

MUTUAL SERVICE INSURANCE ANNUAL REPORT 1976

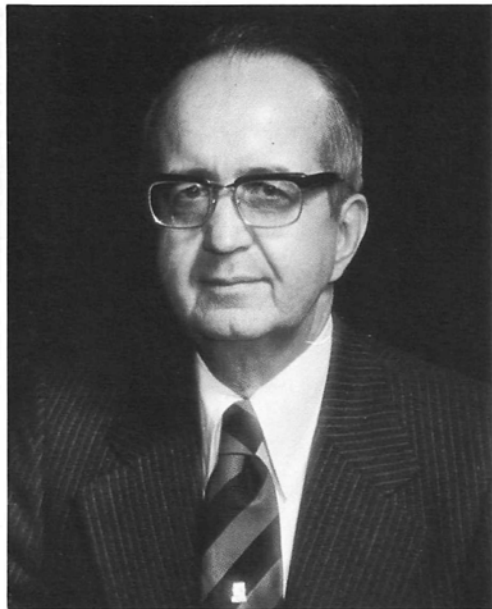
People
Helping
People

1976 CONSOLIDATED FINANCIAL HIGHLIGHTS

Assets	\$209,003,000	up	19.2%
Surplus	34,616,000	up	15.9%
Premium	94,312,000	up	43.0%
Net Investment Income	11,301,000	up	18.6%
Net Earnings	5,139,000	up	138.5%
Life Insurance in Force ...	1,341,615,000	up	7.5%



Message to Policyowners



policyowners. Fortunately, by year's end, we had coped successfully with the heavy volume of work, and we are again approaching normal service standards. We appreciate your understanding and confidence during a very difficult period.

Our earnings for 1976 also improved greatly. Net earnings, after tax adjustments, were \$5,139,000, compared to \$2,155,000 for 1975. Continued strong earnings are essential to support the risk exposures generated by this heavy influx of new business.

The turn around from our 1975 casualty results calls for special mention. You may recall that 1975 was the worst operating year for casualty insurance companies in history, and the experience of Mutual Service Casualty was no exception.

We are pleased to report that substantial recovery took place during 1976, and our operating results improved substantially. Rate adjustments, more stringent risk selection and lower expense levels were major contributing factors. We expect a return to normal casualty operations by mid-1977.

This past year we made real progress in establishing and strengthening our insurance relations with such cooperative organizations as Midland Cooperatives, Inc., Land O' Lakes, Inc., CENEX, GTA, Universal Cooperatives, Inc., Central Livestock Association, Midwest Breeders, and many others. We appreciate the confidence these cooperatives have displayed in Mutual Service Insurance.

During 1976, Mutual Service had a record high of more than \$22,500,000 invested in the financial support of cooperatives. I personally was honored during 1976 by being elected chairman of the board of The Cooperative League of the USA.

The excellent 1976 operating results enabled us to continue and expand our broader purpose of support to "people helping people" projects. Your companies gave financial assistance to heart research, heart surgery for the underprivileged, health maintenance organizations, cooperative development, and many other such programs. We are pleased that we are in a position to share with those less fortunate.

Record years don't just happen. People make them happen. Our employees and agents, our board of directors and, of course, our policyowners made 1976 a record Mutual Service year. I want to express my thanks to all of them for their contributions. Without their combined efforts, Mutual Service would today just be another insurance company.

And, a special thanks to our chairman, Joel E. Dahl, who retires this year after 23 years of unstinting service. His leadership has materially helped to perpetuate the power of an idea — people helping people — that is Mutual Service.

Roman N. Eller
President & Chief Executive Officer

For Mutual Service Insurance, 1976 was a year of excellent growth, strong investment results, better earnings, strengthened ties with cooperatives, and continued corporate concern for our social responsibilities.

All three companies, Mutual Service Casualty, Mutual Service Life and Modern Service, achieved unprecedented income levels. On a combined basis, premium volume increased to \$94,300,000, up 43% over 1975. Investment income totaled \$11,300,000, 19% more than in 1975.

This record growth of 1976, however, was not without trial. It caused many processing problems and strained to the utmost our service to

The People Who Help.

The biggest hailstorm in years hit Eau Claire, Wisconsin, in the summer of 1959 when Gerry Fisher was starting his second year as a Mutual Service agent.

"We had driving winds," recalls Gerry, "and hail the size of golf balls just blanketed the city.

"The calls started coming into my office from customers saying, 'I've got hail damage, what do I do?' The glass companies can't handle broken windows that fast, so I just walked over to our hardware department here in the Co-op Shopping Center.

"I bought a bunch of plastic sheeting, strips of wood and nails, and spent a few hours driving around to customers' homes. If you help others, it comes back to you."

At 46 Gerry still has a full head of wavy brown hair. Hornrimmed glasses frame his light blue eyes. He's a jovial guy who gestures and laughs a lot while he talks. And he's an enthusiastic talker.

Gerry's knotty pine office is right behind

Gerry Fisher chats with shoppers in the Eau Claire Co-op Center.



the large Courtesy Counter near the main door to the Co-op Center. He finds himself directing lost customers to the appliances or hardware departments, but he also finds some new insurance customers that way too.

When he goes home at night, Gerry's office phone rings at his four-bedroom rambler so he can handle client calls.

Beth, Gerry's wife, handles some phone calls at the house for him. Besides the

insurance calls there are some for FISH ("Fellowman, I Seek Help"). FISH is a volunteer organization that responds to phone calls from persons who need transportation to their doctor or hospital.

The FISH office calls Gerry and, if he's free, he picks up the passenger. Usually it's older people who need a ride, but sometimes it's small children.

The Fishers have five sons and a daughter. He's active in fund raising for St.



This girls' hockey team is coached by a Mutual Service agent. He is actively involved in community affairs.

Directors of a cooperative listen as an agent explains our program to meet their cooperative's insurance needs.



James Catholic church and for Regis High where his son, Mark, is a junior.

When he finds time, Gerry plays racquetball at the YMCA gym. He sponsors a team for the spring basketball tournament, pays their fees and buys them jerseys.

Before he joined Mutual Service, Gerry sold insurance for another company for five years. "I had heard good reports about Mutual Service," recalls Gerry,

"and I had a chance to take over some accounts, so I joined them."

"I soon found out that you're not just a number when you work for Mutual Service. If you had a problem, you could pick up the phone and call someone at the Home Office. They wouldn't always go your way, but they would talk it over with you; and they were fair.

"I still feel the same way."

Our agent measures a house to see if the insurance is adequate in relation to the current replacement value.

Each day we code information for our computer to assure our policyowners that their records are accurate and up-to-date.



Information stored on microfilm helps our employees settle claims promptly.



A self-professed "people-pleaser," Cynthia Johnson finds a great deal of satisfaction in her job as a desk casualty adjuster for Mutual Service.

"I like the contact with people in my job," the tall, attractive redhead said. "I feel I'm doing a service for others. They've suffered a loss and I try to help them recover it."

As a casualty adjuster, Cynthia handles

casualty losses such as damage and small homeowners claims. She makes telephone reports certifies coverage and makes payments from the files. Claims coming across her desk run the gamut from expensive jewelry to a stolen umpire's uniform.

"I try to put myself in the policyowner's shoes and treat them the way I would want to be treated if I had suffered a loss of some kind," Cynthia said.

Seeing a claim through from beginning to end is very important to her. "When I start something, I like to see its culmination," she explained. "If it's going to carry my name on it, I want it done properly. It's a matter of personal pride, I guess."

Although she deals with people primarily over the phone, she said she gets to know many customers quite well while handling their claims. "I never





Because they work in their own communities our claims adjusters can assess damage to property quickly and fairly.



When you request an auto policy change, we move the file to this central station so we can make that change quickly.

cyowner so she could choose."

Most customers are pleased with such efforts, she said. "It saves them a lot of time and, because we're a large company, we can purchase things at a discount. After 15 or 20 years of inflation, some people could never afford to replace the item on their own."

Occasionally, Cynthia has received a thank you note from a well-served policyowner. "That gives me a lot of mileage," she said, smiling broadly. "People don't realize how much a note like that can boost an employee's spirits."

Cynthia readily admits she couldn't do her job without the support of many other Mutual Service employees. Cynthia is currently taking a course in property and liability adjustment from the Insurance Institute of America.

really see them, but some people get to be like old friends," she said.

"One of the company's goals is to find a replacement item as nearly like the original as possible," Cynthia said.

"One claim involved a valuable set of pearls. I contacted the jeweler and gave him a description so he could find a suitable replacement. Then I set up appointments between him and the poli-

A claims adjuster inspects fire damage — the first step toward a fast settlement.



The People Who Are Helped.

When Arlene Ganley walked through her once-beautiful home January 21, her heart sank.

Everything was grayish-black. Her house plants were dying. Her drapes were discolored, and her four-week-old plush white sofa was now sooty black.

A fireplace chimney fire had sent thick smoke billowing through the Ganley's ten-year-old, tri-level home in Brooklyn Park, Minnesota. Damage was estimated at about \$1,500.

She wouldn't have believed that one week later the carpets, walls, drapes and ceilings would be clean again, and re-painting would be completed in a matter of weeks.

Within that week, Arlene, her husband, Kevin, and their children, Jerry, Kelly, and Jeff, were once again living in their home, thanks to the concern and effort of David Tanner, a Mutual Service field claims representative.

Tanner was notified of Friday's fire the following Monday morning, January 24.

Our agent reviews their life insurance program with a family as part of his commitment to personal service.



"Normally things would take a little longer," said Tanner, "but this case was especially urgent because the couple's 13-year-old son was very allergic, and couldn't move back into the home until it was cleaned up."

Tanner called the Ganleys and said he would bring out a contractor that afternoon. When they got to the Ganley's — "everything was gray and smelled to beat the band," Tanner said. "The contractor and I measured everything, and talked about what had to be cleaned and re-painted."

A fogging device designed to neutralize smoke odor was installed in the furnace, but its perfumed odor bothered Mrs. Ganley who is also allergic. "I can't even take \$25-an-ounce perfume," she

explained.

So the Ganleys stayed in a motel for the night with Mutual Service picking up the expenses. By Wednesday, however, the Ganleys were back in their newly-cleaned home.

"The family is planning a three-week vacation in late February," Tanner said, "so we're going to have the painting done then because their son is also allergic to paint. That way, it will be completely dry and odor-free when they return."

The fire broke out about 5 p.m., Mrs. Ganley recalled. "I was putting away groceries and Jerry built a fire in the Ben Franklin fireplace," she said. "The rest of the kids were in various parts of



A Mutual Service safety engineer helps an insured businessman recognize potential safety hazards.

An agent must be prepared to discuss a wide variety of insurance coverage to serve fully the needs of his policyowner.



the house watching TV when the smoke alarm went off, and everyone came running from every direction. Within two or three minutes the house was filled with black smoke so thick you couldn't see."

The fire was confined to the fireplace ductwork, but the damage was still devastating. "We found damage even in the bedrooms farthest away from the lower level where the fire was," she said.

Mrs. Ganley was impressed with both

the expert cleaning and with Tanner's handling of her claim. "Dave was very accommodating. He answered every question, and gave us his home phone number.

"A lot of people probably have worse problems than us, but Dave never said that. He just asked 'How can I help you?' There wasn't anything he could have done that he didn't do."

She was impressed that Mutual Service did not quibble and was fair in settling

the claim.

Mrs. Ganley also will be reimbursed for the extra smoke-related cleaning she does herself. "Dave just told me to keep track of the time and keep receipts for cleaning supplies," she said.

"You pay premiums for years and years, and you never know how you'll be treated until you try to collect. Thank goodness, this was such a nice experience."



“The world changes a little
when people help people . . .”

Financial Statements

MUTUAL SERVICE CASUALTY INSURANCE COMPANY
 1919 University Avenue, Saint Paul, Minnesota 55104

BALANCE SHEET

ASSETS	December 31,*	1976	1975
Bonds.....		\$66,762,150	\$54,285,289
Mortgage Loans.....		1,257,665	1,521,001
Preferred and Common Stocks.....		3,014,345	2,352,999
Real Estate.....		5,362	6,950
Investment in Modern Service Insurance Company.....		1,347,731	1,150,181
Cash.....		261,488	438,509
Premiums Due and Other Receivables.....		3,002,445	2,915,628
Accrued Interest.....		1,330,699	1,057,535
Electronic Data Processing Equipment.....		90,430	125,422
TOTAL ASSETS.....		<u>\$77,072,315</u>	<u>\$63,853,514</u>
LIABILITIES AND POLICYOWNERS' SURPLUS			
Liabilities:			
Reserves for Losses and Loss Expenses.....		\$33,223,076	\$27,824,341
Unearned Premiums.....		16,683,464	12,498,193
Advance Payments.....		1,040,583	734,883
Unpaid Expenses and Taxes.....		2,164,499	2,135,088
Other Liabilities.....		258,793	216,910
TOTAL LIABILITIES.....		<u>53,370,415</u>	<u>43,409,415</u>
Policyowners' Surplus.....		<u>23,701,900</u>	<u>20,444,099</u>
TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS.....		<u>\$77,072,315</u>	<u>\$63,853,514</u>

STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS

	Year ended December 31,	1976	1975
Underwriting:			
Premiums Written, Gross		\$53,931,733	\$38,355,287
Less Reinsurance Ceded		<u>5,749,197</u>	<u>4,310,625</u>
Premiums Written, Net		48,182,536	34,044,662
Change in Unearned Premiums		<u>(4,185,270)</u>	<u>(1,011,138)</u>
Premiums Earned		43,997,266	33,033,524
Losses and Loss Adjustment Expenses		33,026,093	27,127,405
Commissions and Other Acquisition Expenses		7,464,075	5,677,678
Other Underwriting Expenses		<u>4,974,051</u>	<u>4,305,701</u>
Total Losses and Underwriting Expenses		<u>45,464,219</u>	<u>37,110,784</u>
Gain from Underwriting		<u>(1,466,953)</u>	<u>(4,077,260)</u>
Investment Income Less Related Expenses		<u>3,777,766</u>	<u>3,359,907</u>
Gain from Operations Before			
Federal Income Taxes		<u>2,310,813</u>	<u>(717,353)</u>
Federal Income Taxes		<u>(530,031)</u>	<u>(1,089,673)</u>
Gain from Operations		2,840,844	372,320
Policyowners' Surplus at Beginning of Year		20,444,099	19,233,050
Increase in Unrealized Appreciation of Investments		620,788	227,818
Other Changes, Net		<u>(203,831)</u>	<u>610,911</u>
Policyowners' Surplus at End of Year		<u><u>\$23,701,900</u></u>	<u><u>\$20,444,099</u></u>

MUTUAL SERVICE LIFE INSURANCE COMPANY

1919 University Avenue, Saint Paul, Minnesota 55104

BALANCE SHEET

ASSETS	December 31,*	1976	1975
Bonds		\$75,523,463	\$55,478,422
Mortgage Loans		30,433,473	32,405,389
Preferred and Common Stocks		3,143,794	2,469,037
Real Estate		2,841,485	3,286,718
Policy Loans		5,793,243	5,324,572
Investment in Modern Service Insurance Company		1,344,766	1,147,650
Cash		(240,630)	888,096
Due and Deferred Premiums		2,305,995	2,101,684
Accrued Interest		1,855,845	1,555,485
Separate Account Assets		5,573,335	4,563,907
TOTAL ASSETS		<u>\$128,574,769</u>	<u>\$109,220,960</u>
LIABILITIES AND POLICYOWNERS' SURPLUS			
Liabilities:			
Reserves for Policy Contracts in Force		\$95,248,899	\$80,127,174
Dividends on Deposit		8,673,152	7,909,776
Advance Premiums and Suspense		991,893	642,407
Policyowners' Dividends		2,897,373	2,896,797
Pending and Unreported Claims		2,363,129	2,528,433
Unpaid Expenses and Taxes		826,677	924,747
Securities Valuation Reserve		1,088,824	202,448
Separate Account Liabilities		5,573,335	4,563,907
TOTAL LIABILITIES		<u>117,663,282</u>	<u>99,795,689</u>
Policyowners' Surplus		10,911,487	9,425,271
TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS		<u>\$128,574,769</u>	<u>\$109,220,960</u>

STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS

	Year ended December 31,	1976	1975
Income:			
Premiums and Annuity Considerations		\$34,373,970	\$24,515,190
Other Contract Considerations		1,567,673	942,128
Investment Income Less Related Expenses		7,200,946	5,903,612
Separate Account Income		2,987,120	<u>1,331,728</u>
Total		46,129,709	<u>32,692,658</u>
Benefits and Expenses:			
Death and Other Contract Benefits		12,145,403	10,289,870
Increase in Policy Reserves		16,031,222	8,516,215
Annuities and Cash Value Payments		3,588,803	3,151,188
Commissions and Other Acquisition Expenses		3,949,611	3,781,913
General Expenses and Taxes		2,746,239	2,574,152
Separate Account Benefits		2,987,120	<u>1,331,728</u>
Total		41,448,398	<u>29,645,066</u>
Gain from Operations Before			
Dividends and Federal Income Taxes		4,681,311	3,047,592
Dividends to Policyowners		2,625,372	2,232,286
Federal Income Taxes		600,000	<u>478,550</u>
Gain from Operations		1,455,939	336,756
Policyowners' Surplus at Beginning of Year		9,425,271	8,786,443
Realized and Unrealized Gain on Investments, Net		622,407	148,584
Change in Securities Valuation Reserve		(886,376)	(202,448)
Other Changes, Net		294,246	<u>355,936</u>
Policyowners' Surplus at End of Year		<u>\$10,911,487</u>	<u>\$9,425,271</u>

MODERN SERVICE INSURANCE COMPANY

1919 University Avenue, Saint Paul, Minnesota 55104

BALANCE SHEET

ASSETS	December 31,*	1976	1975
Bonds.....		\$5,304,495	\$3,903,774
Preferred and Common Stocks.....		496,860	438,856
Cash.....		34,829	34,212
Premiums Due and Other Receivables.....		101,649	91,323
Accrued Interest.....		111,043	86,196
TOTAL ASSETS.....		<u>\$6,048,876</u>	<u>\$4,554,361</u>
LIABILITIES			
Reserves for Losses and Loss Expenses.....		\$2,395,753	\$1,695,320
Unearned Premiums.....		572,389	352,939
Advance Payments.....		167,869	53,033
Unpaid Expenses.....		217,403	152,708
TOTAL LIABILITIES.....		<u>\$3,353,414</u>	<u>\$2,254,000</u>
STOCKHOLDERS' EQUITY			
Common Stock Par Value.....		\$1,000,000	\$1,000,000
Additional Paid-in Capital.....		500,000	500,000
Retained Earnings:			
Beginning of Year.....		800,361	495,276
Current Year.....		405,101	305,085
Stockholders' Dividends.....		-0-	-0-
Deferred Federal Income Tax.....		10,000	-0-
End of Year.....		<u>1,195,462</u>	<u>800,361</u>
TOTAL STOCKHOLDERS' EQUITY.....		<u>2,695,462</u>	<u>2,300,361</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....		<u>\$6,048,876</u>	<u>\$4,554,361</u>

STATEMENT OF OPERATIONS

	Year ended December 31,	1976	1975
Underwriting:			
Premiums Written, Gross		\$3,770,203	\$2,304,020
Less Reinsurance Ceded		<u>5,418</u>	<u>63,847</u>
Premiums Written, Net		3,764,785	2,240,173
Change in Unearned Premiums		<u>(219,451)</u>	<u>(62,985)</u>
Premiums Earned		3,545,334	2,177,188
Losses and Loss Adjustment Expenses		2,541,059	1,606,175
Commissions and Other Acquisition Expenses		541,041	341,245
Other Underwriting Expenses		<u>420,895</u>	<u>291,574</u>
Total Losses and Underwriting Expenses		3,502,995	2,238,994
Gain from Underwriting		42,339	(61,806)
Investment Income Less Related Expenses		<u>322,258</u>	<u>268,469</u>
Gain from Operations Before			
Federal Income Taxes		364,597	206,663
Federal Income Taxes		<u>21,063</u>	<u>(27,262)</u>
Gain from Operations		343,534	233,925
Increase in Unrealized Appreciation of Investments		74,485	69,986
Other Changes, Net		<u>(22,918)</u>	<u>1,174</u>
Retained Earnings		<u>\$395,101</u>	<u>\$305,085</u>

***AS FILED WITH THE MINNESOTA INSURANCE DEPARTMENT**

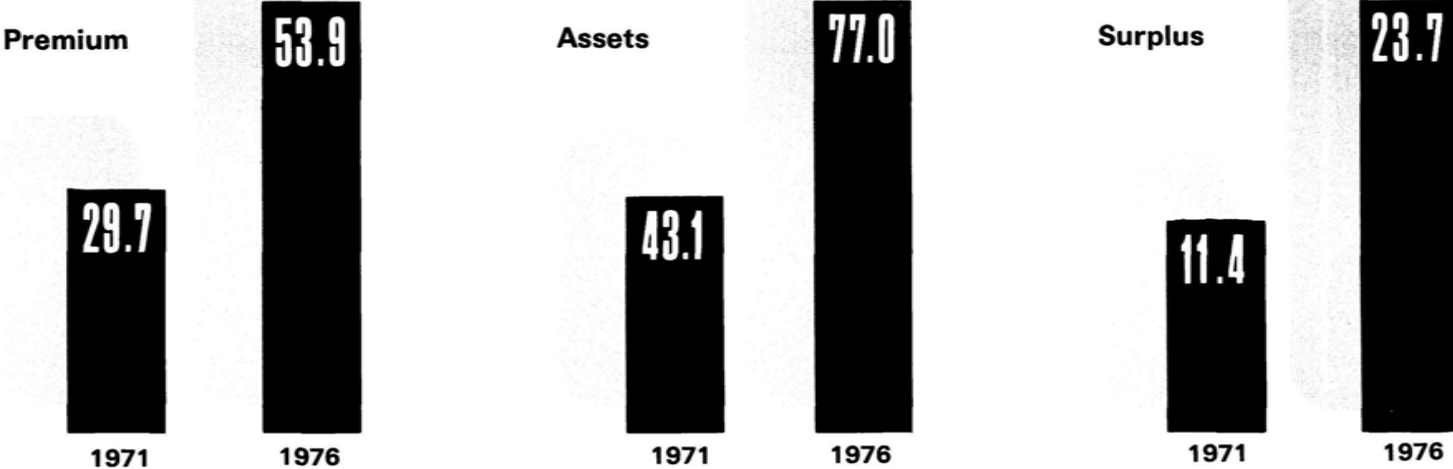
“Never in the history of Mutual Service Insurance has the future been brighter. We have the opportunity, the financial resources, the insurance products, and most important, the people—to serve a wider segment of our membership” —

As reported to the policyowners by Roman Eller, President and Chief Executive Officer at the 43rd annual meeting of Mutual Service.

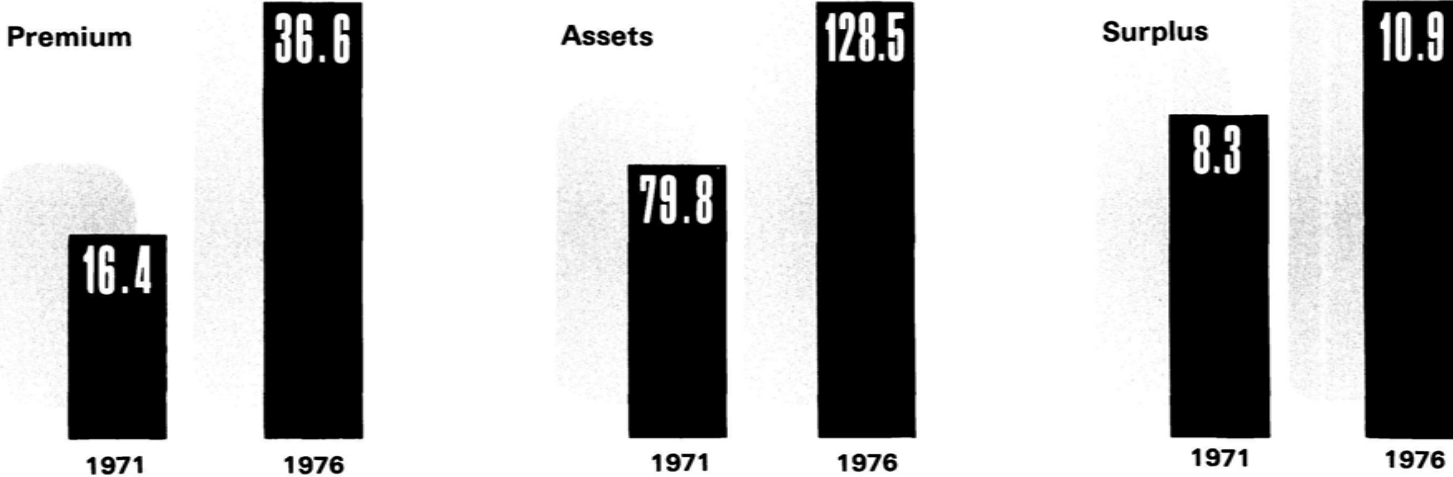
Growth

Millions of Dollars

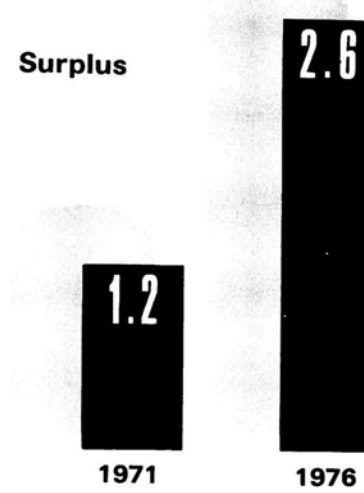
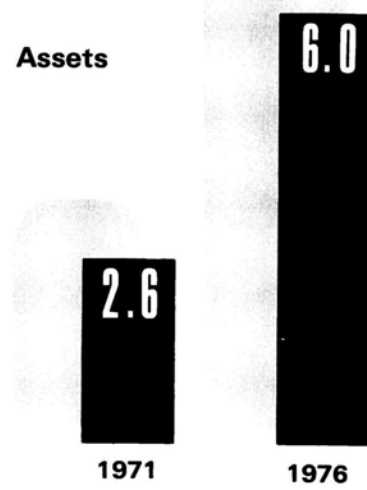
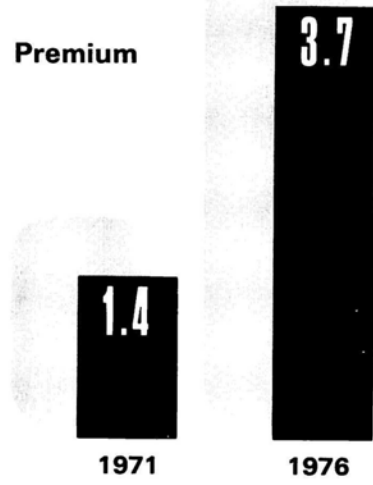
Mutual Service Casualty



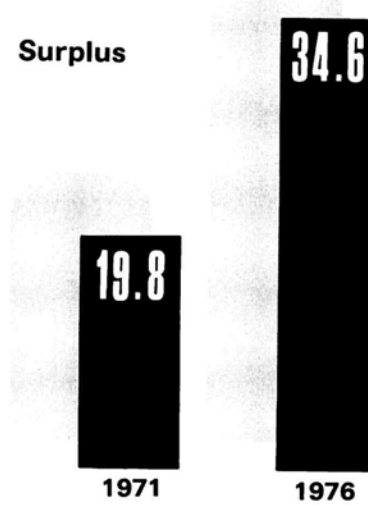
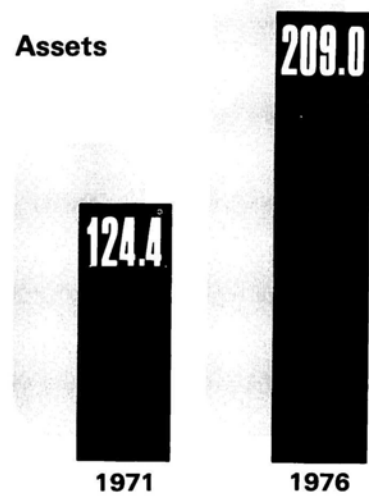
Mutual Service Life



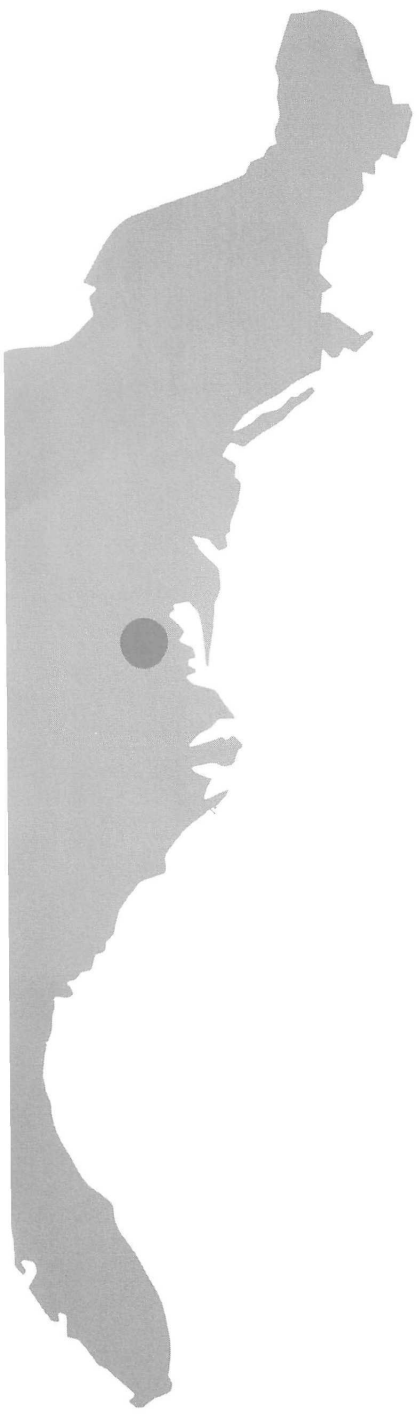
Modern Service



Consolidated







Area of Operations

One or more of the companies in the Mutual Service Insurance group is licensed to operate in 23 states and the District of Columbia. That's more than double the 11 states in which we operated just six years ago.

Insurance service is provided by more than 500 agents under exclusive contract, home office business insurance specialists and a network of 1500 insurance brokers. We develop marketing plans carefully to provide systematic expansion within this operating area. Additional states are also being considered as areas of potential growth.

This map shows the area in which our "people helping people" provide a broad range of insurance products and services.

WE ARE LICENSED IN THE FOLLOWING STATES:

Arizona	Montana
Arkansas	Nebraska
California	Nevada
Colorado	New Mexico
Idaho	North Dakota
Illinois	Oregon
Iowa	South Dakota
Kansas	Utah
Kentucky	Washington
Michigan	Wisconsin
Minnesota	Wyoming
Missouri	District of Columbia



ROGER D. HAUCK

Vice President
Controller



LAWRENCE E. BENSON, C.P.C.U.

Vice President
Casualty Division



RICHARD G. ROSEL

Vice President,
Treasurer



E. BRIAN STAUB, M.A.A.A.

Vice President
Life Division



GORDON E. LINDQUIST, C.L.U.

Vice President,
Marketing



DONALD M. RUPP

Senior Vice President,
General Counsel & Secretary



ROMAN N. ELLER

President & Chief
Executive Officer

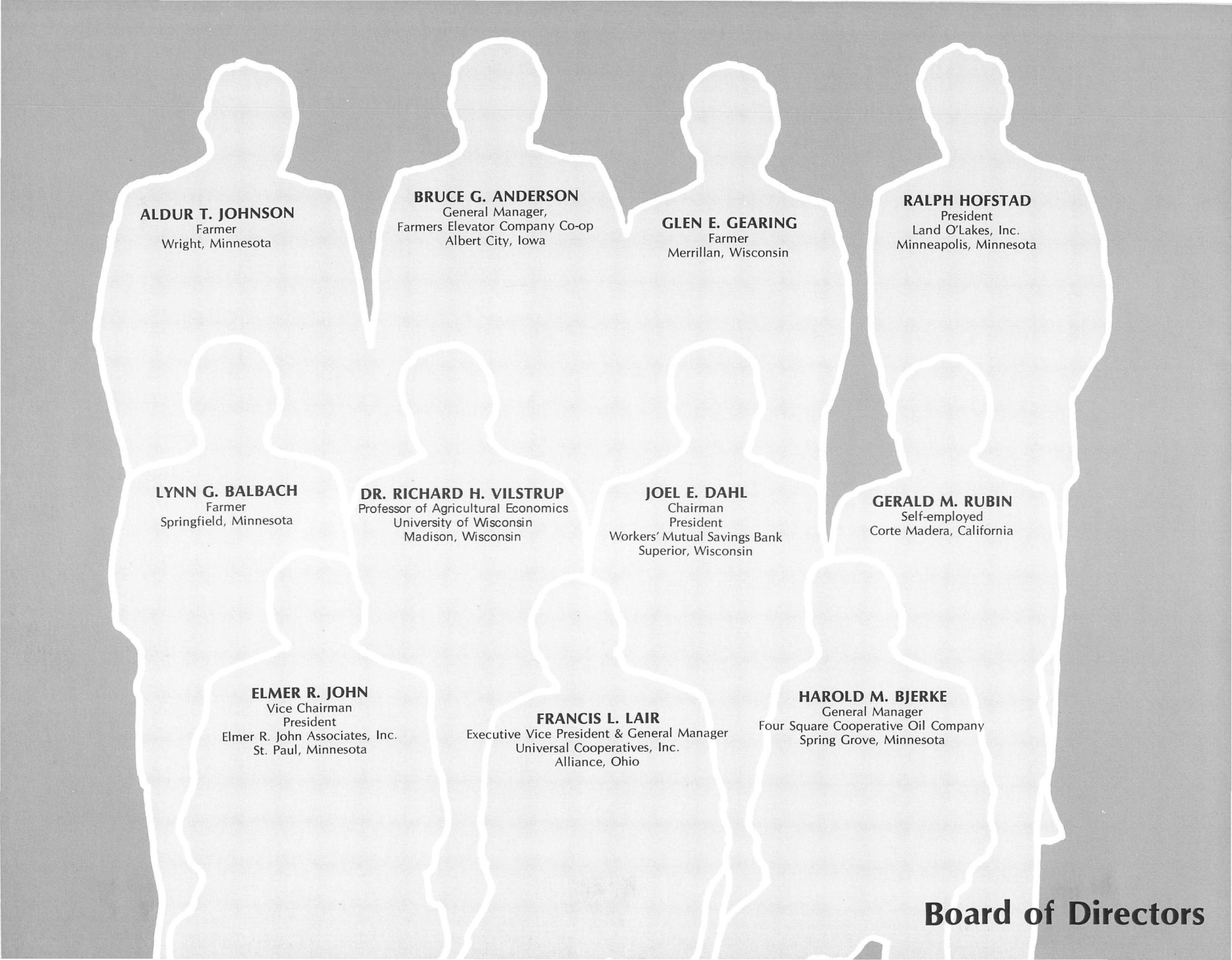


RICHARD M. MORPHEW, F.L.M.I.

Director of Personnel

President and Staff





ALDUR T. JOHNSON
Farmer
Wright, Minnesota

BRUCE G. ANDERSON
General Manager,
Farmers Elevator Company Co-op
Albert City, Iowa

GLEN E. GEARING
Farmer
Merrilan, Wisconsin

RALPH HOFSTAD
President
Land O'Lakes, Inc.
Minneapolis, Minnesota

LYNN G. BALBACH
Farmer
Springfield, Minnesota

DR. RICHARD H. VILSTRUP
Professor of Agricultural Economics
University of Wisconsin
Madison, Wisconsin

JOEL E. DAHL
Chairman
President
Workers' Mutual Savings Bank
Superior, Wisconsin

GERALD M. RUBIN
Self-employed
Corte Madera, California

ELMER R. JOHN
Vice Chairman
President
Elmer R. John Associates, Inc.
St. Paul, Minnesota

FRANCIS L. LAIR
Executive Vice President & General Manager
Universal Cooperatives, Inc.
Alliance, Ohio

HAROLD M. BJERKE
General Manager
Four Square Cooperative Oil Company
Spring Grove, Minnesota

Board of Directors



