

1972 ANNUAL REPORT

*Consider*

the substance of Mutual Service  
corporate responsibility



# Consider

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## COMBINED 1972 FINANCIAL HIGHLIGHTS

Assets . . . . .	\$ 139,722,000 up 12.1%
Surplus . . . . .	\$ 23,886,000 up 20.5%
Premiums . . . . .	\$ 53,073,000 up 11.2%
Net Investment Income . . .	\$ 7,743,000 up 15.5%
Life Protection in force . . .	\$1,028,000,000 up 6.7%



## TO OUR POLICYOWNERS

During 1972 our principal objectives were: first, to maintain a reasonable underwriting gain on our casualty-property business; second, to accelerate growth in our life business; and third, to respond meaningfully to social causes.

I'm pleased to report to you, the policyowners of Mutual Service Insurance Companies, that those objectives were realized. Simply, but accurately stated, 1972 was a great year for your Companies. Assets, surplus, premium and investment income reached record highs in all the three Companies while casualty expenses were at an all-time low.

Perhaps the greatest satisfaction lay in achieving the goals in our casualty-property operations. The underwriting gain in Mutual Service Casualty for 1972 was \$1,857,000. That result, together with strong investment income, increased the policyowner protection account (surplus) to \$14,959,000. That strengthening of surplus now provides Mutual Service Casualty with an exceptionally strong financial foundation. And it gives us the chance to market-test innovative programs. One such program, in group auto, is in a test stage with our own employees.

The strengthening of surplus also allowed us to begin selective rate reductions, to expand insurance benefits without rate changes, and to expand our casualty markets. Through those means, the excellent 1972 operating results of Mutual Service Casualty are being shared with you . . . our policyowners.

Modern Service also experienced excellent underwriting and investment results during the year. Here, too, we intend to expand our market by selective rate reductions and broader insurance benefits without material rate changes. Through Modern Service, we serve a vital social need by offering insurance service to a market that in the past could not obtain coverage through normal outlets.

Mutual Service Life accomplished its growth goals with a 68% increase in new business and a 22% increase in total premium volume. On May 31, 1972 Mutual Service Life joined a select fraternity of life insurers when it surpassed One Billion Dollars of life protection in force. We reached that enviable industry position only through the support of our agents, employees, policyowners and friends.

Also, during 1972, Mutual Service Life initiated several products and programs that are expected to satisfy changing consumer needs and to carry our growth momentum into the period ahead. One such program in individual life was placed "on line" in our computer operations to improve and speed up life policyowner service.

Our improved financial position also led to broader corporate participation in meaningful social activity. In 1972, we made a grant to the Metropolitan Medical Center, specifically designated to provide heart surgery for Vietnamese children . . . we established a scholarship at the University of Minnesota in the field of preventive cardiology . . . we made available start-up funds for several prospective community Health Maintenance Organizations . . . and, we afforded financial and technical assistance for cooperative housing.

Our only source of sales and earnings lies in the marketing of multiple-line insurance products and services. But, the real meaning of Mutual Service is captured not only by what we do in insurance service, but also by what we do with investments, in cooperative support, and in the expression of our social concern. Today, we are evaluated by our performance in all of these critical areas.

The outlook for 1973 is encouraging. The Mutual Service Companies are now well-positioned to respond to the trends of the 70's that will affect the insurance wants and needs of people. With improved financial strength and the assimilation of past organizational change, I believe that we can actively pursue innovative insurance programs, aggressively seek new investment opportunities, and meaningfully contribute toward a better society.



*President & Chief Executive Officer*

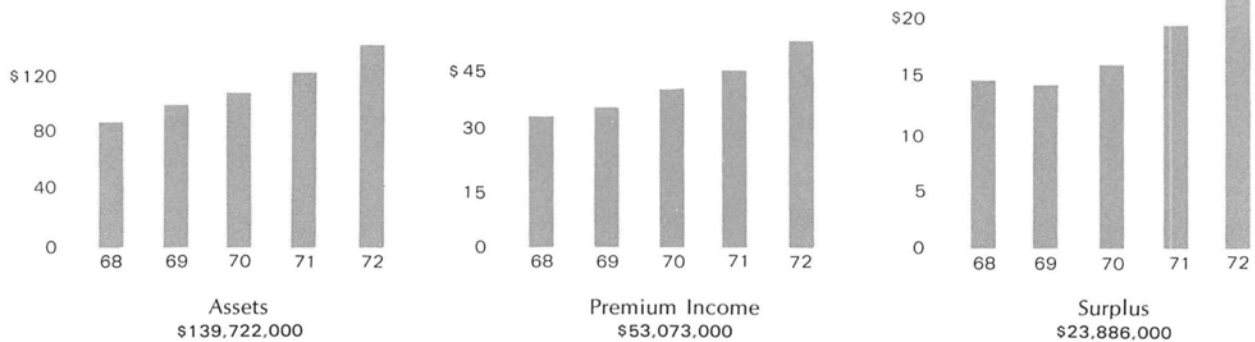


# Consider

**Insurance Service**

*Our resources for service — human skills and progressive technology.*





During 1972, national business largely recovered the momentum lost in 1970-71. 1972 was also the year in which Mutual Service established new sales and service records.

Total premiums received on all coverages amounted to \$53,073,000, \$5,327,000 greater than in 1971. During 1972, more than \$40,000,000 was either set aside or paid for the benefit of life and casualty policyowners and claimants. The amount of life protection in force surpassed 1 billion dollars during the year. The crossing of that mark placed Mutual Service Life in the top 25% of all United States life companies.

Life and health insurance premiums were \$20,148,000, 22% greater than in 1971. Of this total, individual life premiums accounted for \$6,012,000, and group life, \$8,927,000. Health insurance premiums were \$5,209,000, an increase of 43% over the previous year.

Casualty premiums reached new highs. At \$31,263,000, they were 5.0% more than in 1971. When combined with investment income, the total income was the greatest ever for Mutual Service Casualty and Modern Service. And, significantly, losses and expenses maintained the favorable trend of 1971 so that \$3,836,000 was contributed to the policyowner protection or surplus accounts. Those accounts are particularly important in casualty-property operations as their growth gives us the ability and capacity to grow. At \$16,473,000, the policyowner protection or surplus accounts of Mutual Service Casualty and Modern Service are more than adequate to provide the backing for new risk obligations and other contingencies.

These 1972 products and services were among those that contributed to the year's favorable results:

□ EMPLOYERS TRUST — Provides low cost life and health benefits to businesses with 3 - 24 employees; introduced in mid-year, the new Employers Trust has already proven that it meets a market need

□ LIFE AUTOMATED SYSTEM — Provides individual life policyowners with round the clock computer service for more efficient policy processing

□ PAC POLICIES — Provide multiple-casualty coverages for special needs . . . COPAC for cooperative businesses . . . TELEPAC for independent telephone enterprises . . . MULTIPAC for main street businesses

□ CLAIMS SERVICE — Almost 51% of all casualty claims received in 1972 were processed through advanced claim payments or speedyclaim service . . . advance claim payments are made to claimants before their claims are finally settled to help them pay the costs of replacing cars, medical bills, or other out-of-pocket expenses . . . speedyclaims provide property claim payments within 24 hours following receipt of loss reports. Yet another measure of our casualty claims service was the continuing low pending auto liability lawsuit ratio; that ratio at 0.6 lawsuits per \$100,000 of auto liability premium, was one of the lowest in the industry

□ AUTOMOBILE POLICIES — Provide complete liability and property protection for driving risks. In 1972, we introduced: a good student discount for youthful drivers . . . double medical payments coverage for injured occupants wearing seat belts at the time of accident . . . underinsured motorists coverage . . . a 10% discount on collision coverage for 1973 automobiles with improved bumper design

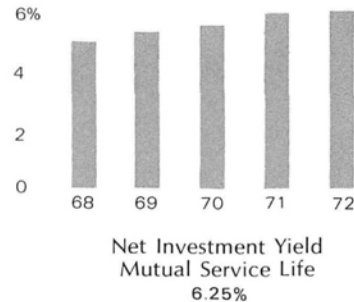
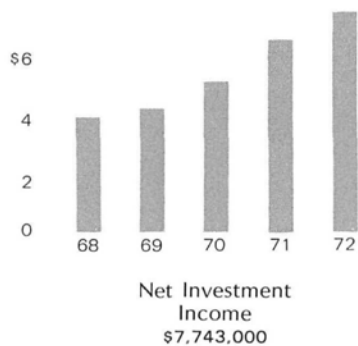
□ HOMEOWNERS POLICIES — Provide broad coverage to protect from property and personal liability losses. In 1972, we introduced: a Home Protector policy with broad coverage for lower valued and modular dwellings . . . \$1,000 credit card coverage, at no additional cost, for Homeowners and Mobilehomeowners policyowners . . . selective rate reductions.

With an eye on tomorrow, we began to market-test a group auto policy with our employees. Tentatively titled AUTOPAC, the program will join our array of PAC policies when it becomes market ready.



## Consider Investments

*The Lakeland Bean Company, Olivia, Minnesota. This new bean processing facility was built by the village of Olivia and financed by industrial revenue bonds substantially subscribed to by Mutual Service.*



In a year that the Dow-Jones industrial average broke the 1,000 barrier, Mutual Service set its own record with \$7,743,000 of net investment income on assets of close to \$140,000,000. Of that amount, \$2,586,000 was realized from investments of Mutual Service Casualty and Modern Service, our property-liability companies, and \$5,157,000 from Mutual Service Life.

The 6.25% net investment yield in Mutual Service Life again exceeded the industry average. That rate of return advantage produced about \$579,000 more in income before taxes than the estimated average industry rate of 5.59% would have yielded with the same amount of assets.

More importantly, however, those extra investment dollars were translated into financial assistance to communities, people's homes and businesses, and to their governments.

In 1972, Mutual Service investments were visible throughout its operating territories. For instance:

- the village of Olivia, Minnesota constructed a processing plant for edible beans financed by industrial revenue bonds . . . Mutual Service subscribed to a significant part
- a substantial mortgage loan was made to finance a 20-unit apartment house in Hudson, Wisconsin
- the village of Mounds View, Minnesota constructed a warehouse facility leased by Century Motor Freight, Inc.; 35% of the total bond issue was subscribed to by Mutual Service
- A commitment of \$500,000 in bonds was made to the National Rural Utilities Cooperatives Finance Corporation to assist REA's in their service to rural consumers.

Such investments are a part of Mutual Service "double duty" dollars. The dollars that policyowners pay in premiums not only pay for needed insurance protection but they also flow back into the areas from which they came, in the form of investment dollars.

In yet another way, Mutual Service investment dollars were significantly utilized. In 1967, the life insurance industry announced a 1 billion dollar investment pledge to improve housing, to create jobs and to provide services to the inner cities of the country; another 1 billion dollar pledge was announced in 1969. Mutual Service Life was one of 168 life insurance companies to participate in the \$2 billion Urban Investment Program. Its \$716,000 commitment, completed in 1972, more than met its quota.

The outlook for growth of the investment program is strong. In 1973, Mutual Service will pursue its long standing objective: "To invest the companies' funds in the best interest of the policyowners, including assistance in financing cooperative enterprise."

## MUTUAL SERVICE CASUALTY INSURANCE COMPANY

### BALANCE SHEET

#### ASSETS

	December 31,*	
	1972	1971
Bonds .....	\$42,372,095	\$36,446,355
Mortgage Loans .....	2,078,352	2,258,584
Preferred and Common Stocks .....	1,469,724	946,227
Real Estate .....	96,717	99,067
Investment in Modern Service Insurance Company .....	757,187	609,325
Cash .....	747,776	667,783
Premiums Due and Other Receivables .....	1,805,107	1,646,849
Accrued Interest .....	788,489	686,321
Electronic Data Processing Equipment .....	332,409	-0-
<b>TOTAL ASSETS</b> .....	<u>\$50,447,856</u>	<u>\$43,360,511</u>

#### LIABILITIES AND POLICYOWNERS' SURPLUS

Liabilities:		
Reserves for Losses and Loss Expenses .....	\$22,462,908	\$18,599,828
Unearned Premiums .....	10,944,301	11,040,283
Advance Payments .....	589,328	685,884
Unpaid Expenses and Taxes .....	1,283,762	1,364,015
Other Liabilities .....	208,123	251,651
<b>TOTAL LIABILITIES</b> .....	<u>35,488,422</u>	<u>31,941,661</u>
Policyowners' Surplus .....	14,959,434	11,418,850
<b>TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS</b> .....	<u>\$50,447,856</u>	<u>\$43,360,511</u>

\*As filed with the Minnesota Insurance Department



## MUTUAL SERVICE CASUALTY INSURANCE COMPANY

### STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS

	Year ended December 31,	
	1972	1971
<b>Underwriting:</b>		
Premiums Written, Gross .....	\$31,263,335	\$29,792,252
Less Reinsurance Ceded .....	1,137,476	1,054,883
Premiums Written, Net .....	30,125,859	28,737,369
Change in Unearned Premiums .....	95,981	(1,083,238)
Premiums Earned .....	30,221,840	27,654,131
Losses and Loss Adjustment Expenses .....	19,606,630	17,409,363
Commissions and Other Acquisition Expenses ...	5,218,433	4,942,998
Other Underwriting Expenses .....	3,539,564	3,542,525
Total Losses and Underwriting Expenses ..	28,364,627	25,894,886
Gain from Underwriting .....	1,857,213	1,759,245
<b>Investment Income Less Related Expenses .....</b>	<b>2,380,338</b>	<b>1,966,372</b>
Gain from Operations Before		
Federal Income Taxes .....	4,237,551	3,725,617
Federal Income Taxes .....	743,768	736,373
Gain from Operations .....	3,493,783	2,989,244
Policyowners' Surplus at Beginning of Year .....	11,418,850	8,166,716
Increase in Unrealized Appreciation of Investments .	256,965	354,242
Other Changes, Net .....	(210,164)	(91,352)
<b>Policyowners' Surplus at End of Year .....</b>	<b>\$14,959,434</b>	<b>\$11,418,850</b>



## MODERN SERVICE INSURANCE COMPANY

### BALANCE SHEET

#### ASSETS

	December 31, *	
	1972	1971
Bonds .....	\$ 2,351,866	\$ 2,404,346
Preferred Stocks .....	369,125	82,250
Cash .....	239,126	68,495
Premiums Due and Other Receivables .....	39,119	3,902
Accrued Interest .....	47,949	44,983
<b>TOTAL ASSETS</b> .....	<u>\$ 3,047,185</u>	<u>\$ 2,603,976</u>

#### LIABILITIES AND POLICYOWNERS' SURPLUS

Liabilities:		
Reserves for Losses and Loss Expenses .....	\$ 1,294,258	\$ 1,123,516
Unearned Premiums .....	172,940	156,135
Advance Payments .....	39,996	51,149
Unpaid Expenses and Taxes .....	25,616	54,526
<b>TOTAL LIABILITIES</b> .....	<u>1,532,810</u>	<u>1,385,326</u>
Policyowners' Surplus .....	<u>1,514,375</u>	<u>1,218,650</u>
<b>TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS</b> .....	<u>\$ 3,047,185</u>	<u>\$ 2,603,976</u>

\*As filed with the Minnesota Insurance Department

## MODERN SERVICE INSURANCE COMPANY

### STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS

	Year ended December 31,	
	1972	1971
<b>Underwriting:</b>		
Premiums Written, Gross . . . . .	\$ 1,662,032	\$ 1,486,489
Less Reinsurance Ceded . . . . .	66,139	83,252
Premiums Written, Net . . . . .	1,595,893	1,403,237
Change in Unearned Premiums . . . . .	(16,805)	(4,747)
Premiums Earned . . . . .	1,579,088	1,398,490
Losses and Loss Adjustment Expenses . . . . .	935,869	890,608
Commissions and Other Acquisition Expenses . . . . .	213,628	199,069
Other Underwriting Expenses . . . . .	179,234	146,862
Total Losses and Underwriting Expenses . . . . .	1,328,731	1,236,539
Gain from Underwriting . . . . .	250,357	161,951
<b>Investment Income Less Related Expenses . . . . .</b>	<b>205,165</b>	<b>165,627</b>
Gain from Operations Before Federal Income Taxes . . . . .	455,522	327,578
Federal Income Taxes . . . . .	163,044	81,034
Gain from Operations . . . . .	292,478	246,544
Policyowners' Surplus at Beginning of Year . . . . .	1,218,650	967,780
Increase in Unrealized Appreciation of Investments . . . . .	5,175	2,250
Other changes, Net . . . . .	(1,928)	2,076
<b>Policyowners' Surplus at End of Year . . . . .</b>	<b>\$ 1,514,375</b>	<b>\$ 1,218,650</b>



## MUTUAL SERVICE LIFE INSURANCE COMPANY

### BALANCE SHEET

#### ASSETS

	December 31, *	
	1972	1971
Bonds . . . . .	\$31,802,613	\$27,552,314
Mortgage Loans . . . . .	39,608,080	38,120,048
Preferred and Common Stocks . . . . .	1,876,658	1,384,710
Real Estate . . . . .	3,292,143	3,365,415
Policy Loans . . . . .	3,607,839	3,248,824
Investment in Modern Service Insurance Company . .	753,856	606,644
Cash . . . . .	320,735	335,154
Due and Deferred Premiums . . . . .	1,930,861	2,083,860
Accrued Interest . . . . .	898,957	775,570
Separate Account Assets . . . . .	3,646,004	2,387,833
<b>TOTAL ASSETS . . . . .</b>	<b><u>\$87,737,746</u></b>	<b><u>\$79,860,372</u></b>

#### LIABILITIES AND POLICYOWNERS' SURPLUS

Liabilities:		
Reserves for Policy Contracts in Force . . . . .	\$62,143,082	\$56,471,305
Dividends on Deposit . . . . .	5,885,543	5,252,925
Advance Premiums and Suspense . . . . .	868,860	754,881
Policyowners' Dividends . . . . .	2,594,607	3,106,129
Pending and Unreported Claims . . . . .	2,120,855	1,976,648
Unpaid Expenses and Taxes . . . . .	707,119	982,438
Securities Valuation Reserve . . . . .	848,692	533,838
Separate Account Liabilities . . . . .	3,646,004	2,387,833
<b>TOTAL LIABILITIES . . . . .</b>	<b><u>78,814,762</u></b>	<b><u>71,465,997</u></b>
Policyowners' Surplus . . . . .	8,922,984	8,394,375
<b>TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS . . . . .</b>	<b><u>\$87,737,746</u></b>	<b><u>\$79,860,372</u></b>

\*As filed with the Minnesota Insurance Department



## MUTUAL SERVICE LIFE INSURANCE COMPANY

### STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS

	Year ended December 31,	
	1972	1971
<b>Income:</b>		
Premiums and Annuity Considerations . . . . .	\$18,965,329	\$15,874,498
Other Contract Considerations . . . . .	893,152	997,581
Investment Income less Related Expenses . . . . .	4,773,060	4,294,206
Separate Account Income . . . . .	1,277,343	1,074,234
<b>Total</b> . . . . .	25,908,884	22,240,519
<b>Benefits and Expenses:</b>		
Death and Other Contract Benefits . . . . .	8,336,434	6,521,932
Increase in Policy Reserves . . . . .	6,338,952	5,424,249
Annuities and Cash Value Payments . . . . .	2,318,046	2,002,473
Commissions and Other Acquisition Expenses . . . . .	2,924,718	2,480,304
General Expenses and Taxes . . . . .	1,829,871	1,569,401
Separate Account Benefits . . . . .	1,277,343	1,074,234
<b>Total</b> . . . . .	23,025,364	19,072,593
Gain from Operations Before Dividends and Federal Income Taxes . . . . .	2,883,520	3,167,926
Dividends to Policyowners . . . . .	1,839,240	2,059,991
Federal Income Taxes . . . . .	349,000	315,750
Gain from Operations . . . . .	695,280	792,185
Policyowners' Surplus at Beginning of Year . . . . .	8,394,375	7,766,492
Realized and Unrealized Gain on Investments, Net . . . . .	250,614	209,954
Change in Securities Valuation Reserve . . . . .	(314,854)	(285,133)
Other Changes, Net . . . . .	(102,431)	(89,123)
<b>Policyowners' Surplus at End of Year</b> . . . . .	<b>\$ 8,922,984</b>	<b>\$ 8,394,375</b>



# Consider

**Cooperative Support**

*The Black River Crossing Oasis, Black River Falls, Wisconsin is a part of the Black River Falls Federation Cooperative. Complete travel services beckon the I-94 motorist.*



The cooperative idea in insurance is another way of saying Mutual Service. Founded by cooperative groups in the thirties, Mutual Service remains responsive to cooperative thought and action.

Our cooperative support is apparent through membership in the state cooperative associations of Minnesota, Wisconsin, Iowa, and South Dakota. Through those associations and other cooperatively motivated groups, Mutual Service is also identified with various youth groups such as the Future Farmers of America and the 4-H. Midland Cooperatives, Inc. and Mutual Service frequently team to sponsor projects such as the auto safety program of the FFA and the teaching aids exhibit of the Vocational-Agricultural instructors of Minnesota and Wisconsin. And, with four other Twin Cities' regional cooperatives, we are owners of the Service Leasing and Service Realty Corporations.

Nationally, Mutual Service supports the Cooperative League of the USA. Chairman of the Board Joel E. Dahl and President Roman N. Eller are members of the League's Board of Directors. Recently, we became associated with the National Council of Farmer Cooperatives.

Internationally, Mutual Service identifies with the International Cooperative Alliance and with the Federation of International Cooperative Insurance Companies. Our support for other international cooperative efforts is evidenced by our uninterrupted, 29-year history of participation in CARE. During that span of years, Mutual Service employees and agents have contributed more than \$45,000 to CARE programs.

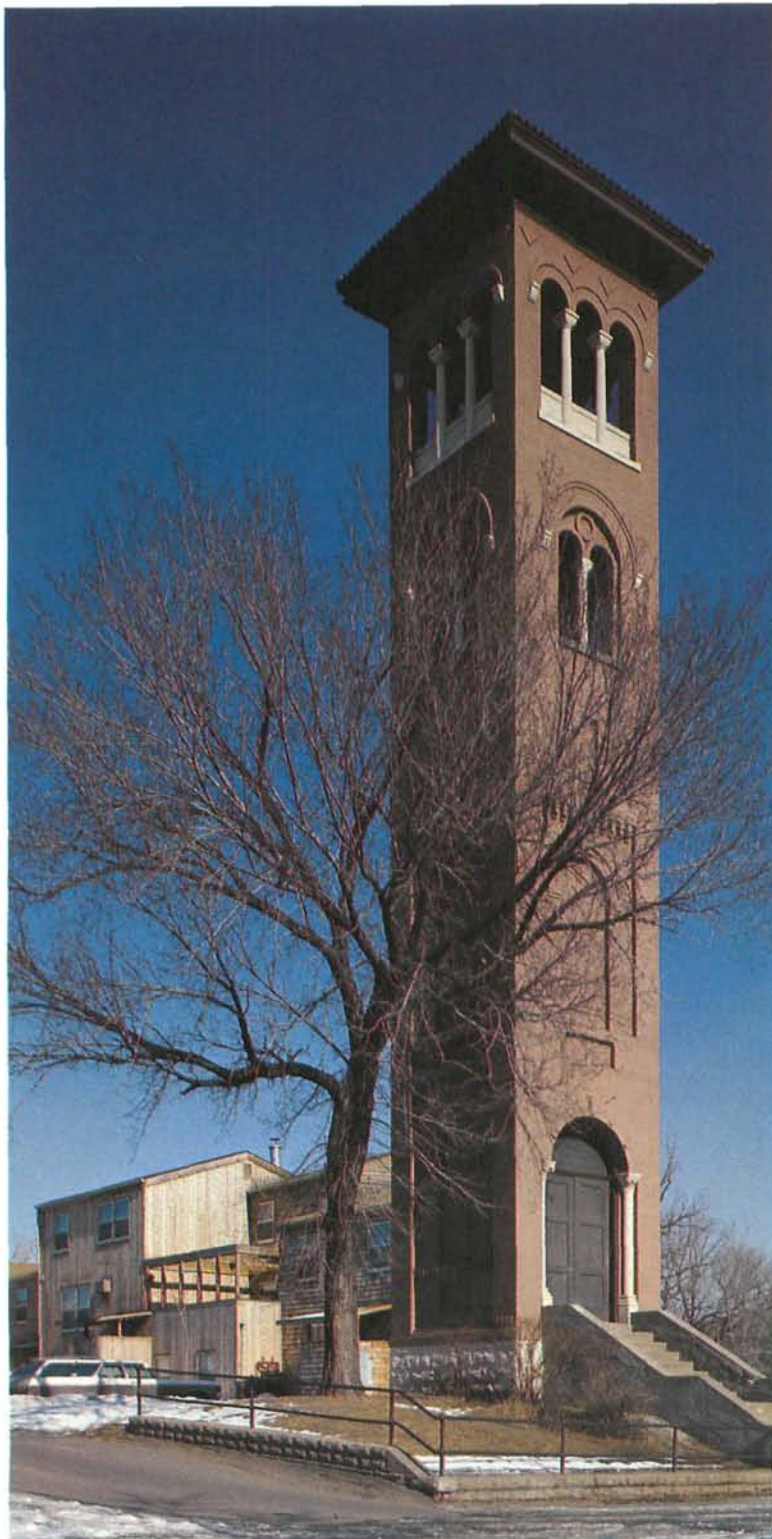
Mutual Service cooperative support is most visible through its investments in regional and local cooperative enterprises. In 1972, almost \$11,000,000 was invested in those enterprises; approximately \$6,500,000 to regionals and \$4,500,000 to local cooperatives.

An investment in the Black River Falls Federation Cooperative, Black River Falls, Wisconsin was utilized for a freeway facility, the Black River Crossing Oasis. Located on I-94 where it intersects Wisconsin 54, the Oasis will provide the traveler with complete services, a car center, a tourist information office, a restaurant, parking for campers and trailers, a gift shop, and a motel.

Another investment in local cooperatives allowed the Eau Claire Consumer Cooperative, Eau Claire, Wisconsin to expand its services to members through the construction of a tire and brake center.

Participation in cooperative organizations and investments in cooperatives are some of the ways that Mutual Service puts meaning into "the cooperative idea in insurance."





## *Consider* Social Concern

Mutual Service has, throughout its 39-year history, shared in the total corporate responsibility to correct social problems that arise from a dynamic, free society. Mutual Service has always pursued the belief that its investable funds should materially assist its policyowners. And, our various donations to youth groups and educational institutions have been directed towards the ultimate benefit of policyowners.

In 1972, we were one of the participants in the Metropolitan Medical Center Children's Heart Fund, an organization created to provide corrective heart surgery to needy children of the world. Mutual Service also established a scholarship at the University of Minnesota for preventive cardiology. And, we made available grants and low-interest loans for several Health Maintenance Organizations.

However, donations and investments alone are not enough to build the strengths that are necessary for a healthy society.

Increasingly, we are affording technical educational assistance to create interest and motivate action in cooperative housing. Mutual Service people have organized and participated in cooperative housing institutes. And, they have provided counsel to cooperative groups such as those of Torre de San Miquel, Saint Paul, Minnesota, a 142 unit community of two-three-and four-bedroom homes. The landmark of the community, shown at the left, is the 90-foot brick bell tower that was once a part of an old church.

In 1972, Mutual Service became a member of the Consumers Federation of America, further identifying with the concerns of people.

In the years ahead, it is our intent to continue those useful actions in insurance service, investments, cooperative support, and social concern that are the substance of Mutual Service corporate responsibility.



# Consider

## Our Position on No-Fault Auto Insurance

Mutual Service Insurance Companies were founded with the purpose of building an institution to serve effectively the insurance needs of people. To achieve this purpose, it has responsibility for evaluating proposals for the improvement of the present system, encouraging the adoption of sound ones, and focusing attention on problems which underlie the inadequacies and rising costs of the present insurance system.

There is increasing public dissatisfaction with the rising cost of the present system of automobile insurance and accelerated criticism of what is considered by the critics to be unreasonable delay and lack of fairness in compensating the victims of automobile accidents.

Present discussion is centered on substitution of a "no-fault" automobile insurance system for the traditional fault or negligence system. Is this the solution for the problems? □ Rising insurance premiums are partly due to inflationary pressures on all prices, and the solution for rising premiums is in part possible only by solving the problem of inflation. □ Automobile insurance premiums reflect increased frequency and severity of accidents. To reduce those premiums there must be a significant reduction in frequency and severity of automobile accidents. □ The right to drive is a privilege which must be limited to those who can demonstrate their competence. Selection of competent drivers requires strict enforcement of present drivers' licensing laws and their broadening so that only qualified drivers are given the privilege, and unqualified and accident-prone drivers are denied it. □ Insurance premiums reflect severity of injuries sustained, and if those injuries are to be minimized when an accident does occur, this can only be accomplished by safer design of automobiles and highways. Insurance industry and governmental incentives to automobile manufacturers and highway engineers must be adopted. □ Behavioral scientists, through scientific research, can make significant contributions to the accident problem by establishing the characteristics of the safe driver. Since such research requires adequate financing, insurance industry support and governmental grants are necessary. □ Over 50% of fatal accidents involve some driver's use of alcohol. All citizens have a responsibility in serving as jurymen to support strict enforcement of existing laws governing driving while under the influence of alcohol.

The present fault system based on the ethical principle of individual responsibility for personal injury to others ought not to be lightly, suddenly and completely abandoned. Because changing conditions now require a modification of that principle as applied to automobile accidents, a gradual evolution by means of a modified "no-fault" system rather than a revolutionary change to a complete "no-fault" system will permit experimentation and correction of false directions. Mutual Service favors this approach and urges expansion of existing "no-fault" first party insurance coverage in less serious automobile accidents.

The automobile insurance problem is part of the complex problem of an automobile-oriented society. Solutions will require multiple approaches and no single proposal promises any complete solution.

# Consider

## Our Position on Health Care

Traditionally, Mutual Service has endeavored to meet the real needs of consumers in the design of our insurance programs. At a time when healthcare insurance was not available to groups small in size primarily located in rural areas, Mutual Service pioneered in the design of specific programs to extend healthcare insurance to employees of consumer, farm supply, and dairy cooperatives. These programs have provided healthcare insurance for these groups for over two decades.

Today the nation faces a crisis in its healthcare delivery system. Costs have increased more rapidly than in any other area of service. Recent studies indicate that medical expenses can be expected to rise 50% in the first half of this decade, to more than \$100 billion. Also, the availability of quality medical services leaves much to be desired. In many rural areas, adequate medical facilities are not available at any price.

These developments require that we broaden our interest in healthcare beyond that of just insurance. We must seek means of controlling the spiraling costs of medical care and we must support those systems which have found ways to reduce those costs, but not at the expense of impairing the quality of healthcare delivery.

The two major aspects of the current healthcare delivery system which require most immediate attention are:

□ Provision for uniform quality and efficiency in medical care delivery, combined with a cost control mechanism, and an extension of medical personnel and facilities so that all segments of the population are adequately provided for. □ A change in emphasis from therapeutic to preventive medicine.

Our research reveals that Health Maintenance Organizations (HMO), utilizing a prepaid funding mechanism, have been effective in several areas of the country in providing to their subscribers quality healthcare with emphasis on prevention of disease and for a fixed and reasonable cost. We support the prepaid HMO concept and particularly believe that the concept of a consumer-controlled HMO is one uniquely compatible with the cooperative principles upon which Mutual Service is founded.

We further believe that healthcare should ultimately be delivered on a nonprofit basis.

In recognition of the current shortage and maldistribution of medical manpower and facilities, we will seek to actively support programs designed to increase medical manpower with particular emphasis on encouraging its distribution into less populated areas where the current need is greatest.

## Directors

**\*Joel E. Dahl**  
Chairman  
Superior, Wisconsin

**\*Elmer R. John**  
Vice Chairman  
Saint Paul, Minnesota

**\*Emil Hierl**  
Cambridge, Minnesota

**Bruce G. Anderson**  
Albert City, Iowa

**Harold M. Bjerke**  
Spring Grove, Minnesota

**Garmon A. Hesby**  
Volga, South Dakota

**Ralph Hofstad**  
Fort Dodge, Iowa

**Aldur T. Johnson**  
Tamarack, Minnesota

**Helen E. Nelson**  
Milwaukee, Wisconsin

**Gerald M. Rubin**  
Corte Madera, California

**Harold Trever**  
Suring, Wisconsin

\* Members of Executive Committee



## Management Staff

**Roman N. Eller**  
President and Chief Executive Officer

**N. Robert Barman**  
Vice President,  
Investments

**Kenneth L. Fredine**  
Vice President,  
Treasurer

**James R. Humphrey**  
Vice President,  
Casualty Division

**Arne A. Johnson**  
Vice President,  
Controller

**Carl W. Lehmann**  
Vice President,  
Corporate Relations

**Gordon E. Lindquist**  
Vice President,  
Marketing

**C. F. Ricciardelli**  
Vice President,  
Life Division

**Donald M. Rupp**  
Senior Vice President,  
General Counsel & Secretary



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