

MUTUAL SERVICE INSURANCE COMPANIES

1970 ANNUAL REPORT

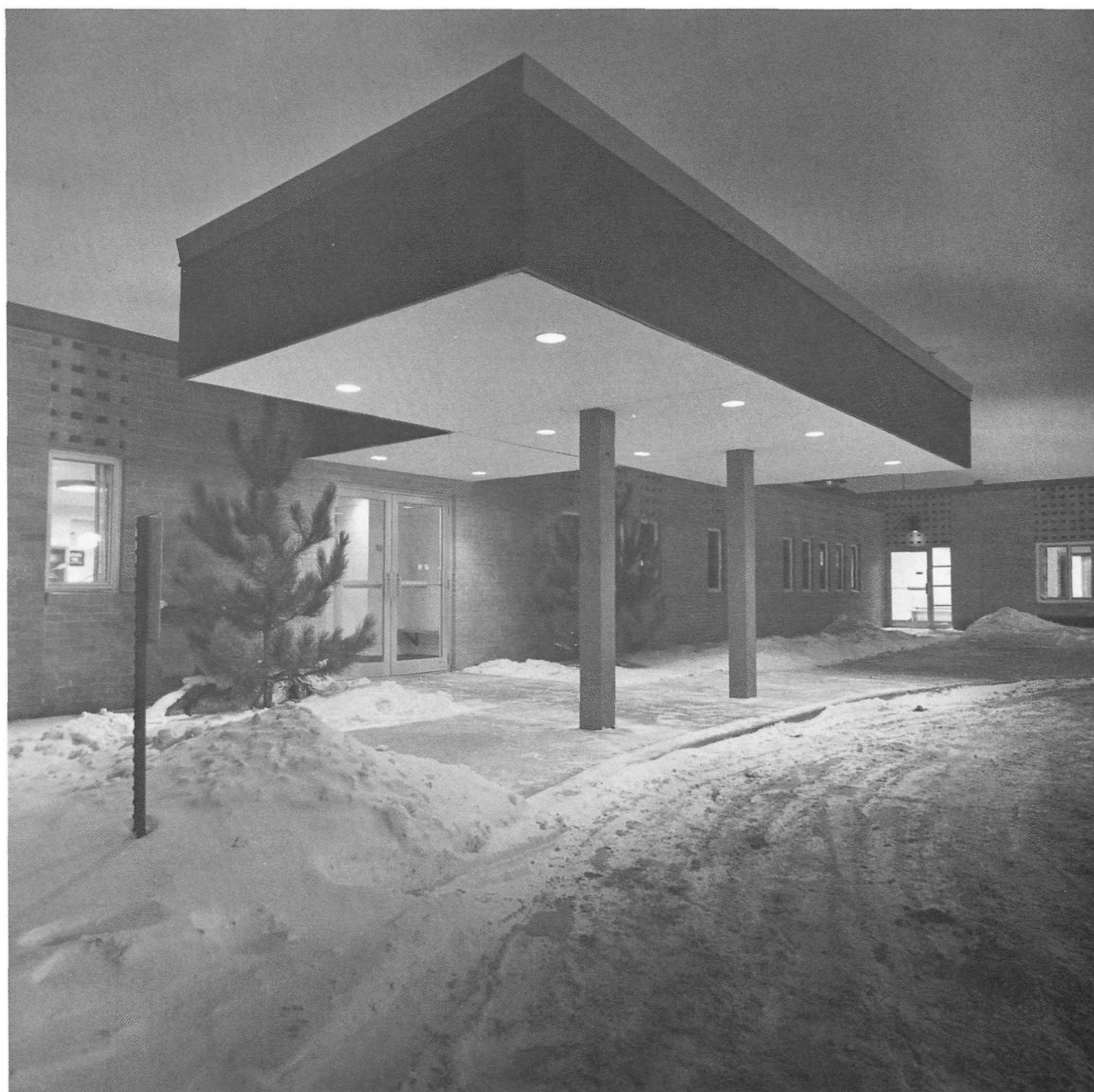


By all odds, Grantsburg, Wisconsin, population 1200, is too small to have a fully accredited hospital. But it does. It does because the people of Burnett County long ago recognized that by working together they could satisfy common needs. Evidence of that cooperation is the Grantsburg Hospital. Occupied in 1961, it is a completely modern medical facility for some 10,000 people who live and work within 25 miles of Grantsburg, the county seat.

Mutual Service Insurance helped make the Grantsburg Hospital a reality by providing funds to finance its construction.

The investment policy and practice of Mutual Service has always been one of its most important service aspects. By investing the dollars that Mutual Service policyowners pay for insurance premiums, they do "double duty." Not only are they used for insurance protection but they are also used to finance homes, municipal utilities, cooperatives, and other people-useful institutions like the Grantsburg Hospital.

Our cover picture and those that follow illustrate Grantsburg Hospital life and the social usefulness of the Mutual Service investment policy.



TO OUR POLICYOWNERS: The year 1970, the first of a new decade, was one characterized by change. The impact of that change was felt world-wide, in the nation, and at Mutual Service.

Throughout the world, political uncertainties, particularly in the Middle East and Vietnam, divided nations. Even though the war in Vietnam was winding down, it remained a part of the national conscience. The sixties went into history as the decade of record economic attainment, but inflation gained momentum to offset a part of that growth. Inflation placed an especially heavy burden on the automobile lines in the casualty insurance industry. Claim settlements made in 1970 reflected costs considerably above the levels when policies were written.

At Mutual Service change most noticeably affected the executive levels. Two chairmen of the board and three presidents shared the leadership responsibilities.

Chairman William A. Bergeron died early in the year. He had been a director since 1942 and chairman of the board for more than 20 years. He was succeeded by Joel E. Dahl.

On July 1, 1970, President F. F. Rondeau, a founder and chief executive officer for over 24 years, elected early retirement so that he could devote his time to meaningful social and cooperative-oriented projects. Senior vice president, W. L. Sanford, a veteran of 27 years service, followed him as president.

In November, Mutual Service was shocked by President Sanford's untimely death. His passing was a tragic loss to his family and friends, to Mutual Service, and to me personally.

The guidance and judgment given to Mutual Service by those men is our heritage.

Operationally, 1970 was also a year of change. All three of our Companies had outstanding growth. New premium income reached an all time high of \$6,115,000, a 29% increase over 1969. Total premium income exceeded \$41 million, an 18% increase over last year. Combined assets exceeded \$108 million. In addition, investment income reached a record high of \$5,229,000. The last is so important as it allows us to achieve objectives such as placing funds into people institutions, one of which, the Grantsburg Hospital, is featured in this report.

Operating results for Mutual Service Life were excellent. Its operating gain of \$2,877,000 exceeded that of 1969 and resulted in our allocating \$1,786,000 to policyowner dividends. Policyowner surplus of \$7,766,000 was at the highest level in our history.

Mutual Service Casualty results during the first six months were not satisfactory. As a result of tighter expense controls, corrective underwriting

measures and increased rates, the second six months improved substantially and the year concluded with a \$771,000 increase to surplus. This compares to a surplus loss of \$656,000 during 1969. Casualty company surplus is also at an all time high. We were very pleased with the improvement but not satisfied with the final result.

Modern Service, our special risk auto insurance affiliate, completed its second full year of operations. Premium was \$1,313,000, up 77%. Losses were satisfactory, start-up expenses continued to drop, and an underwriting gain is expected by 1972.

One of our main goals for 1971 is accelerated growth in Mutual Service Life where financial resources are such that we can invest in the future. Plans are to expand the brokerage operation started in 1970. All life products and programs are being re-evaluated and revised to more adequately satisfy policyowner needs. The excellent agent recruiting results of last year are expected to continue in 1971, giving us the additional manpower necessary to achieve these growth objectives.

For Mutual Service Casualty, we anticipate a continuance of the improved results achieved during the last six months of 1970. This anticipation, however, can only be realized through further expense reduction, continued selective underwriting, and by maintaining realistic rate levels.

As we look forward, 1971 has the potential to be one of our better years. Projections indicate good growth and improved operating results in all three of our Companies. It will, however, be a competitive year and one that will continue to produce change. Inflationary factors could adversely affect our results. It is our hope that we can partially offset these by operating efficiencies.

The effective management of change will be the challenge of the 70's. It will require hard work, dedication and innovation to meet that challenge. I'm confident that we have the people, resources, and the social motivation to play an active part in the direction of useful change.

Roman N. Eiler
President



MUTUAL SERVICE LIFE INSURANCE COMPANY

BALANCE SHEET — DECEMBER 31, 1970*

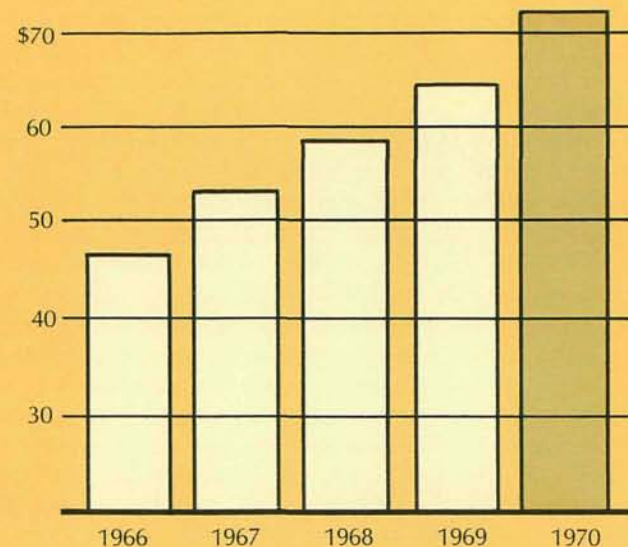
ASSETS

	1970	1969
Cash	\$ 465,777	\$ 386,380
Real Estate	3,064,712	3,181,199
Mortgage Loans	36,278,782	33,617,557
Bonds	23,790,597	20,887,475
Stocks	1,461,968	1,505,465
Policy Loans	2,825,978	2,298,372
Due & Deferred Premiums	1,847,126	1,833,722
Accrued Interest	595,774	500,530
Separate Account Assets	1,321,970	546,239
TOTAL ASSETS	\$71,652,684	\$64,756,939

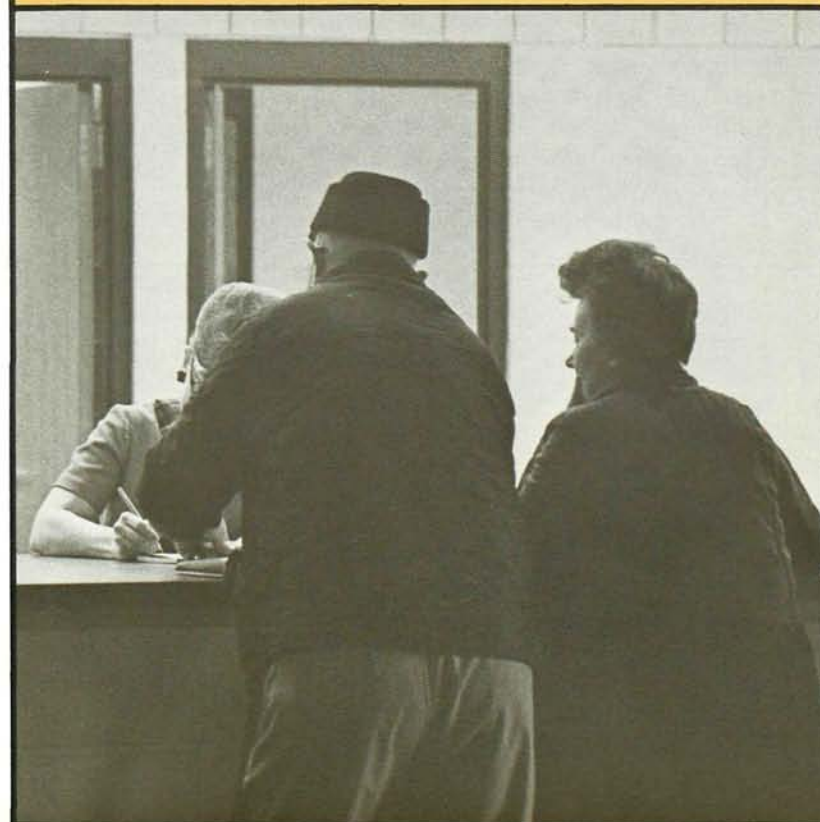
LIABILITIES

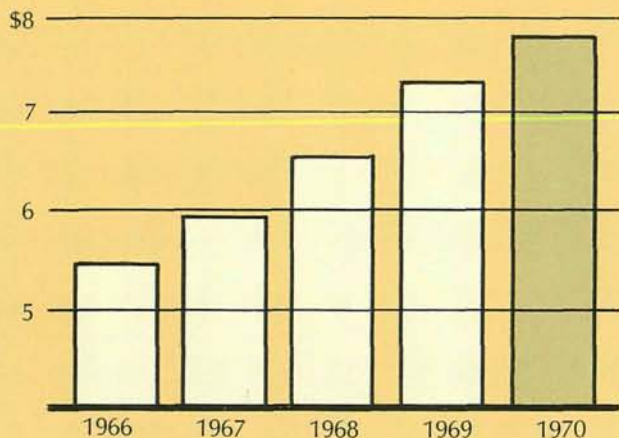
Reserves for —		
Contracts in Force	\$51,684,505	\$47,337,528
Dividends on Deposit	4,610,572	4,096,220
Advance Premiums and Suspense	557,410	546,346
Policyowners' Dividends	3,148,044	2,971,011
Pending and Unreported Claims	1,462,346	1,028,260
Unpaid Expenses	852,640	785,645
Security Valuation	248,705	259,699
Separate Account Liabilities	1,321,970	546,239
Total Liabilities	\$63,886,192	\$57,570,948
Policyowners' Surplus	7,766,492	7,185,991
TOTAL LIABILITIES AND SURPLUS	\$71,652,684	\$64,756,939

*As filed with the Minnesota Insurance Department.

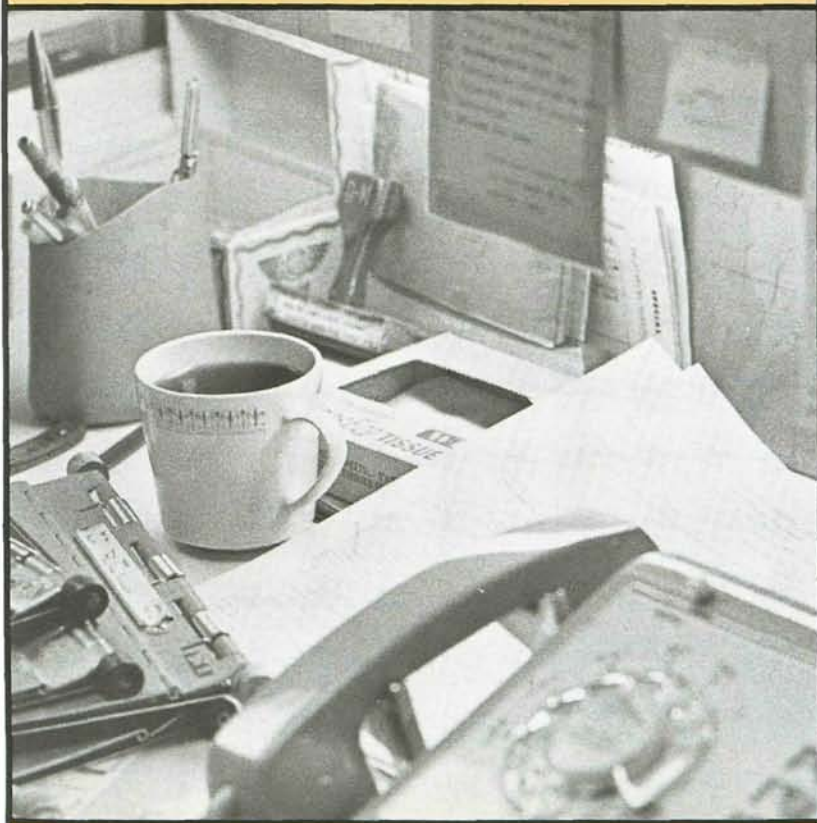


GROWTH IN ASSETS
(millions of dollars)





SURPLUS
(millions of dollars)



MUTUAL SERVICE LIFE INSURANCE COMPANY

SUMMARY OF OPERATIONS

	1970	1969
Premiums and Annuity Considerations	\$14,255,201	\$12,913,567
Investment Income	3,589,303	3,097,971
Other Income	<u>779,842</u>	<u>930,147</u>
TOTAL INCOME*	<u>\$18,624,346</u>	<u>\$16,941,685</u>
Benefits Paid or Incurred	4,980,971	4,567,581
Increase in Policy Reserves	5,650,888	4,929,442
Annuities and Cash Value Payments	<u>1,880,029</u>	<u>1,569,396</u>
TOTAL BENEFITS*	\$12,511,888	\$11,066,419
Commissions	1,049,137	941,677
Other Acquisition Expenses	1,060,664	968,445
General Expenses	856,332	827,450
Taxes and Fees (excluding Federal)	<u>268,839</u>	<u>264,402</u>
TOTAL OPERATING EXPENSES	\$ 3,234,972	\$ 3,001,974
GAIN FROM OPERATIONS	\$ 2,877,486	\$ 2,873,292
Dividends to Policyowners	1,786,520	2,013,927
Federal Income Tax	250,000	185,000
Surplus Adjustments	<u>260,465</u>	<u>104,217</u>
ADDITION TO SURPLUS	<u>\$ 580,501</u>	<u>\$ 570,148</u>

*Includes Separate Account Business.



MUTUAL SERVICE CASUALTY INSURANCE COMPANY

BALANCE SHEET — DECEMBER 31, 1970*

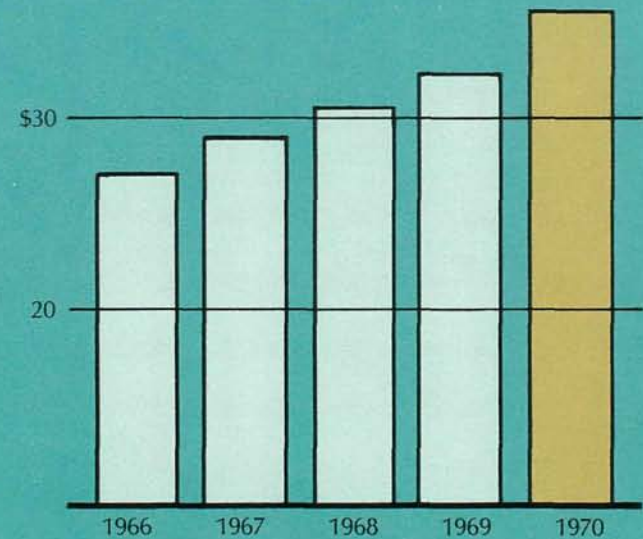
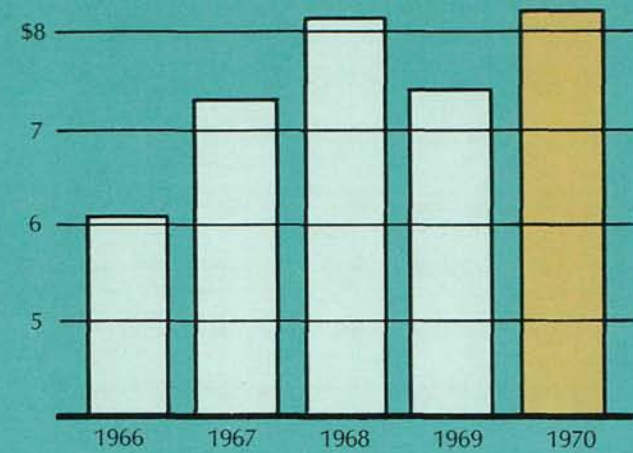
ASSETS

	1970	1969
Cash.....	\$ 666,256	\$ 680,170
Real Estate.....	101,339	113,945
Mortgage Loans.....	2,699,930	2,845,735
Bonds.....	29,287,343	25,551,724
Stocks.....	1,197,345	1,266,715
Premiums Due and Receivables.....	1,352,228	1,198,168
Accrued Interest.....	491,586	415,155
TOTAL ASSETS	<u>\$35,796,027</u>	<u>\$32,071,612</u>

LIABILITIES

Reserves for —		
Losses and Loss Expenses.....	\$16,141,127	\$15,058,904
Unearned Premiums.....	9,957,045	8,234,079
Advance Payments and Suspense.....	590,400	541,572
Unpaid Expenses.....	904,512	819,185
Other Liabilities.....	36,228	22,842
Total Liabilities	\$27,629,312	\$24,676,582
Policyowners' Surplus	8,166,715	7,395,030
TOTAL LIABILITIES AND SURPLUS	<u>\$35,796,027</u>	<u>\$32,071,612</u>

*As filed with the Minnesota Insurance Department

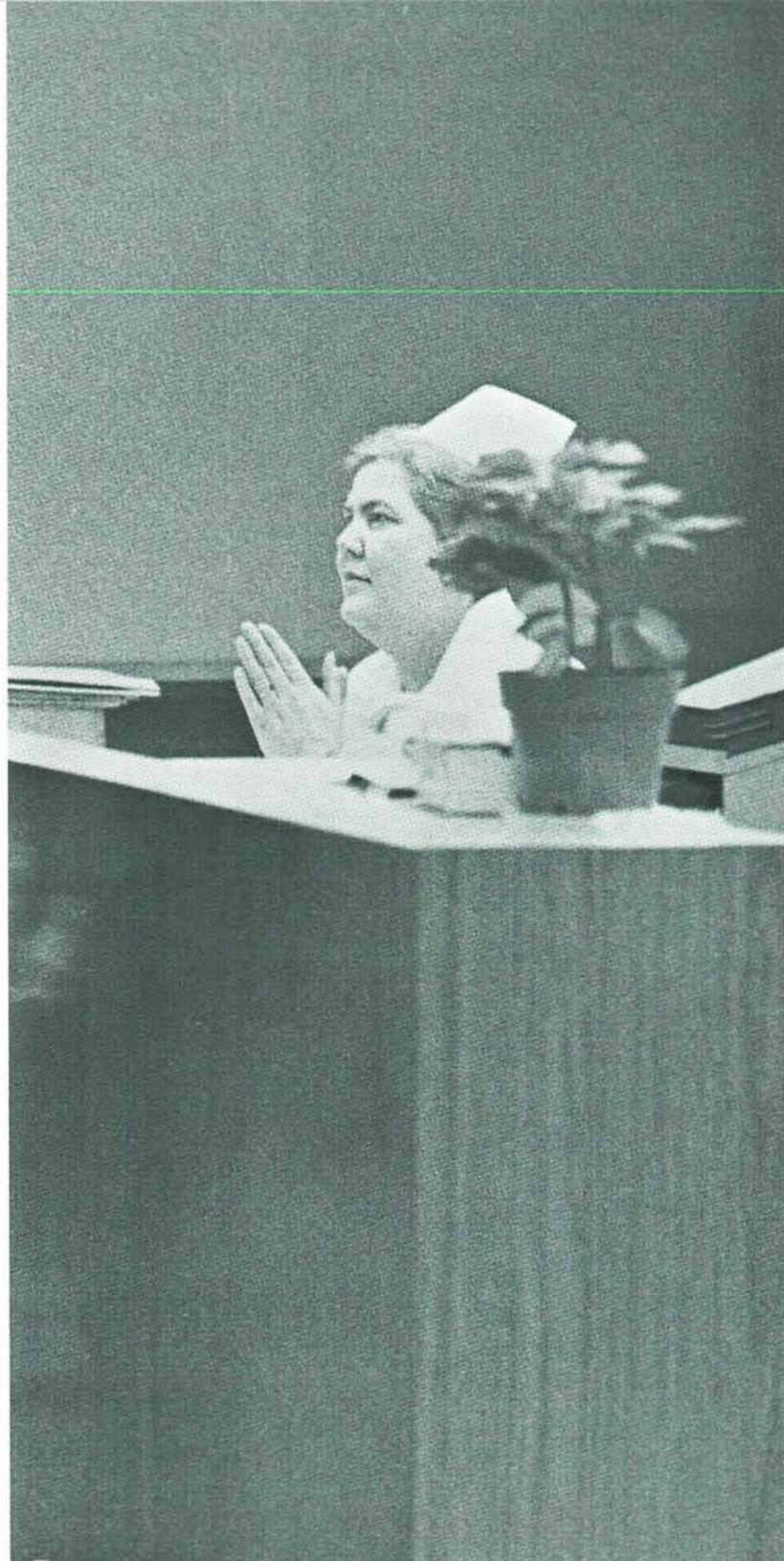


GROWTH IN ASSETS
(millions of dollars)

MUTUAL SERVICE CASUALTY INSURANCE COMPANY

SUMMARY OF OPERATIONS

	1970	1969
PREMIUMS EARNED	<u>\$23,399,694</u>	<u>\$20,428,517</u>
Losses Incurred	13,788,714	12,746,211
Loss Adjustment Expenses	<u>2,345,463</u>	<u>2,104,638</u>
TOTAL LOSSES AND LOSS EXPENSES ...	\$16,134,177	\$14,850,849
Commissions	3,257,965	2,771,958
Other Acquisition Expenses	1,501,109	1,377,548
General Expenses	2,830,364	2,550,099
Taxes and Fees (excluding Federal)	<u>491,790</u>	<u>415,964</u>
TOTAL UNDERWRITING EXPENSES	<u>\$ 8,081,228</u>	<u>\$ 7,115,569</u>
Gain or (Loss) from Underwriting	(815,711)	(1,537,901)
Gain from Investments	<u>1,515,834</u>	<u>1,298,646</u>
GAIN OR (LOSS) FROM OPERATIONS ..	\$ 700,123	\$ (239,255)
Surplus Adjustments (Increase)	<u>(71,562)</u>	<u>417,290</u>
ADDITION OR (LOSS) TO SURPLUS	<u>\$ 771,685</u>	<u>\$ (656,545)</u>



MODERN SERVICE INSURANCE COMPANY

BALANCE SHEET — DECEMBER 31, 1970*

ASSETS

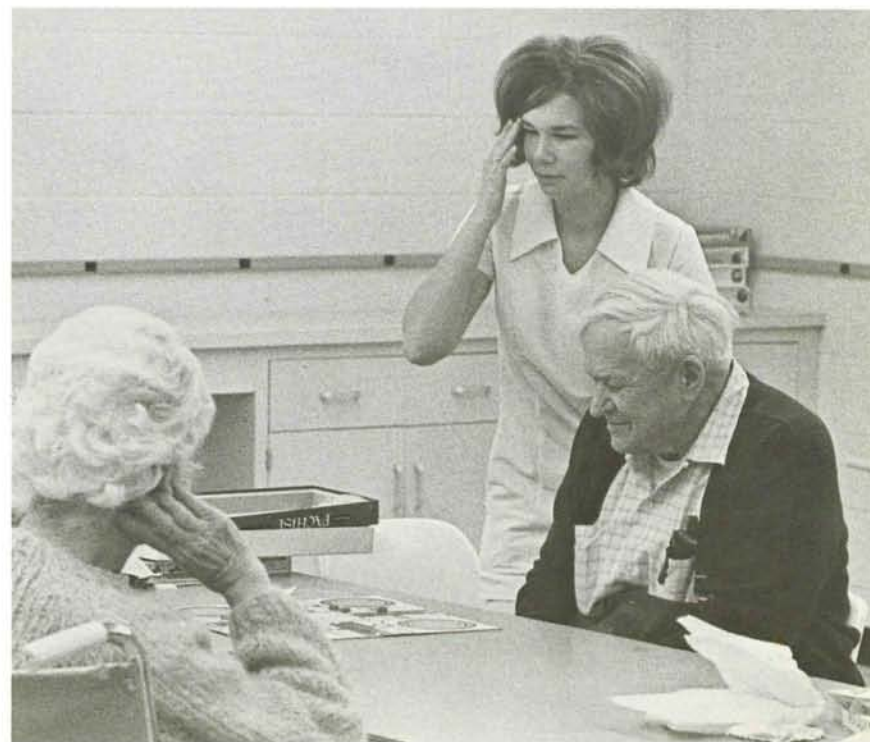
	1970	1969
Cash.....	\$ 56,753	\$ 34,171
Bonds.....	1,819,934	1,396,757
Stocks.....	80,000	26,250
Premiums Due and Receivables.....	51,093	5,826
Accrued Interest.....	34,121	27,310
TOTAL ASSETS.....	<u>\$2,041,901</u>	<u>\$1,490,314</u>

LIABILITIES

Reserves for —		
Losses and Loss Expenses.....	\$ 825,439	\$ 349,485
Unearned Premiums.....	151,389	99,065
Advance Payments and Suspense.....	51,546	21,309
Unpaid Expenses.....	45,747	54,698
Total Liabilities	\$1,074,121	\$ 524,557
Policyowners' Surplus	<u>967,780</u>	<u>965,757</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$2,041,901</u>	<u>\$1,490,314</u>

Modern Service Insurance Company is a stock insurance company which is a subsidiary of Mutual Service Life Insurance Company and Mutual Service Casualty Insurance Company. It was organized for the purpose of underwriting automobile insurance risks that do not qualify in Mutual Service Casualty. It started operations in May of 1968 and is now licensed in California, Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin.

*As filed with the Minnesota Insurance Department.

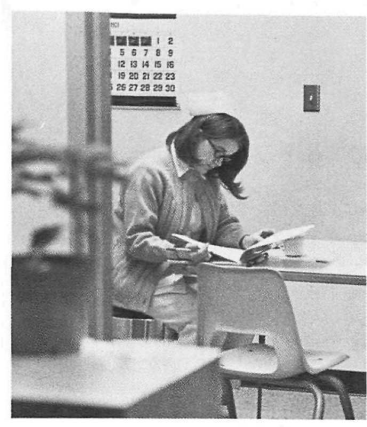


MODERN SERVICE INSURANCE COMPANY

SUMMARY OF OPERATIONS

	1970	1969
PREMIUMS EARNED	<u>\$1,240,136</u>	<u>\$ 674,097</u>
Losses Incurred	897,544	454,527
Loss Adjustment Expenses	<u>137,095</u>	<u>93,263</u>
TOTAL LOSSES AND LOSS EXPENSES ...	<u>\$1,034,639</u>	<u>\$ 547,790</u>
Commissions	154,921	88,419
Other Acquisition Expenses	23,733	15,189
General Expenses	102,902	72,686
Taxes and Fees (excluding Federal)	<u>39,627</u>	<u>19,796</u>
TOTAL UNDERWRITING EXPENSES	<u>\$ 321,183</u>	<u>\$ 196,090</u>
Gain or (Loss) from Underwriting	(115,686)	(69,783)
Gain from Investments	<u>116,277</u>	<u>74,507</u>
GAIN FROM OPERATIONS	<u>\$ 591</u>	<u>\$ 4,724</u>
Surplus Adjustments (Increase)	<u>(1,432)</u>	<u>(812)</u>
ADDITION TO SURPLUS	<u>\$ 2,023</u>	<u>\$ 5,536</u>



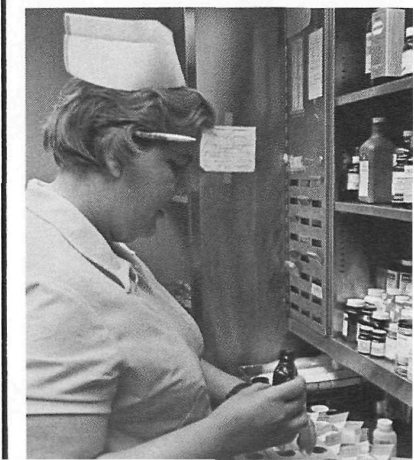
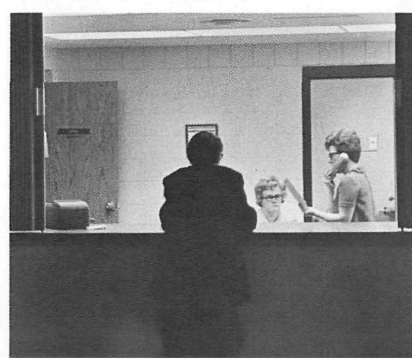
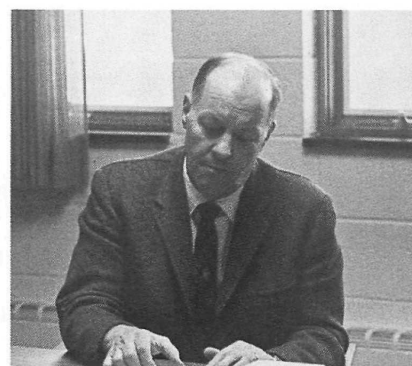
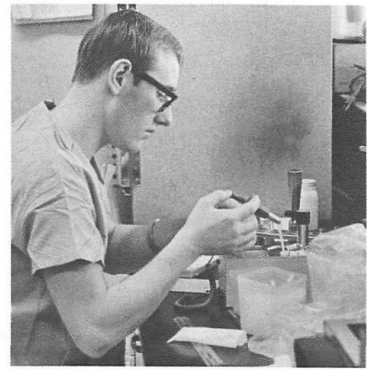


The Grantsburg Hospital is a 31 bed hospital accredited by the Joint Commission for Accreditation of Hospitals. An integral part of hospital operations is the 59 bed extended care center.

Frank H. Snapp, Administrator, speaks enthusiastically of the 150 professional and service personnel who minister the needs of hospital patients. This year a physical therapist joins the professional staff to assist in the rehabilitation of extended care patients.

Fully modern facilities and equipment help the hospital staff in their work. Coronary care equipment is available for continuous cardiac monitoring. And, telephone cardiographic service between the hospital and cardiologists in Minneapolis provides immediate interpretations. A laboratory and X-ray department facilitate diagnoses.

The Mutual Service investment in the Grantsburg Hospital is one measure of its commitment "to invest the Companies' funds in the best interest of policyowners . . ." Since 1934, Mutual Service has been the partner of communities like Grantsburg, Wisconsin. Its investment funds have improved the quality of life for the people it serves.



DIRECTORS

***Joel E. Dahl**

Chairman
Superior, Wisconsin

***Elmer R. John**

Vice Chairman
Saint Paul, Minnesota

***Emil Hierl**

Cambridge, Minnesota

Floyd D. Herman

Wilber, Nebraska

Garmon A. Hesby

Mountain Lake, Minnesota

Ralph Hofstad

Fort Dodge, Iowa

Aldur T. Johnson

Tamarack, Minnesota

Clifford Lund

Albert Lea, Minnesota

Brynolf Peterson

Aitkin, Minnesota

Gerald M. Rubin

San Francisco, California

Harold Trever

Suring, Wisconsin

*Members of Executive Committee

MANAGEMENT STAFF

Roman N. Eller

President

Kenneth L. Fredine

Vice President,
Treasurer

James R. Humphrey

Vice President,
Family Insurance Operations

J. A. Korpela

Senior Vice President,
Investments

Gordon E. Lindquist

Director of Business
Insurance Operations

C. F. Ricciardelli

Vice President,
Chief Life Actuary

Donald M. Rupp

Senior Vice President,
General Counsel & Secretary

E. A. Whitney

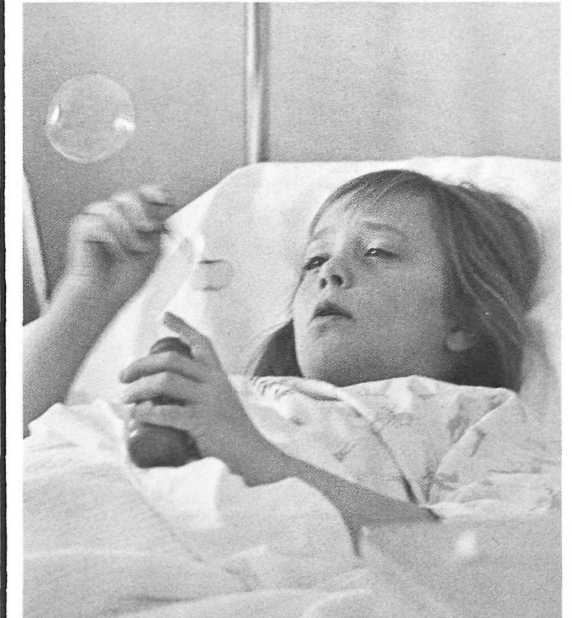
Senior Vice President,
Personnel & Public Relations

Arne A. Johnson

Vice President,
Controller

Carl W. Lehmann

Vice President, Sales





MUTUAL SERVICE INSURANCE COMPANIES

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