and fees		134,619	
Net Deferred Tax Liability		91,267	
Unearned premiums		8,351,990	
Advance premium		55,230	
Ceded reinsurance premiums payable		826,085	
Total liabilities		14,508,168	
Unassigned funds (surplus)	<u>\$ 13,359,629</u>		
Surplus as regards policyholders		<u>13,359,629</u>	
Total liabilities, surplus, and other funds		<u>\$ 27,867,797</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2023

Underwriting Income

Premiums earned		\$	9,963,737
Deductions:			
Losses incurred	\$	4,177,126	
Loss adjustment expenses incurred		1,914,734	
Other underwriting expenses incurred		4,395,564	
Total underwriting deductions			10,487,424
Net underwriting loss			(523,687)

Investment Income

Net investment income earned	\$	219,874	
Net realized capital losses less capital gains tax		(78,867)	
Net investment gain			141,007

Other Income

Net loss from agents' or premium balances charged off	\$	(2,058)	
Finance and service charges not included in premiums		14,631	
Aggregate write-ins for miscellaneous income		75,011	
Total other income			87,584
Net income before dividends to policyholders, after capital gains and before all other federal and foreign income taxes			(295,096)
Net income after dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes			(295,096)
Federal and foreign income taxes incurred			37,898
Net loss	\$		(332,994)

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2022		\$	12,899,813
Net loss	\$	(332,994)	
Change in net unrealized capital gains		835,827	
Change in net deferred income tax		(39,800)	
Change in nonadmitted assets		(3,217)	
Change in surplus as regards policyholders for the year			<u>459,816</u>
Surplus as regards policyholders, December 31, 2023		\$	<u>13,359,629</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2019 through December 31, 2023

Surplus as regards policyholders, December 31, 2019			\$	12,247,192
	Gain in Surplus	Loss in Surplus		
Net income	\$ 460,048	\$		
Change in net unrealized capital gains	513,447			
Change in net deferred income tax	138,549			
Change in nonadmitted assets	392			
Total gains and losses in surplus	\$ 1,112,436	\$ 0		
Net increase in surplus as regards policyholders				1,112,436
Surplus as regards policyholders, December 31, 2023			\$	<u>13,359,629</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expense

A Senior Casualty Actuary from the California Department of Insurance reviewed the Actuarial Report as of December 31, 2023 prepared by the Company's Appointed Actuary, and concurred that the Company's loss and loss adjustment expense reserves were reasonable and have been accepted for the purpose of this examination.

SUBSEQUENT EVENTS

Calvista Insurance Agency, Inc. (Calvista), a wholly owned subsidiary of the Company, ceased operations as an independent insurance agency in July 2022. Calvista's assets were sold to an independent insurance agency. The final payment on the sale concluded in July 2024. Upon completion of the transaction, Calvista issued a \$445,000 cash dividend to the Company. In addition, Calvista returned \$300,000 in capital to the Company. Both payments were issued on August 22, 2024.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Intercompany Agreement – Administrative/Facilities Services Agreement (Page 4): It was recommended that the Company ensure payments are settled within the 30 days of such billings in accordance with the approved Administrative/Facilities Services Agreement between the Company and Calvista Insurance Agency, Inc. The Company has complied with the recommendation.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

Vicky Au-Yeung
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

Kyo Chu, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California