



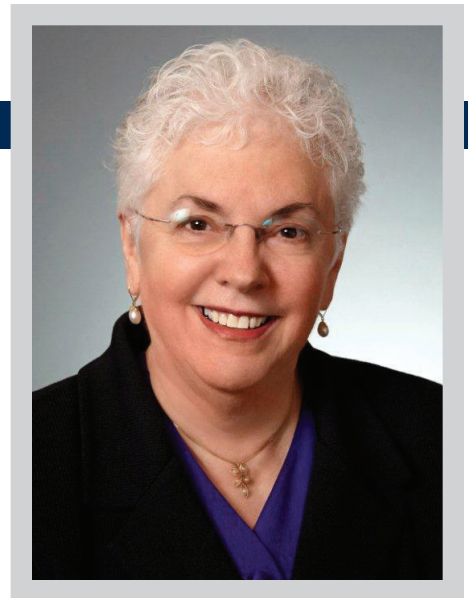
California Casualty Group

2015 Annual Report

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 17-person 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.



Lynne F. Siegel

Vice Chair

California Casualty Indemnity Exchange

Chair

California Casualty Insurance Company

California Casualty & Fire Insurance Company

California Casualty General Insurance Company of Oregon

California Casualty Compensation Insurance Company



It is our employees' actions that speak most loudly to our overall underlying purpose and company values. A great example is the work done during and after the California fires in late summer and fall 2015. Our employees responded swiftly and compassionately to help customers rebuild their lives after the worst California fire season since 2007. The Valley Fire,

which devastated Middletown and surrounding areas of Lake County, killed four people and was the third most damaging fire in California history based on total structures burned. In the Valley, Butte and Tassajara fires, 16 policyholders lost their homes, setting in motion a response from our California Casualty team that made us proud.

The core values of the California Casualty Code, in its 50th year, guide the actions of California Casualty's employees.

Acting with Integrity. Fulfilling our Promises. Providing Exceptional Service. Pursuing Excellence through Learning. Working as a Team.

Our employees live these values day in and day out. When a customer has suffered a loss and needs help from someone they can trust, we know that our employees will deliver. California Casualty's employees work to help people in their greatest time of need.

We are fortunate to work with American heroes whose jobs involve serving others. Our customers are educators and education support professionals, law enforcement officers, firefighters and nurses, and they span 43 states and the District of Columbia.

California Casualty Group's financial results were mixed in 2015. The 2015 California Fires contributed to poor profitability, accounting for three percentage points of a 68.2 percent loss ratio. In addition, for technical accounting reasons the expiration of our 15 year quota share agreement with Fireman's Fund was a one-time negative drag on net income and surplus, and was responsible for approximately 115 points of the drop in our Best's Capital Adequacy Ratio. Still, with \$284.3 million in surplus at December 31, 2015, and an estimated Best's Capital Adequacy Ratio of 255 percent, we remain strongly capitalized.

Looking to the positive, California Casualty produced a loss ratio of 57.5 percent on non-California homeowners

insurance in 2015. This result drove improvement in our overall loss ratio, if we exclude the impact of the California fires.

Direct written premium grew from \$336.7 million in 2014 to \$341.3 million in 2015. Customer Service satisfaction at 99.6 percent was more than a half point better than plan, and Claims satisfaction at 96.1 percent was more than a full point better than plan. California Casualty Management Company (CCMC) expenses were \$2.6 million favorable to plan. We thank our employees for doing a great job of serving our customers and controlling expenses in 2015. Going forward, we will improve our financial results and work to maintain competitive pricing in all of the markets we serve.



Carl B. (Beau) Brown, CPCU
Chairman | Chief Executive Officer
California Casualty Management Co.
Chairman
California Casualty Indemnity Exchange



Joseph L. Volponi, FCAS
President | Chief Operating Officer
California Casualty Management Co.
Advisory Board Member
California Casualty Indemnity Exchange

California Casualty Values Exemplified

What does it mean to “live up to the Code,” showing the values that define California Casualty? Formalized in 1965 by Carl G. Brown, Jr., the Code has guided employees and the



company to do what’s right for our customers throughout the years. The latest example of California Casualty keeping its promise to be there when people need us comes from the disastrous Valley Fire that decimated Middletown, California in September of 2015. As the embers cooled and the impact to the community was fully felt, a handful of dedicated California Casualty employees,



working face-to-face with insureds, were instrumental in formulating a “homecoming” healing event to aid in the long-term recovery.

Lisa Gerber

Lisa Gerber was the “on call” Claims field adjuster when word came down that there was a serious fire in Lake County of Northern California. She started fielding calls just after the flames blew into the rural area. Lisa was on the phone nonstop for 10 hours triaging to make sure each family was safe, had a place to sleep and got the nutrition they needed. “Most literally got out with just the clothes on their backs,” she said. She knew this was another “make it or break it” situation for the company.

Lisa personally put in 120 hours the first two weeks after the fire, often driving three-and-a-half hours to find our insureds, assess the damage in person, and get checks to those who needed emergency funds. Lisa met families at hotels, malls, schools and other locations to make sure they had the necessary funds for the basics until the long process of settling claims could begin. She said the hard work was tough but necessary.

“Addressing the human element – sitting down with people face to face – is what makes California Casualty different.” Lisa said she was guided by the California Casualty Code, going above and beyond for our customers. “When we have a situation like this, you put your normal life on hold for a while and put yourself in their position to understand and recognize what the insureds need. It was very personal.”



Lisa Gerber with Customers

Tami Phillips

Tami is relatively new to California Casualty but she knew she had to help. As a Field Marketing Manager she had visited schools and fire and police stations where many of the fire victims worked. She made sure that four days after the fire, California Casualty had a presence at the evacuation center in Napa.

Tami was compelled to alert others in the company about the desperate needs of the Middletown community after working with Lisa Gerber and hearing of their plight. She attached an article to an email highlighting the trauma that people were going through, including one of our insureds,

“This was such a visual example of what a company, our company, can do when we follow the Code. We took care of our customers and showed them we care.” ~Christy Forward

Bill Roderick, the Principal of Middletown High School. The high school had become the “soul and rallying point” for the community. Before she knew it, she was on a conference call with **Jim Kauffman**, **Beau Brown**, **Joe Volponi** and others explaining her ideas. Once the homecoming event became reality, Tami and fellow Field Marketing Manager **Christy Forward** dedicated themselves to personally touching base with as many schools, law enforcement offices and fire stations as possible in the area to let them know California Casualty was there and to invite them to the homecoming event. For two weeks, with assistance from **Amanda Keidel** and **Norma Alfaro**, the team combed the area dropping off invitations, tickets, posters and commemorative t-shirts at 116 sites.

“It was our commitment to help,” she said. “I believe California Casualty tries to hire people with empathy and compassion. Since we work directly with groups that have a passion for community service, it’s important that we as employees have the same passion.”

Christy Forward

“Seeing how we took care of people after the Valley Fire, and being involved like I was, renewed my faith in California Casualty and our Code,” said Christy. “It rejuvenated me.”

Christy’s territory is north of the burn area so she responded to the northern evacuation center in Kelseyville. Her presence and dedication impressed the President of the Middletown Teachers Association, **Dan Renninger**. He took all of her information and sent an email blast to CTA members around the area letting

them know California Casualty was aware of their situation, was there to help, and where to call if they had a claim.

Christy credits Tami’s tenacity for not giving up on finding a way to help the Middletown community recover. She also cited the tireless effort of Jim Kauffman, who had the vision and clout to make the homecoming event a successful reality.

“This was such a visual example of what a company, our company, can do when we follow the Code. We took care of our customers and showed them we care,” she said.

It All Makes a Difference

For over 100 years, California Casualty has differentiated itself by acting with integrity to develop trusted and solid relationships. Often, that has meant adapting to difficult situations and helping people on a personal level. Jim Kauffman summarized it this way, “While our employees might view our role in a disaster as fixing cars and homes, with some initiative and hard work we can also contribute to helping fix a community emotionally.”

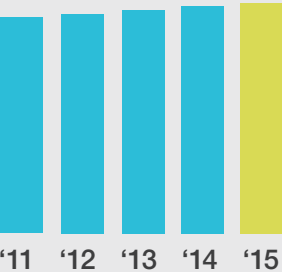


Left to right: Jim Kauffman, Norma Alfaro, Tami Phillips, Susan Frantz, Christy Forward and Barbara Hollenkamp

2015 Financial Highlights



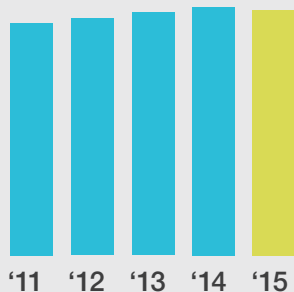
Premium written
(in millions of dollars)



2011	308.8
2012	314.3
2013	326.9
2014	336.7
2015	341.3

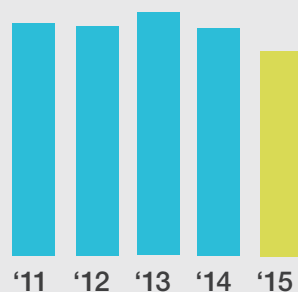
Operating performance (in thousands of dollars)	2015	2014
Premiums written	341,324	336,735
Underwriting loss	(49,202)	(23,563)
Net investment income	9,862	10,338
Net realized gain	675	3,612
Other income	919	1,010
Net loss	(37,791)	(8,696)

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



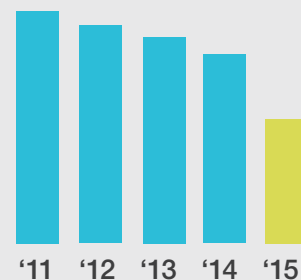
2011	282.4
2012	286.7
2013	290.5
2014	292.2
2015	288.7

**Policyholders' Surplus
(in millions of dollars)**



2011	325.1
2012	320.0
2013	336.5
2014	319.1
2015	284.3

**Best's Capital
Adequacy Ratio
(BCAR - A.M. Best)**



2011	478%
2012	451%
2013	426%
2014	391%
2015	255% (est)

**Financial position
(in thousands of dollars)**

2015

2014

Assets	600,554	559,872
Liabilities	316,224	240,751
Policyholders' surplus	284,330	319,121

California Casualty Indemnity Exchange

Advisory Board*

Carl B. (Beau) Brown, CPCU ¹ California Casualty Management Company**	Carolyn E. Doggett California Teachers Association (Retired)	Michael G. McPherson National Education Association	Thomas M. Tongue, Esq. Schwabe, Williamson & Wyatt
Jonathan A. Brown, D.P.A. ³ Association of Independent California Colleges and Universities (Retired)	Jose A. Gomez, Ph.D California State University, Los Angeles	Karen M. Padovese GeoVera Holdings, Inc.	Joseph L. Volponi, FCAS California Casualty Management Company**
Wayne S. Diviney National Education Association (Retired)	Jon H. Hamm California Association of Highway Patrolmen	Edward G. Phoebus III NEA's Member Benefits Corporation	Suzanne M. Zimmer Colorado Education Association
	Barbara E. Kerr California Teachers Association (Retired)	Heather S. Schafer National Volunteer Fire Council	
		Lynne F. Siegel, Esq. ² Strategies for Philanthropy	

1 Chairman of the Board
2 Vice Chair
3 Secretary

Advisory Board Emeriti

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James D. Altman	R. Wayne Johnson
John E. Cahill, Jr.	Marston Nauman

Thomas H. Tongue, Esq.
Ralph M. Tornatore, Jr.

Advisory Board Honoraries

Thomas R. Brown, CLU
William R. Dahlman
George G. C. Parker, Ph.D.

Newly Elected Board Members



Jose A. Gomez, Ph.D.
California State University,
Los Angeles
Elected to the Advisory
Board in January 2016



Thomas M. Tongue, Esq.
Schwabe, Williamson & Wyatt
Elected to the Advisory Board
in September 2015

* 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.

Board of Directors

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

Wayne S. Diviney National Education Association (Retired)	Jon H. Hamm California Association of Highway Patrolmen	Heather S. Schafer National Volunteer Fire Council	Lynne F. Siegel, Esq. Strategies for Philanthropy	Thomas M. Tongue, Esq. Schwabe, Williamson & Wyatt
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California Casualty Management Company

Carl B. (Beau) Brown, CPCU
Director | Chairman of the Board
Chief Executive Officer

Joseph L. Volponi, FCAS
Director | President
Chief Operating Officer

Kenneth G. Berry
Director

Thomas R. Brown, CLU
Director | Chairman-Emeritus

Peter Goldberg
Director | Vice Chairman-Emeritus

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Director

Michael D. Bower
Executive Vice President
Technology and Investments

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

Hong Chen, FCAS
Senior Vice President
Actuary

James R. Englese, CPCU
Senior Vice President
General Counsel
Secretary

Douglas A. Goldberg
Senior Vice President
Group Relations,
Business Development
and Partner Programs

Barbara K. Gurnett
Senior Vice President
Learning and Website Development

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Senior Vice President
Actuary

James R. Kauffman, Esq.
Senior Vice President
Claims

Patrick O. Lynch
Senior Vice President
Agency Services, Customer Service
and Underwriting Operations

Theodore M. McCormick
Senior Vice President
Chief Marketing Officer

Joseph C. Muenzen, CPCU
Senior Vice President
Underwriting and Product Development

This moving email is from California Department of Forestry and Fire Protection Battalion Chief Paul Duncan, who lost his home in the fire and was touched by the outreach and caring from California Casualty:

“I feel like California Casualty has been a shining example and a source of incredible pride for our devastated community. No other organization stepped up to put on so many events for our kids and community. I am brought to tears with the support and incredible thoughtfulness of California Casualty, from the replacement floats for the kids’ homecoming parade, to your own personnel handing out shirts and hot dogs at the football game. This community doesn’t have much to begin with. Then with this devastating fire, community pride and a sense of family are what we have left. Seriously, what kind of company performs those kinds of sweet and heart-felt gestures? The answer would be California Casualty...simply amazing.”

Paul Duncan