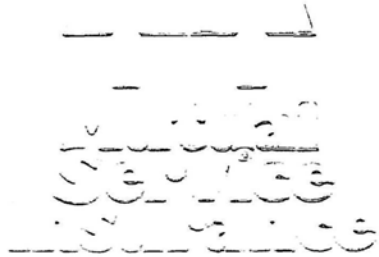


1973 ANNUAL REPORT



A MESSAGE TO POLICYOWNERS

1973 was a good operating year for Mutual Service Insurance and is the third consecutive year of solid progress. The financial reports that follow indicate sound growth, excellent operating gains, and good investment returns. These results reflect the confidence of you, our policyowners, in our service and products.

Mutual Service Casualty had satisfactory premium growth despite many selective rate reductions and underwriting liberalizations. Average claim costs increased materially during the year while claim frequency declined. Homeowners rates were selectively reduced and coverage improved. Private passenger loss experience continued in line while business insurance losses were excessive. The year end ratio of surplus to premium compares favorably with the stronger insurance companies in the industry.

Modern Service continues to serve the "high risk" automobile market by providing insurance for those who would be denied protection at standard rate levels. Loss costs for 1973 were again satisfactory. Substantial rate reductions during 1973 materially affected premium income and operating margins. Capitalization was increased during the year so that Modern Service can be licensed in additional states.

Mutual Service Life had somewhat narrower operating margins during 1973 due primarily to loss experience in the group health lines, together with additional personnel staffing required to service the heavy growth experienced in 1971 and 1972. Sharply rising medical costs have strained rate structures. Investment yields were excellent and adequately support contract obligations. Policyowner dividends were at record highs while the market turndown adversely affected surplus gain.

During 1973 Mutual Service continued to support modified "no-fault" auto insurance and adequate health care for all. Several grants were made in direct support of hospitals, health maintenance organizations and medical scholarships. Early last year the "people helping people" television program was launched throughout the midwest. This program is designed to develop a positive awareness of Mutual Service and at the same time performs a significant public service. Overall acceptance and response to this effort has been gratifying.

The energy shortage, unemployment, inflation and Watergate all create uncertainties that have an effect on the insurance business.

On the casualty side, the curtailment of gasoline should cause less driving and less congestion on the highways. It will also restrict the market of insurable automobiles. The shift to smaller cars, more passengers per car, and continued inflation will increase claim costs. Inflation will have a depressing effect on premium volume and put a further strain on operating expenses. Changes and adjustments in our operations and rate structures will be made as warranted by the actual experience of 1974. We pledge that there will be no "fuel crisis gain" at Mutual Service.

Life insurance sales should follow a somewhat more normal pattern, except in the health lines. Rising medical costs will cause health rates to increase further. Inflation will affect operating costs and affect growth due to the increased need by consumers to use available spending power to purchase the basic requirements for livelihood. The public's disenchantment with the stock market should channel more dollars into life insurance. Life insurance continues to be a basic necessity with a majority of people.

Our company depends on people for growth and quality service. We are fortunate to have an outstanding group of people in all areas whose dedication and efforts are directly responsible for our progress. People are still our greatest asset.

Thank you for your continued support and interest in Mutual Service Insurance.


Roman N. Eiler
President and Chief Executive Officer

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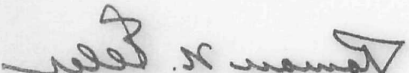
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President and Chief Executive Officer



Combined 1973 Financial Highlights

Assets	\$ 151,654,000	up	8.5%
Surplus	26,691,000	up	11.7%
Premiums	56,107,000	up	5.7%
Net Investment Income	7,972,000	up	8.3%
Life Insurance in force	1,047,000,000	up	1.8%

*Roman N. Eller, President
Joel E. Dahl, Chairman of the Board*

MUTUAL SERVICE CASUALTY INSURANCE COMPANY

BALANCE SHEET

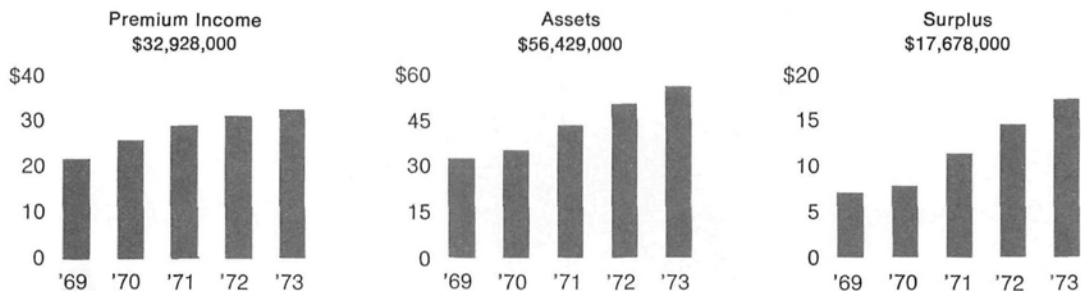
ASSETS

	December 31,*	
	1973	1972
Bonds	\$48,204,193	\$42,372,095
Mortgage Loans	1,909,416	2,078,352
Preferred and Common Stocks	1,792,368	1,469,724
Real Estate	94,278	96,717
Investment in Modern Service Insurance Company	959,961	757,187
Cash	351,696	747,776
Premiums Due and Other Receivables	1,961,873	1,805,107
Accrued Interest	909,086	788,489
Electronic Data Processing Equipment	245,825	332,409
TOTAL ASSETS	\$56,428,696	\$50,447,856

LIABILITIES AND POLICYOWNERS' SURPLUS

Liabilities:		
Reserves for Losses and Loss Expenses	\$24,420,391	\$22,462,908
Unearned Premiums	11,635,505	10,944,301
Advance Payments	653,803	589,328
Unpaid Expenses and Taxes	1,850,269	1,283,762
Other Liabilities	190,556	208,123
TOTAL LIABILITIES	38,750,524	35,488,422
Policyowners' Surplus	17,678,172	14,959,434
TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS	\$56,428,696	\$50,447,856

*As filed with the Minnesota Insurance Department

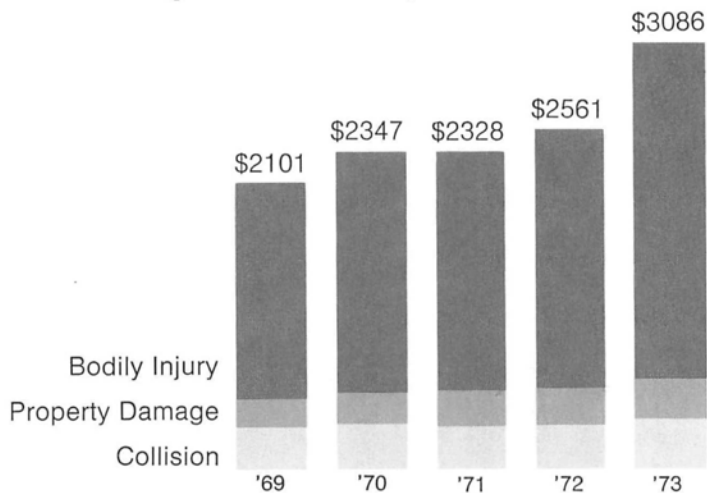


MUTUAL SERVICE CASUALTY INSURANCE COMPANY

STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS

	Year ended December 31,	
	1973	1972
Underwriting:		
Premiums Written, Gross	\$32,928,850	\$31,263,335
Less Reinsurance Ceded	1,045,889	1,137,476
Premiums Written, Net	31,882,961	30,125,859
Change in Unearned Premiums	(691,204)	95,981
Premiums Earned	31,191,757	30,221,840
Losses and Loss Adjustment Expenses	20,152,298	19,606,630
Commissions and Other Acquisition Expenses ...	5,650,522	5,218,433
Other Underwriting Expenses	3,675,363	3,539,564
Total Losses and Underwriting Expenses	29,478,183	28,364,627
Gain from Underwriting	1,713,574	1,857,213
Investment Income Less Related Expenses	2,674,125	2,380,338
Gain from Operations Before		
Federal Income Taxes	4,387,699	4,237,551
Federal Income Taxes	715,149	743,768
Gain from Operations	3,672,550	3,493,783
Policyowners' Surplus at Beginning of Year	14,959,434	11,418,850
Increase in Unrealized Appreciation of Investments ..	(302,354)	256,965
Other Changes, Net	(651,458)	(210,164)
Policyowners' Surplus at End of Year	\$17,678,172	\$14,959,434

Average Auto Claim Payment



MODERN SERVICE INSURANCE COMPANY

BALANCE SHEET

ASSETS

	December 31,*	
	1973	1972
Bonds	\$3,165,813	\$2,351,866
Preferred and Common Stocks	509,601	369,125
Cash	16,968	239,126
Premiums Due and Other Receivables	17,316	39,119
Accrued Interest	70,409	47,949
TOTAL ASSETS	\$3,780,107	\$3,047,185

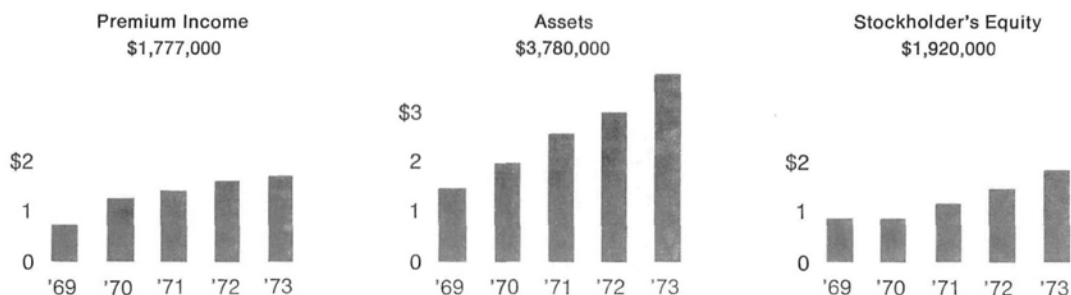
LIABILITIES

Reserves for Losses and Loss Expenses	\$1,416,639	\$1,294,258
Unearned Premiums	233,216	172,940
Advance Payments	25,826	39,996
Unpaid Expenses	184,504	25,616
TOTAL LIABILITIES	\$1,860,185	\$1,532,810

STOCKHOLDERS' EQUITY

Common Stock Par Value	\$1,000,000	\$ 500,000
Additional Paid-in Capital	500,000	500,000
Retained Earnings:		
Beginning of Year	514,375	218,650
Current Year	151,907	295,725
Stockholders' Dividends	(200,000)	-0-
Deferred Federal Income Tax	(46,360)	-0-
End of Year	419,922	514,375
TOTAL STOCKHOLDERS' EQUITY	1,919,922	1,514,375
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,780,107	\$3,047,185

*As filed with the Minnesota Insurance Department



MODERN SERVICE INSURANCE COMPANY

STATEMENT OF OPERATIONS

	Year ended December 31,	
	1973	1972
Underwriting:		
Premiums Written, Gross	\$1,777,421	\$1,662,032
Less Reinsurance Ceded	63,501	66,139
Premiums Written, Net	1,713,920	1,595,893
Change in Unearned Premiums	(60,276)	(16,805)
Premiums Earned	1,653,644	1,579,088
Losses and Loss Adjustment Expenses	1,073,094	935,869
Commissions and Other Acquisition Expenses	264,392	213,628
Other Underwriting Expenses	214,966	179,234
Total Losses and Underwriting Expenses	1,552,452	1,328,731
Gain from Underwriting	101,192	250,357
Investment Income Less Related Expenses	183,621	205,165
Gain from Operations Before Federal Income Taxes	284,813	455,522
Federal Income Taxes	63,698	163,044
Gain from Operations	221,115	292,478
Increase in Unrealized Appreciation of Investments ..	(56,214)	5,175
Other Changes, Net	(12,994)	(1,928)
Retained Earnings	\$ 151,907	\$ 295,725

MUTUAL SERVICE LIFE INSURANCE COMPANY

BALANCE SHEET

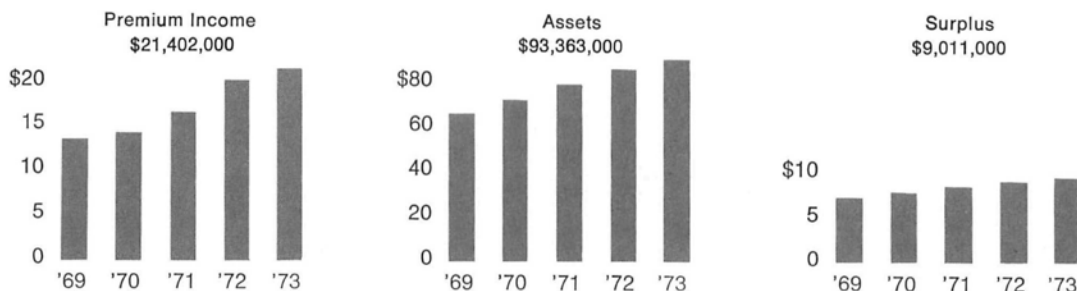
ASSETS

	December 31,*	
	1973	1972
Bonds	\$38,594,561	\$31,802,613
Mortgage Loans	37,049,989	39,608,080
Preferred and Common Stocks	1,894,408	1,876,658
Real Estate	3,361,333	3,292,143
Policy Loans	4,001,134	3,607,839
Investment in Modern Service Insurance Company ..	957,849	753,856
Cash	622,908	320,735
Due and Deferred Premiums	2,186,640	1,930,861
Accrued Interest	1,110,497	898,957
Separate Account Assets	3,583,279	3,646,004
TOTAL ASSETS	\$93,362,598	\$87,737,746

LIABILITIES AND POLICYOWNERS' SURPLUS

Liabilities:		
Reserves for Policy Contracts in Force	\$66,849,619	\$62,143,082
Dividends on Deposit	6,516,590	5,885,543
Advance Premiums and Suspense	611,411	868,860
Policyowners' Dividends	3,113,064	2,594,607
Pending and Unreported Claims	2,396,385	2,120,855
Unpaid Expenses and Taxes	766,117	707,119
Securities Valuation Reserve	515,537	848,692
Separate Account Liabilities	3,583,279	3,646,004
TOTAL LIABILITIES	84,352,002	78,814,762
Policyowners' Surplus	9,010,596	8,922,984
TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS	\$93,362,598	\$87,737,746

* As filed with the Minnesota Insurance Department

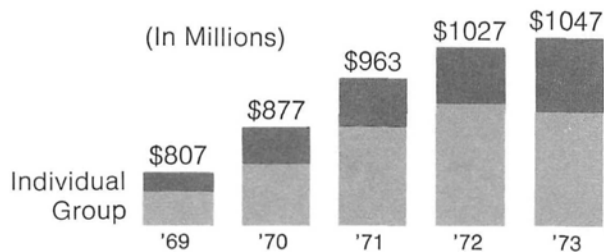


MUTUAL SERVICE LIFE INSURANCE COMPANY

STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS

	Year ended December 31,	
	1973	1972
Income:		
Premiums and Annuity Considerations	\$20,519,021	\$18,965,329
Other Contract Considerations	891,567	893,152
Investment Income Less Related Expenses	5,113,684	4,773,060
Separate Account Income	16,890	1,277,343
Total	26,541,162	25,908,884
Benefits and Expenses:		
Death and Other Contract Benefits	9,381,810	8,336,434
Increase in Policy Reserves	5,307,700	6,338,952
Annuities and Cash Value Payments	3,226,368	2,318,046
Commissions and Other Acquisition Expenses...	3,239,567	2,924,718
General Expenses and Taxes	2,252,750	1,829,871
Separate Account Benefits	16,890	1,277,343
Total	23,425,085	23,025,364
Gain from Operations Before		
Dividends and Federal Income Taxes	3,116,077	2,883,520
Dividends to Policyowners	2,246,084	1,839,240
Federal Income Taxes	490,000	349,000
Gain from Operations	379,993	695,280
Policyowners' Surplus at Beginning of Year	8,922,984	8,394,375
Realized and Unrealized Gain on Investments, Net..	(587,685)	250,614
Change in Securities Valuation Reserve	333,155	(314,854)
Other Changes, Net	(37,851)	(102,431)
Policyowners' Surplus at End of Year	\$ 9,010,596	\$ 8,922,984

Life Insurance in Force



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
- Glen E. Gearing
Merrillan, Wisconsin
- Ralph Hofstad
Minneapolis, Minnesota
- Aldur T. Johnson
Tamarack, Minnesota
- Helen E. Nelson
Milwaukee, Wisconsin
- Gerald M. Rubin
Corte Madera, California
- Richard W. Vilstrup
Madison, Wisconsin

*Members of Executive Committee

MANAGEMENT STAFF

- Roman N. Eller
President and Chief Executive Officer
- N. Robert Barman
Vice President,
Investments
- 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
- Richard G. Rosel
Vice President,
Treasurer
- Donald M. Rupp
Senior Vice President,
General Counsel & Secretary

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Roman N. Eller

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**Mutual
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St. Paul, Minnesota 55104