

Norcal 008

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NORCAL Mutual Insurance Company
Notice of Annual Meeting of Members
January 14, 2008

IMPORTANT NOTICE: Your NORCAL Proxy Voting Rights

Dear Policyholder:

As a company owned by our policyholders, NORCAL relies on your feedback and guidance on the issues that are important to you.

One of the most effective ways you can help shape the direction of your company is by participating in the annual proxy voting process, through which you and other policyholders decide on Board membership in advance of the Annual Meeting of Members.

Beginning with the enclosed 2008 Proxy, there will be a significant change in the way NORCAL solicits proxy votes every year. Historically, we have solicited proxy votes in conjunction with the mailing of the annual report in April. Going forward, the proxy will no longer accompany the annual report. The proxy will now be mailed on its own in January.

The main reason for this change is that we understand how busy you are and want to give you more time to cast your vote.

Please take a few minutes to cast your vote. It is extremely important to the success of your company.

As an additional incentive, upon receipt of your signed proxy we will enter you into a raffle to win a number of great prizes, including laptop computers, iPods and digital cameras. Every eligible policyholder whose proxy we receive by June 2, 2008 will be awarded one chance to win. If you return your signed proxy by February 15, 2008 you will receive two chances to win!

As always, we appreciate your involvement and support.

Sincerely,



JAMES SUNSERI
President & Chief Executive Officer

NORCAL Mutual Insurance Company
Notice of Annual Meeting of Members
June 7, 2008

TO THE MEMBERS:

The Annual Meeting of Members of NORCAL Mutual Insurance Company will be held at the Monterey Plaza Hotel, 400 Cannery Row, Monterey, California, on Saturday, June 7, 2008 at 9:30 a.m. for the purposes of:

- (1) Electing three members to serve as Class 3 Directors for a three-year term commencing at the date of the Annual Meeting of Members;
- (2) Appointment of Ernst & Young LLP as independent auditors for the Company for the year ending December 31, 2008; and
- (3) Transacting such other business as may properly come before the meeting.

NORCAL Mutual Insurance Company was established in 1975 and this will be the Company's 33rd Annual Meeting of Members. All Members are encouraged to attend in person or by submitting a written proxy.

If you require reasonable accommodation as defined by the Americans With Disabilities Act, please contact Katherine H. Crocker, Secretary, (800) 652-1051.

Please complete, sign and date the enclosed proxy today and return it immediately to assure a quorum at the meeting. **In order for the proxy to be voted, it must be properly signed and received no later than June 2, 2008.**

BY ORDER OF THE BOARD OF DIRECTORS,



WILLIAM R. VETTER, MD
Secretary of the Board

Dated: January 14, 2008

Proxy Statement

Your proxy is solicited by the Board of Directors of NORCAL Mutual Insurance Company (“Company”), the principal offices of which are located at 560 Davis Street, San Francisco, California 94111, for use at the 33rd Annual Meeting of Members to be held Saturday, June 7, 2008 at 9:30 a.m. and at any adjournment of the meeting for the purposes set forth in the attached notice. A member giving a proxy has the power to revoke it at any time prior to its exercise.

The only matters the Board of Directors intends to present or knows that others will present at the meeting are (1) the election of three Directors, and (2) the appointment of Ernst & Young LLP as independent auditors for the Company for the year ending December 31, 2008. Each member is entitled to one vote upon each matter submitted to a vote of the members and no cumulative voting is permitted.

All expenses in connection with solicitation of the enclosed proxy will be paid by the Company. In addition to solicitation by mail, directors, officers and employees of the Company, who will receive no extra compensation for their services, may solicit proxies by telephone, electronically or personal call.

It is important that the enclosed proxy card be executed and returned promptly.

(1) ELECTION OF DIRECTORS

At the meeting, members will elect three Class 3 Directors to each serve three-year terms until the Annual Meeting of Members to be held in 2011. The Governance Committee of the Board of Directors has proposed David R. Holley, MD, Michael D. Stephens and William R. Vetter, MD for election as Class 3 Directors.

Unless marked to the contrary, proxies received will be voted for the election of David R. Holley, MD, Michael D. Stephens and William R. Vetter, MD. If a candidate is unable or unwilling to serve as a nominee for the office of Director at the date of the meeting or any adjournment of the meeting, proxies that would otherwise be voted for such candidate will be voted for a substitute candidate as the Board of Directors may designate. The Board of Directors has no reason to believe that any of the candidates will be unable or unwilling to serve if elected a Director.

David R. Holley, MD has been a Director since 1995, Secretary of the Board from May 1996 to June 2007, and Vice Chairman since June 2007. Dr. Holley became Chairman of the Board effective January 1, 2008. As Chairman, he serves as an ex-officio member of all Committees except the Audit Committee. He serves as the Vice Chairman of the Board of PMSLIC Insurance Company, a subsidiary of NORCAL, effective January 1, 2008. He currently serves as a California delegate to the American Medical Association and also serves as Vice Chair of the AMA Section Council on Radiology. He has been engaged in the practice of Radiation Oncology in Monterey County for over thirty-three years.

Michael D. Stephens has been a Director since May 1996. He is a retired hospital chief executive officer with thirty-six years executive management experience. He is a Life Diplomate of the American College of Healthcare Executives and a past member of the board of the American Hospital Association and past chair of the California Hospital Association. Additionally, Mr. Stephens currently serves on the board of CalOptima Health Plan.

William R. Vetter, MD has been a Director since May 1996 and Secretary of the Board since June 2007. He has been engaged in the practice of Cardiology in Sacramento County for more than thirty-six years. He is a director of PMSLIC Insurance Company, a subsidiary of NORCAL. He was President of the NORCAP Council from 1991 to 1993 and President of the Sierra Sacramento Valley Medical Society in 1995.

In addition to the three nominees, there are six members of the Board whose terms extend beyond the 2008 annual meeting. A brief background of each follows:

Candace L. Dyer, MD has been a Director since January 2003. She has served as the President of the Rhode Island Medical Society. She has been engaged in practice as a Surgeon in Warwick, Rhode Island for over twenty-three years. She is currently Clinical Assistant Professor in Surgery at the Warren Alpert Medical School of Brown University.

Roger M. Hayashi, MD has been a Director since 2004. He has served as a Surgical Consultant to the Claims Advisory Subcommittee since 1996. He has been a Vascular Surgeon in Santa Clara County for twenty-six years.

Harry B. Richardson, Jr., MD has been a Director since May 1995. Dr. Richardson became Vice Chairman effective January 1, 2008. He retired from the practice of Hematology/Medical Oncology in Sonoma County in 2003 after twenty-nine years. He is a director of PMSLIC Insurance Company, a subsidiary of NORCAL. He currently serves as the Medical Director of a blood bank.

Patricia A. Dailey, MD has been a Director since January 2004. She has served as President of the California Society of Anesthesiologists. She has been engaged in practice as an Anesthesiologist in San Mateo County for more than twenty years. She is a director of Mills-Peninsula Medical Group.

Steven S. Fountain, MD has been a Director since July 1987 and Chairman of the Board from May 1996 until December 31, 2007. He was Vice Chairman of the Company from May 1991 until May 1996. As Chairman, he served as an ex-officio member of all Committees except the Audit Committee until December 31, 2007. He is a director of PMSLIC, a subsidiary of NORCAL. He was a practicing Orthopedic Surgeon in Santa Clara County for more than twenty-five years. He is currently engaged in the practice of Administrative Medicine and acts as an Orthopedic Consultant.

W. James MacGinnitie has been a Director since October 1999. He is an independent actuary and consultant. He has over forty-seven years of experience in the property and casualty insurance industry. He has served as President of the American Academy of Actuaries, of the Casualty Actuary Society, of the Society of Actuaries and of the International Actuarial Association. He is a director of RenaissanceRe Holdings Ltd. and of Trustmark Insurance Company.

After the election, the Directors will serve the terms indicated below (terms expire at the Annual Meeting of Members):

<u>Director</u>	<u>Class</u>	<u>Year</u>
Steven S. Fountain, MD	1	2009
W. James MacGinnitie	1	2009
Patricia A. Dailey, MD	1	2009
Candace L. Dyer, MD	2	2010
Roger M. Hayashi, MD	2	2010
Harry B. Richardson, Jr., MD	2	2010
David R. Holley, MD	3	2011
Michael D. Stephens	3	2011
William R. Vetter, MD	3	2011

(2) APPOINTMENT OF AUDITORS

The Board of Directors has appointed Ernst & Young LLP to audit the financial statements of the Company for the year ending December 31, 2008 and recommends to the members that such appointment be approved. Properly signed proxies will be voted for the appointment of Ernst & Young LLP unless other directions are indicated.

(3) OTHER MATTERS

As of this date, there are no other matters the Board of Directors intends to present at the Annual Meeting. If other matters now unknown to the Board of Directors come before the meeting, those who have been appointed to act by proxy will vote in accordance with their best judgment.

(4) COMMITTEE MEMBERSHIP 2007–2008

	Holley	Richardson	Vetter	Dailey	Dyer	Fountain	Hayashi	MacGinnitie	Stephens
Audit		X	X	X	X			C	X
Compensation & Benefits	X			X		X			C
Governance	X*	X	C			X	X		X
Investment	C [†] X*	X				X	XC*		X
Management	XC*	X*	X			C [†] X*			X
Insurance Operations	X*	X	X	C [†] X		X	X [†] C [†]		
Subcommittees									
CA	X	C	X	X	X	X	X		
CME	X			C		X			
PRSO	X*	C	X	X		X			
UW	X*		C	X		X	X		

[†]until December 31, 2007; *effective January 1, 2008

C = Committee Chair; CA = Claims Advisory; CME = Continuing Medical Education Advisory; PRSO = Professional Review Standards Organization Advisory; UW = Underwriting Advisory

FINANCIAL SUMMARY

The Financial Summary for the Company for the year ending December 31, 2006 was mailed on April 19, 2007. To request another copy, please contact Katherine H. Crocker at (800) 652-1051. The Financial Summary for the Company for the year ending December 31, 2007 will be distributed in April 2008.

BY ORDER OF THE BOARD OF DIRECTORS,



WILLIAM R. VETTER, MD
Secretary of the Board

Dated: January 14, 2008

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(800) 652-1051 • www.norcalmutual.com

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