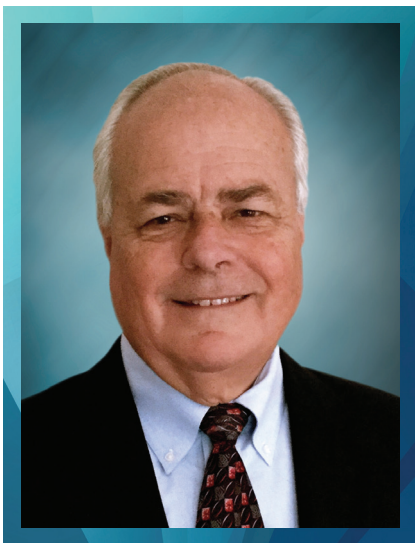


ANNUAL REPORT

2020



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 2020



2020 was a challenging year filled with many trying events: a global pandemic, shelter-in-place, social unrest, widespread protests and riots, natural catastrophes throughout the nation and a very

contentious presidential election that wasn't decided until well past the actual Election Day. These events created considerable uncertainty for virtually everyone. Through it all, our employees remained focused on taking care of our policyholders while returning the California Casualty Group (CCG) to profitability.

Going into 2020, CCG had seen surplus decline for six years in a row. While the balance sheet was still strong, the primary goal was to stabilize the loss of surplus. Several plans were put in place to make that happen. By the end of the year, we were able to produce one of the most profitable years in CCG history and added almost \$42M to surplus.

The impact of COVID-19 was felt throughout the year, and it had very opposite effects on our two major lines. Certainly, the reduced driving as a result of the shelter-in-place orders lowered auto claim frequency and provided a tailwind for that line. However, on the homeowner side, with more people at home, there was a rise in normal homeowner claims (kitchen fires, water damage, etc.). Moreover, it is likely that the lack of deforestation as a result of the shutdown contributed to the record level of wildfires in the western states.

Many strategic decisions led to our underwriting success in 2020, highlighted by the following:

- A disciplined catastrophe management strategy allowed us to navigate through a year where the industry faced \$65B in catastrophe losses (3rd highest in history), with losses far less than our market share would have predicted.
- Plans were put in place to improve results in states where we have historically been unprofitable or we have faced substantial wind losses.
- Aggressive pursuit of our subrogation rights from the 2017 and 2018 wildfires allowed us to fully repay our reinsurers and add almost \$11M back into surplus.


CCG's combined ratio for 2020 was 98.9% (12 points better than 2019), which generated underwriting

income of \$3.9M compared to a loss of \$43.7M in 2019. This turnaround in underwriting income was the big driver of the overall improvement in net income. In 2019, CCG's net income was a loss of \$29.3M, but that improved in 2020 to a gain of \$15.8M.

In addition to the overall net income, CCG surplus was further bolstered in two other areas. First, the rebound in the equity markets added an additional \$12.5M to surplus, while an NAIC accounting change having to do with the way CCG's investment in CCMC is carried on its balance sheet positively benefitted CCG surplus by \$15.6M. At the end of the year, CCG's surplus was \$208.9M, an improvement of \$41.7M in 12 months.

We also continued to successfully deploy CCG's new Guidewire policy processing system, which enhances our ability to compete in an increasingly digital marketplace and also provides many operational advantages. We expect to have all of the larger states, comprising over 80% of our customers, in Guidewire by the end of 2021.

Through one of the most turbulent years we've ever experienced, our employees continued to provide exceptional service to our customers, which resulted in customer retention of 92.3% and exceeded plan for the year. Thank you to all our



"Through it all, our employees remained focused on taking care of our policyholders while returning the California Casualty Group (CCG) to profitability."

employees for remaining focused in the face of many distractions and continuing to take care of CCG's policyholders.



Joseph L. Volponi, FCAS

President | Chief Executive Officer

California Casualty Management Company

Advisory Board Member

California Casualty Indemnity Exchange

COVID-19: Thriving When The Odds Are Against You

Despite a global pandemic and unprecedented natural disasters having an impact on our business, continued conversations and forward-thinking decisions kept the company on the right track in 2020. As an insurance provider, natural disasters and catastrophes are par for the course. However, a once-in-a-lifetime pandemic was something we at California Casualty had to equip ourselves to overcome. And we did.

We are privileged to serve the American Heroes who make our communities better—educators, firefighters, law enforcement and healthcare workers. It's our duty to have higher standards for delivering auto and home insurance with the financial protection they deserve. As COVID changed our world overnight, we watched our Heroes give even more of themselves for the benefit of others. As needs changed with the times and conversations became more emotional, our employees elevated their level of compassion and understanding. We updated our mantra to "We Protect AmeriCAN Heroes: Together We CAN," and for everyone at California Casualty, it wasn't just a tagline for the moment; it was how we did—and continue to do—business.



Insurance is a service. Our employees are the infrastructure of who we are and what we do for the partners, policyholders and members we serve. And when the world drastically changed, it was our people who rose to the challenge. Every individual within our organization had to be on their toes and ready to pivot as we maneuvered through a world of uncertainty.

- Leadership was challenged to make decisions for situations never experienced before.
- Managers had to help their teams redefine their roles and expand their capabilities.
- Employees had to stay focused, balancing personal needs with those of our organization.
- New technologies had to be introduced, tested, and learned.

To remain vigilant in our efforts to serve policyholders with the level of care that we are known for, we continually evolved our operational structure to keep our doors open, while maintaining the health and well-being of our employees. We asked a lot of our people, and they delivered.

Our principles of putting our customers first, earning their trust and providing the best possible service were evident throughout the year. Every department within the organization played a role in the orchestrated solutions implemented in response to the new personal, professional and industry-related environment COVID presented.

- Claims implemented new workflows to effectively engage in a digital environment and process claims virtually.
- Service handled an overabundance of customer inquiries to make changes to their policies as new driving, financial and other circumstances emerged.
- Sales remained focused on their customer engagement as many switched to a work-from-home situation to meet safety protocols in our call centers.
- Partner Relations reallocated resources to contact current customers while still maintaining partner engagement to express

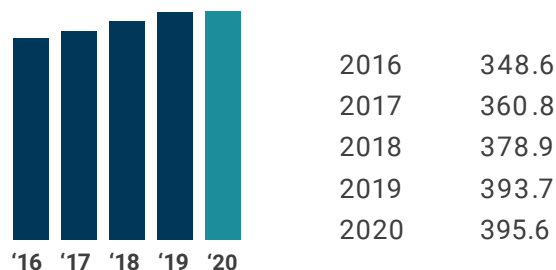
appreciation and empathy, as many of our policyholders were on the front lines.

- Human Resources, alongside a specially created COVID Task Force, designed and clearly communicated the actions taking place for the safety of our employees.
- Marketing (especially our social media team) developed and shared customer communications regarding our company's focus, steps for employee safety and policyholder options available during the COVID situation.
- Underwriting and Actuarial remained focused on the long-term advancements already planned despite the challenges of implementing them in such a disruptive environment.
- IT kept our employees up and running as many switched to working from home, a feat that required creative alternatives, quick solutions and a lot of labor hours.

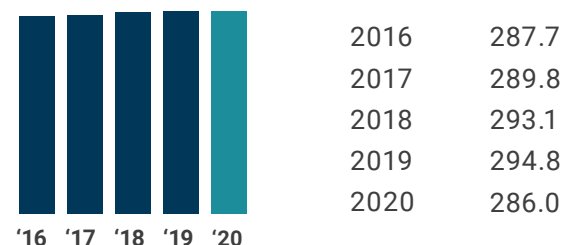
2020 was a year like no other. Yet, through it all, we became a stronger organization. California Casualty will continue to evolve as we have over the past 107 years. There will always be challenges, but with our people, partners and principles in place, we are confident that they too will be ones we will overcome.

2020 Financial Highlights

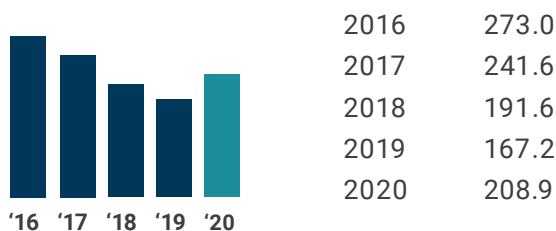
Premium Written (in millions of dollars)



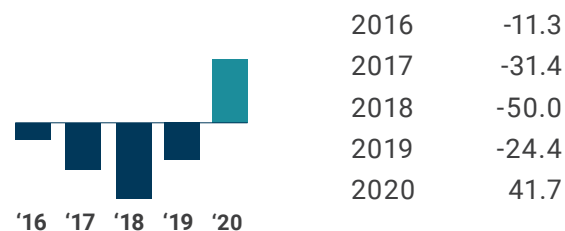
Combined Auto/Home Policies in Force*
(in thousands)



Policyholders' Surplus (in millions of dollars)



Change in Policyholders' Surplus
(in millions of dollars)



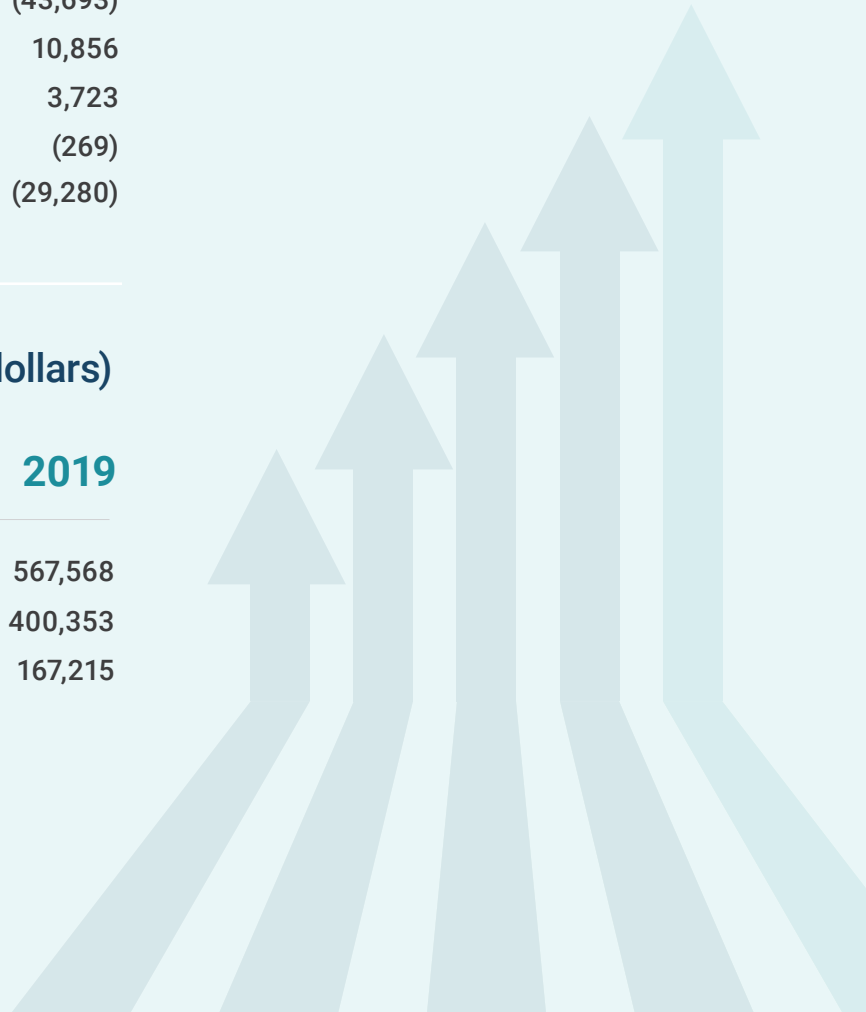
* California Casualty's transition to a new operating system allows us to write more vehicles on a single policy than under the old system. While this is more efficient for our customers, it has the effect of distorting policy-in-force trends. That is, policy counts will appear lower than they have historically,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

Operating Performance (in thousands of dollars)

	2020	2019
Premiums written	395,571	393,655
Underwriting income (loss)	3,937	(43,693)
Net investment income	9,281	10,856
Net realized gain	1,629	3,723
Other income (loss)	968	(269)
Net income (loss)	15,815	(29,280)

Financial Position (in thousands of dollars)

	2020	2019
Assets	603,822	567,568
Liabilities	394,943	400,353
Policyholders' surplus	208,879	167,215



California Casualty Indemnity Exchange

Advisory Board*

Wayne S. Diviney¹

National Education Association
(Retired)

Karen M. Padovese²

GeoVera Holdings, Inc.

Carl B. (Beau) Brown, CPCU

California Casualty
Management Company**

Micaela C. Cichocki

California Teachers Association

Jose A. Gomez, Ph.D

California State University,
Los Angeles

Jon H. Hamm

California Association
of Highway Patrolmen

Mitchell E. Hornecker

Modoc Consulting

Karen B. Kyhn

California Teachers Association
(Retired)

Leona S. Lindner

NEA's Member Benefits
Corporation

Michael G. McPherson

National Education Association

Robert R. Nicolay III

Progressive Corporation
(Retired)

Edward G. Phoebus III

NEA's Member Benefits
Corporation

Heather S. Schafer

National Volunteer Fire Council

Thomas M. Tongue, Esq.

Schwabe, Williamson & Wyatt

Joseph L. Volponi, FCAS

California Casualty
Management Company**

¹ Chairman of the Board

² Secretary

Advisory Board Emeriti

David A. Aaker, Ph.D.

James D. Altman

Jonathan A. Brown, D.P.A.

John E. Cahill, Jr.

Carolyn E. Doggett

Peter Goldberg

R. Wayne Johnson

Barbara E. Kerr

Marston Nauman

Thomas H. Tongue, Esq.

Ralph M. Tornatore, Jr.

Suzanne M. Zimmer

Advisory Board Honoraries

Thomas R. Brown, CLU

William R. Dahlman

George G. C. Parker, Ph.D.

Lynne F. Siegel, J.D.



In Memory of Heather Schafer

Heather was asked to join the CCG Advisory Board in 2011. Her kindness, generosity and commitment to others made a lasting impact on those who served with her. California Casualty would like to express our gratitude and appreciation to Heather's family and the NVFC for the 10 years they shared her with us.

* 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

Board of Directors and Officers

Wayne S. Diviney
National Education
Association (Retired)

President
Joseph L. Volponi, FCAS
California Casualty
Management Company

Jon H. Hamm
California Association
of Highway Patrolmen

Treasurer
Michael A. Ray, CPA
California Casualty
Management Company

Mitchell E. Hornecker
Modoc Consulting

Secretary
Joseph C. Muenzen, CPCU
California Casualty
Management Company

Heather S. Schafer
National Volunteer
Fire Council

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

California Casualty Management Company

Carl B. (Beau) Brown, CPCU
Director
Chairman of the Board

Joseph L. Volponi, FCAS
Director
President
Chief Executive Officer

Kenneth G. Berry
Director

Thomas R. Brown, CLU
Director
Chairman Emeritus

Marston Nauman
Director
Vice Chairman Emeritus

Robert R. Nicolay III
Director

Michael A. Ray, CPA
Director
Executive Vice President
Chief Financial Officer
Treasurer

James M. Sevey, CPCU
Director

Thomas M. Tongue, Esq.
Director

Hong Chen, FCAS
Senior Vice President
Actuary

Fong-Yee Judy Jao,
FCAS, MAAA
Senior Vice President
Actuary

James R. Kauffman, Esq.
Senior Vice President
Claims

Rose M. Lorentzen
Senior Vice President
Human Resources

T. Michael McCormick, Jr.
Senior Vice President
Chief Marketing Officer

Joseph C. Muenzen, CPCU
Senior Vice President
Underwriting, Product Dev. and
Customer / Agency Services
Secretary

