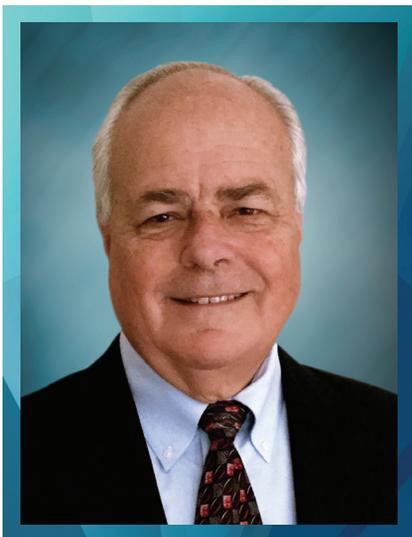


ANNUAL
REPORT

2021



California Casualty Group



Wayne S. Diviney

Chairman, Advisory Board

California Casualty Indemnity Exchange

Chairman

California Casualty Insurance Company

California Casualty & Fire Insurance Company

California Casualty General Insurance Company of Oregon

California Casualty Compensation Insurance Company

California Casualty Group is comprised of California Casualty Indemnity Exchange (the “Exchange”) and its four wholly-owned subsidiary insurance companies: California Casualty Insurance Company, California Casualty & Fire Insurance Company, California Casualty General Insurance Company of Oregon and California Casualty Compensation Insurance Company. The Exchange is governed by its Advisory Board.

The insurance business of the Exchange and its subsidiary insurance companies is managed, by contract, by California Casualty Management Company, a separate and independent company.

The relationship between California Casualty Management Company and the Exchange has been in place since 1917.

Looking Back At 2021



As the U.S. continued in 2021 to reopen, California Casualty's customers adapted to the challenges of very difficult working conditions to return students to schools and universities and to keep our communities

safe and healthy. The educators, education support professionals, police officers, firefighters and nurses who together are the policyholder-owners of the California Casualty Group ("CCG") of insurance companies were among the workers most impacted by the second year of the pandemic.

Standing with California Casualty's customers during these trying times, our employees, designated essential workers at the beginning of the pandemic, have provided uninterrupted service to customers who have been stretched to do their jobs in a manner that would have been unimaginable two years ago. Thank you to California Casualty's customers for the extraordinary sacrifices you have made during the pandemic, and thank you to our employees for your dedication and commitment to serving them.

CCG's policyholders' surplus increased by \$7.7 million in 2021, from \$208.9 million to \$216.6

million, building on a strong year of surplus growth in 2020. Thank you to prior CEO Joe Volponi for his contribution to these results, in particular for leading the aggressive pursuit of California Casualty's wildfire subrogation rights which added almost \$11 million back to surplus in 2020.

CCG's 2021 direct written premium was \$399.5 million, and its combined ratio was 102.9%, a deterioration of four percentage points from 98.9% in 2020. Net Income was \$41.5 million in 2021 compared to \$15.8 million in 2020, with the largest portion of 2021 net income due to equity portfolio realized gains that were mostly offset by a reduction in equity portfolio unrealized gains and a pre-tax loss from operations of \$3.1 million. During the second half of the year, automobile and home claims costs began to rise quickly as a result of economic and supply chain factors and many competitors began to raise rates in response. As we enter 2022, we are seeing a similar need to counter these costs and have begun to increase our rates as well.

Since 2019, following major wildfire years in 2015, 2017 and 2018, California Casualty has maintained a greater amount of property catastrophe reinsurance to mitigate the impact of large events.

On the automobile line, California Casualty has focused on claims process efficiencies that contribute to pricing stability and also customer satisfaction. In survey responses customers like the ease of submitting a first notice of loss after an accident and the quality of

repairs to their vehicles, along with the helpfulness of those with whom they interact during these processes. Customers also are pleased with the mobile application functionality that is part of California Casualty's first notice of loss process. For these reasons and more, California Casualty's overall claims satisfaction rose solidly in 2021.

In 2021, Customer retention rose to 92.6%. This exceptional result is a function of the deep customer loyalty that the group and association members who are our policyholders extend to California Casualty, and it is a function of the care and understanding that our employees exhibit in their daily interactions with customers.

As this annual report goes to print, California Casualty has states representing over 90% of its book of business deployed on our new Guidewire policy system, and in 2022 we will migrate our Guidewire ClaimCenter installation into Guidewire Cloud. What this currently means is better ease of use and performance when a policyholder goes to www.calcas.com to manage their account. In 2022, we expect to provide further enhancements that will make it even easier to start and make changes to a policy. Going forward, it means California Casualty can leverage exciting innovations that Guidewire introduces into its software.

As CEO on an interim basis starting in November 2021, I have learned a great deal meeting with

many of the leaders of California Casualty's group and association partners and with managers and employees across the company. I am confident that the current search for an experienced insurance executive to serve as California Casualty's CEO will culminate mid-year. I look forward to onboarding the company's next CEO during this exciting period when California Casualty will gain the ability to marry its trademark high-touch service approach with the digital opportunities and innovations that its new system brings.

California Casualty Group's policyholder-owners, our group and association partners and our employees make California Casualty what it is. It is a special partnership. Thank you.



Robert R. Nicolay III

Chief Executive Officer

California Casualty Management Company

Advisory Board Member

California Casualty Indemnity Exchange

People who commit to make a difference for our communities deserve financial protection with the highest levels of care, service, compassion and understanding...

Which is Why We Exist.

In 2021, educators, education support professionals, peace officers, firefighters and nurses continued to give more of themselves for the benefit of their communities.

- Schools re-opened, but the field of **Education** had changed. Previous challenges were exacerbated, roles and responsibilities were expanded, and resources were even more limited than before.
- **Firefighters** began to experience a new norm as in-person training returned and some stations opened to the public. But, for many, the accompanying strain and exhaustion of being a first responder during unprecedented times had a lasting impact on their mental and physical health.
- **Policing** became more difficult as social issues, vaccine mandates, staffing challenges and other hot topics created tensions for

the occupation. Yet, they stayed true to their calling, doing what was necessary to help rebuild their communities.

- **Nurses**, who had seen the worst of COVID's impact, continued their role on the frontlines with the same level of compassion, better understanding, and hopes that the past would not repeat itself as they had already seen too much.



Returning to the field after a full year of uncertainty and minimal face-to-face interaction, California Casualty's Partner

Relations Department made it their mission to honor these amazing American Heroes as on-site and hybrid opportunities began to slowly come back in 2021.



The field team was motivated to once again reconnect with those we serve by nurturing relationships, showing appreciation and increasing member engagement. In collaboration with group contacts, Partner Relations was able to assess member needs and create opportunities for meaningful



connections. They used ingenuity and new skillsets to identify and implement innovative ways to reach members – in socially-distanced environments, whether in-person outdoors, indoors or in a virtual meeting:

- Special Building Representative Contests
- Unique Efforts – Such as Ice Cream and Coffee Trucks
- Meal/Snack and Gift Basket Deliveries

- On-site Appreciation Events with Group Partners
- Communicating to Members Electronically Through Their Local Leaders

California Casualty is one of the few companies truly dedicated to affinity relationships. We pride ourselves on building long-term relationships with our sponsoring organizations by understanding and responding to their diverse needs with personalized solutions that consistently exceed expectations – from our auto and home insurance program to our member engagement activities.

While other companies focus on profits, we remain steadfast in our focus on people. We do business in a way that emphasizes the importance of living up to our promises. Care and service create loyalty.

“When companies add value to organizations through designing truly collaborative partnerships with differentiated products and services, then both organizations win the heart of grass-root members.”

Roxanne Dean, VP Account Relations

2021 Financial Highlights

Premium Written (in millions of dollars)



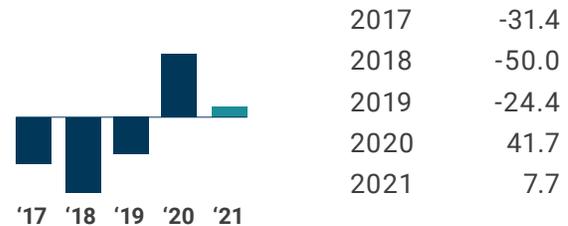
Combined Auto/Home Policies in Force*
(in thousands)



Policyholders' Surplus (in millions of dollars)



Change in Policyholders' Surplus
(in millions of dollars)



* California Casualty's transition to a new operating system allows us to write more vehicles on a single policy than under the old system. While this is more efficient for our customers, it has the effect of distorting policy-in-force trends. That is, policy counts will appear lower than they have historically, even with no change in overall vehicles insured.

Operating Performance (in thousands of dollars)

	2021	2020
Premiums written	399,502	395,571
Underwriting income (loss)	(12,084)	3,937
Net investment income	7,868	9,281
Net realized gain	44,575	1,629
Other income (loss)	1,172	968
Net income (loss)	41,531	15,815

Financial Position (in thousands of dollars)

	2021	2020
Assets	621,702	603,822
Liabilities	405,120	394,943
Policyholders' surplus	216,582	208,879



California Casualty Indemnity Exchange

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Management Company**

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California Association
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(Retired)

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Modoc Consulting

Michael G. McPherson
National Education Association

Edward G. Phoebus III
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Corporation

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(Retired)

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California Teachers Association
(Retired)

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California Casualty
Management Company**

Thomas M. Tongue, Esq.
Schwabe, Williamson & Wyatt

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California State University,
Los Angeles

¹ Chairman of the Board
² Secretary

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George G. C. Parker, Ph.D.
Lynne F. Siegel, J.D.

* All of the members of the Advisory Board, except those representing California Casualty Management Company, are also directors of two of California Casualty Indemnity Exchange's subsidiaries: California Casualty & Fire Insurance Company and California Casualty Compensation Insurance Company.

** California Casualty Management Company employees are non-voting members of the Advisory Board.

California Casualty Insurance Company and California Casualty General Insurance Company of Oregon

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California Teachers
Association

Jon H. Hamm
California Association
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(Retired)

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Joseph C. Muenzen, CPCU
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Management Company

Treasurer
Michael A. Ray, CPA
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Management Company

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Mitchell E. Hornecker
Modoc Consulting

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Senior Vice President
Underwriting Operations/
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Chief Marketing Officer

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Director

