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## 1982 Financial Highlights

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Assets	\$ 440,981,000
Surplus	\$ 64,513,000
Premium	\$ 174,431,000
Net Investment Income	\$ 33,856,000
Net Earnings	\$ 509,000
Life Insurance in Force	\$2,766,843,000

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*Corporate headquarters, MSI Insurance, Two Pine Tree Drive, Arden Hills, Minnesota.*

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MSI Insurance is the market identifier for three insurance companies: Mutual Service Life, Mutual Service Casualty and Modern Service Insurance. A fourth company, Mutual Service Cooperative, is the MSI fiscal agent and governing body. A multiple-line insurance group, MSI Insurance is licensed in 43 states and the District of Columbia. Insurance and financial services are provided by approximately 500 local agents and a staff of business insurance representatives.

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Roman N. Eller

Even the most confirmed optimist would be forced to recognize 1982 as a difficult year — one that was a continuance of operating problems for the insurance industry as well as all business. Red ink ran rampant.

We witnessed economic adversity in areas of employment, recession and interest rates. Political and cultural turbulence also muddied the waters.

Property/Casualty insurance losses in 1982 rank with the worst years in history. Rising medical and repair costs, together with an increase in self-inflicted property claims, resulted in heavy underwriting losses for the entire insurance industry. The losses were not completely offset by investment income — due in part to declining interest rates.

The general depressed economy produced many elements which greatly intensified competition in the life insurance lines. Liberalization of individual retirement accounts, expansion of money-market funds and the entrance of many corporate giants into the insurance and financial fields were all contributing factors.

At MSI, we reacted swiftly and well to this fluctuating economy. Premium income for 1982 was up 13.5 percent, and overall earnings were in the black. Mutual Service Life and Modern Service had strong earnings, while Mutual Service Casualty was caught in the web of industry adversity, resulting in a surplus loss.

As the “books are closed” for 1982, I also close my 41-year career at MSI. I do so with an overwhelming feeling of appreciation to the many who helped build the solid insurance institution that MSI is today.

I look to the future of this organization with great optimism. I do so because of its strong financial foundation, a dedicated employee and agency force, a competent board of directors, a strong management team and an able and qualified new leader.

Gordon Lindquist is a 27-year veteran of MSI who possesses the skills, character traits and experience to lead this company to even greater heights.

Although I am no longer in the main arena of MSI operations, my abiding interest and concern for this institution continue.

*Roman N. Eller*

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



Gordon E. Lindquist

At the end of 1982, Roman N. Eller retired after 12 years as president and chief executive officer of MSI. To the credit of our organization, the resulting change in leadership was orderly and without major disruption.

MSI owes much to Roman Eller. He remained committed to our founding principles while establishing an environment which fostered excellent growth for the companies. During his tenure as chief executive officer, the companies have experienced three to four-fold growth in each of the primary measurements of financial stability — income, assets and policyowners' surplus. That is an achievement matched by few insurance companies. At the same time, MSI set an example of good corporate citizenship. The Mutual Service Fund, which is committed to carrying out our People Helping People® philosophy, is a prime example.

Stability and strength are unique legacies. They provide security for our policyowners and poise us confidently to meet the challenges and maximize the opportunities of the future. Because of our stability and strength, we can weather these uncertain economic times. We can be innovative in serving and expanding our markets. We can give meaning to our strong sense of corporate responsibility.

As we move into 1983, one of our highest priorities is to develop a corporate strategic plan. This plan is critical to the continued strength of MSI, because it will chart the direction of the organization and ensure that all of our efforts will be channeled toward the same goal.

Service and productivity will be high priorities for 1983. To those ends we will commit resources to strengthen and improve our distribution systems, further develop our cooperative markets, expand our data processing capabilities and develop our management personnel. We have high expectations for our management group and are confident they will meet the challenge.

The coming year will be a difficult and challenging one for the insurance industry. Yet MSI is well-positioned because of our financial stability, but most important, because we have highly motivated and dedicated people. I am confident we will meet the challenges and take advantage of the opportunities we encounter, both positively and responsively.

**Gordon E. Lindquist**  
President and Chief Executive Officer-Elect



**Roman N. Eller, president and chief executive officer, retires.**

After 41 years at MSI, the last 12 as president and chief executive officer, Roman N. Eller, 65, announced his retirement effective the end of 1982. In each of the primary indicators measuring the financial stability of an insurance organization, MSI achieved three- to four-fold growth under his leadership. The many awards conferred upon him reflect his significant leadership in cooperative organizations and the insurance industry.



**Gordon E. Lindquist, senior vice president, Operations, succeeds Eller as president and chief executive officer.**

The board of directors elected Gordon E. Lindquist, 53, to succeed Roman Eller as the fourth MSI president and chief executive officer. Lindquist, who began his 27-year career at MSI as an agent, has been an officer of the company since 1971. As senior vice president, Operations, since 1978, he was responsible for all Life, Casualty and Marketing operations.



**Sound investments bolster financial stability in 1982.**

Purchase in 1982 of the Reynolds Building, Eden Prairie, Minn., marked a new direction in investment strategy for MSI, characterized by increased asset diversification and active portfolio management. Real estate acquisition is viewed as an important part of this strategy, as it helps diversify and preserve the asset base of MSI.



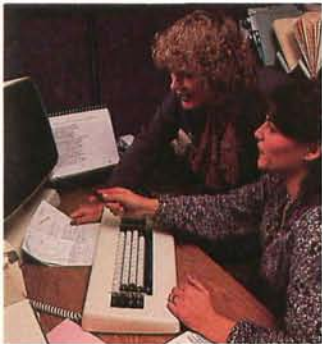
**Television campaign promotes People Helping People® image.**

The company's Five-Year Strategic Marketing Plan saw its first year of implementation during 1982. Part of this effort was a television commercial campaign aimed at increasing public awareness of MSI and its service-minded agents. The commercials depicted unusual, but real-life, stories in which agents happened to be at the scene of their clients' accidents and began processing claims immediately. The commercials end with: "Having an accident in front of your insurance agent is unusual, but the service isn't."



**Employee enrichment programs recognize value of education and good health.**

MSI continued to develop its richest resource — its 900 employees — through such programs as health education, management development and educational reimbursement. These opportunities for self-improvement, combined with the bright and modern environment afforded by the four-year-old home office, contribute to the vitality, enthusiasm and low turnover rate that has characterized the MSI employee group over the years.



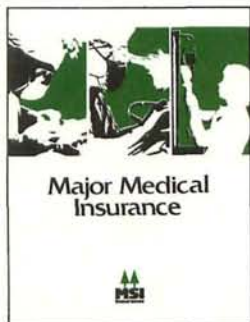
**MSI develops advanced data processing systems.**

In the Life Company, the new Claims Administration and Payments System (CAPS) brought essential information to the fingertips of claims personnel. The Policy Management System (PMS) was initiated in the Casualty Company in 1982 for 1983 installation, the first phase of the system. It will provide management reports which are critical to informed decision-making. It will also supply on-line information for claims and services personnel to determine status, coverages and other policy information.



**Sales increase despite sluggish economy.**

MSI agents responded to a repressed economy with creativity and enthusiasm. The result was that 1982 new sales significantly increased in the major lines served by the MSI agency force — auto, fire, life and health. In several of the specialty areas, such as boatowners, farm-owners and annuities, ambitious goals were significantly exceeded.



**New products provide broad options to policyowners.**

To support the Five-Year Strategic Marketing Plan and better serve MSI policyowners, several new products were introduced in 1982. They included million-dollar individual major medical coverage and a new homeowners' endorsement that addresses the needs of those with homes valued at over \$75,000. Sales of these products significantly exceeded expectations.

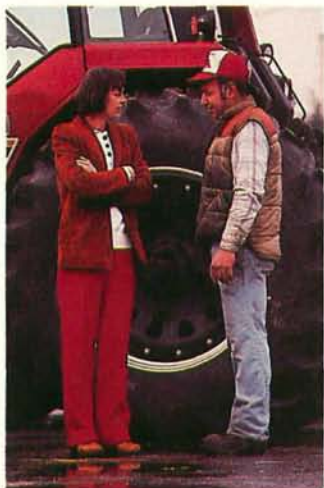


**Service to member cooperatives continues to receive special attention.**

MSI is proud of its cooperative heritage. In 1982 the organization worked to continue and strengthen its relationship with member cooperatives. In addition to the daily activities of the Member Relations department, cooperative development was stimulated through Mutual Service Fund grants totaling more than \$79,000, and through such services as pre-retirement counseling and CPR (cardiopulmonary resuscitation) classes to cooperatives.

## Someone to trust

People Helping People®. You may have seen the MSI philosophy illustrated in television commercials and printed on company publications. It is the unifying principle behind MSI Insurance — whether that helping involves insurance protection, a commitment to service or wide-ranging corporate grants. The three stories in this section provide a close-up view of the MSI spirit in action.



*MSI agent Shirley Schiffler, above left, is both an advisor and friend to clients such as Louise Desautel, an Albany, Minn., businesswoman. At left, she keeps in touch with another MSI policyowner, Albany implement dealer (and cousin) Wayne Schiffler. An active member of her community, Shirley Schiffler combines insurance and financial expertise with large doses of personal service.*

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Agent Shirley Schiffler is a highly successful member of the nationwide MSI field force. Her down-to-earth approach to insurance and financial counseling is coupled with the kind of personalized service that is sometimes missing in today's fast-paced world. She regards her work as "a joy and a challenge."

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**M**SI policyowner Louise Desautel says she never worries. "You know why?" she asks. "Because Shirley will take care of me."

Shirley Schiffler is the MSI agent in Albany, Minn., a farming community of 1,800 people located 20 miles west of St. Cloud along Interstate 94.

Desautel, a local businesswoman, is one of approximately 1,500 clients who look to Schiffler for a wide range of insurance and financial counseling. Most of Schiffler's policyowners live within a 20-mile radius of Albany.

Schiffler has been an MSI agent since 1975, when she replaced the local agent for whom she had worked as secretary for 11 years.

To hear Schiffler describe her career switch from secretary to sales, she needed some encouragement. She got that, and a lot of confidence-building, from Frank Rajkowski, then district sales manager for the St. Cloud area and now vice president, Sales—Agency. "Frank was very convincing," she recalls. "He seemed so sure I could handle it and be successful."

Rajkowski could see Schiffler's potential, knew her ability and understood the territory well enough to appreciate her initial apprehensiveness about accepting the assignment. Values in this predominantly German-settled community are strongly traditional. Although a lifelong resident of the area, with roots going back several generations, Schiffler was concerned that men wouldn't buy insurance from a woman. But her experience over the past seven years has erased that doubt.

Since becoming an agent, Schiffler has tripled the agency's business and is consistently in the ranks of top MSI sales people. She built her own office building three years ago to create a more convenient and efficient business setting for her growing list of clients.

Most of Schiffler's policyowners come to the office. There is always a pot of coffee and the good-humored smile of her secretary, Jan, to brighten the visit. The two women, successful working partners, also share an eight-year friendship.

Frank Rajkowski is proud of Schiffler's resounding success. "No one has achieved a higher level of trust than Shirley Schiffler," he says. "She has become the center of the community."

Schiffler is described as "one of a kind" by Larry Zenner, MSI district manager in the St. Cloud area. "She cares very much about the people she works with — whether they are clients or other agents," he said. "Shirley puts a lot of herself into her business. I always know she'll be there, doing what needs to be done."

What she does is provide a full range of products to her clients, including life, auto, home and farm insurance and annuities. She also writes a good amount of commercial business. Louise Desautel, a widow and the proprietor of a local CB radio business, describes Schiffler as a "cool, stable force with a good business head — someone I can rely on."

A favorite client group of Schiffler's is the elderly. She works closely with them — helping with their taxes, visiting them in the hospital and just being a friend.

To Schiffler, being of service is a joy and a challenge. "I like helping people — being able to answer questions."

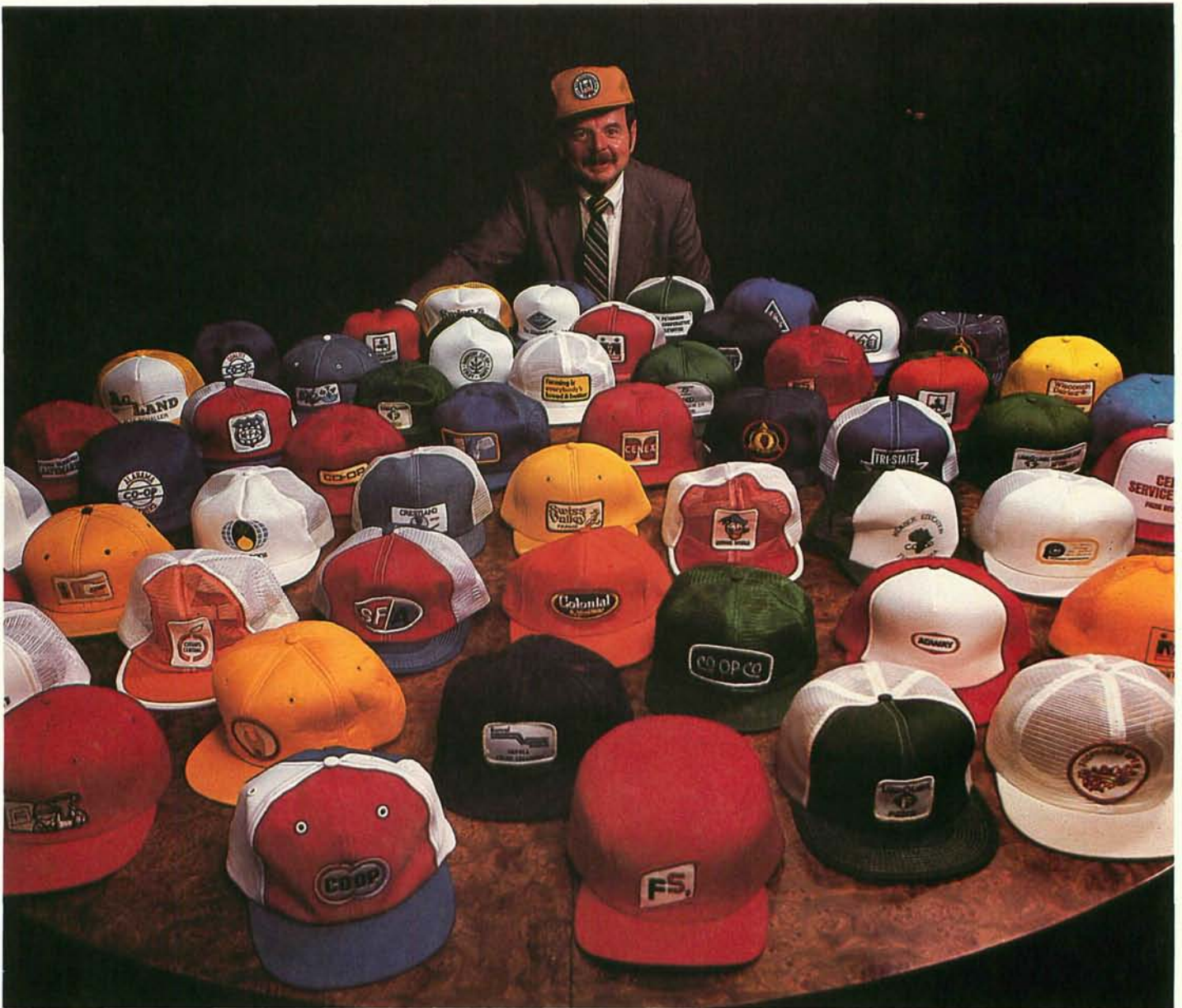
Schiffler is a woman who can accept a challenge in a male-dominated field — and frequently come out ahead. She has set several MSI sales records and is a member of the prestigious Millionaire's Club, which recognizes annual sales volume. In each of the last three years, she was the top producer during "President's Month," an annual MSI sales competition.

Her bank of trophies includes a prize, seven-pound walleye pike, caught on an MSI fishing trip. A first-place trophy for her MSI-sponsored trap-shooting team and several for women's softball also decorate her office.

In an era of declining personal service, Shirley Schiffler provides a refreshing and encouraging contrast. She has been known to be at the scene of an automobile accident involving one of her insureds well before the police arrive. "When I saw Shirley," one distraught accident victim said, "I thought, 'everything's fine.'" ■



## Living the cooperative spirit



*MSI devotes considerable resources to serving its 600-plus member cooperatives and associations. As he travels across the country, Jerry Cassidy is dedicated to providing that service. Along the way, he has gathered a growing collection of hats from the cooperatives he has come to know so well.*

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Jerry Cassidy's office is located in the MSI corporate headquarters, but he spends much of his time on the road (or in the air) as director of Sales—Cooperative Markets. His travels across America provide a vital link between MSI and its member cooperatives.

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Jerry Cassidy's red Olds Cutlass seemed to shrink as it pulled in among the farm pickups parked in the hub-deep snow in front of the Kanabec County Town Hall.

Inside, two dozen township representatives gathered for an association meeting. Cassidy, MSI director of Sales—Cooperative Markets, was on hand to give them current information about liability coverages, to listen, and to respond to any concerns they might have.

MSI has nurtured its cooperative and township relationships, offering specially tailored insurance packages to fit their function and organization. MSI insures over 1,400 of Minnesota's 1,900 townships. Most of them meet periodically in county units such as this one at Mora, Minn.

Cassidy has a staff of cooperative special account representatives to help him meet regularly with the hundreds of member cooperatives and associations. But he says fondly of the township units — "These are my own."

On the road as much as he is in the office, Cassidy performs a unique and complex function for MSI. An experienced field sales manager, he has responsibility for developing the company's cooperative market, which generated \$24 million of premium income in 1982. In this role, Cassidy blends personal dedication with an acute sense of goals and structure.

But Cassidy is more than just a good manager. He is a man with a lyrical soul — a combination Willie Nelson and Charles Kuralt who can sing America's song and feel its pulse. It's a gift he has refined while traveling across the nation representing MSI.

Whether talking with township representatives in Minnesota, cooperative employees in California or farmers in Wisconsin, Cassidy feels at home. He simply likes people. And that's been his success — the business relationships he's formed on the road are strengthened by underlying friendship and mutual respect.

For the past eight years, Cassidy has approached his job as part of a "crusade." The goal has been to maximize service to the 600-plus MSI membership cooperatives and associations. He drives 30,000 miles a year visiting clients and attending 50 to 60 one- and two-day meetings. And he boards an airplane at least once every 10 days in order to serve the MSI territory, which includes almost every state in the contiguous United States.

To expand service to MSI members, Cassidy has doubled his staff in the last seven years. Expansion has also occurred in the product area, and Cassidy expresses great appreciation to the home office staff for new and innovative products in pension and group insurance, such as *COPAC*, the cooperative property-casualty package, and *PENFLEX*, designed for retiring cooperative employees.

As a result of these efforts, annual premium for cooperative accounts has tripled since 1974, and Cassidy sees no end to that growth.

His staff of 13 cooperative representatives and three office personnel seems to run on the same high-octane service spirit that fuels Cassidy. He has handpicked them to ensure that they can, first-and-foremost, grasp cooperative principles. Proud of his staff, Cassidy says, "We have one of the finest sales service groups in the insurance industry. They take their jobs very, very seriously."

Cassidy has a particular fondness for the rural areas he travels. "All my life I've wanted to work with agriculture or the farming community," he says. A native of Philadelphia, Cassidy recalls that he would walk six blocks out of his way on his return home from school to see a blade of grass.

During 1982, Jerry Cassidy was one of eight MSI employees to receive the People Helping People® award, recognizing outstanding service. "Jerry's kind of dedication filters down to the rest of us," one representative said of Cassidy's brand of contagious enthusiasm.

For Cassidy, the reward is in the people he serves. "I can tell you," he says, "there is true enjoyment in what I do."■

## Reaching out to communities



*This broadcast booth in Whitehall, Wis., is used as part of a unique cooperative effort to provide community programming in rural areas of the state. Seated is Rodney Moen, director of the Western Wisconsin Communications Cooperative, and standing, from left, are: Dave Buettner, MSI director of Member Relations and administrator of the Mutual Service Fund; William Urban, superintendent of the Blair, Wis., school district, and Rod Nilsestuen, executive director of the Wisconsin Federation of Cooperatives. At right, members of a high school shorthand class in Whitehall receive instruction via cable television.*



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An important part of the MSI Corporate Giving Program is the Mutual Service Fund. Through the awarding of grants, the Fund helps cooperatives bring new ideas to life. One such grant during 1982 is helping bring the benefits of cooperative cable television to rural communities.

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**T**he giant dish antenna sits atop a grassy bluff, receiving signals from a satellite 22,000 miles out in space and feeding them along miles of heavy wire cable, strung from pole to pole across the rolling countryside.

This is cable television — rural style.

For many years, cable TV has held special promise for rural communities, many of them served poorly, if at all, by regular television sources. In sparsely populated Trempealeau County, Wis., where dairy cows outnumber people four to one, the "Two-Way" has opened some exciting vistas in education and public service. It has also brought new community pride and a sense of unity.

The Trempealeau County experience is considered a model for what cable television can do for rural communities. Its cable company, the Western Wisconsin Communications Cooperative (WWCC), is the county's own creation. It has the distinction of being the nation's first consumer-owned cable cooperative committed to providing broad television coverage and not merely entertainment.

In 1982, MSI provided a grant to the Wisconsin Federation of Cooperatives to help develop statewide cable cooperative projects, based on the Trempealeau County system.

The grant was one of 25 given during the year by the MSI Mutual Service Fund, established in 1974 to channel financial aid to cooperative projects. Over \$79,000 was awarded in 1982.

In addition to 10 channels of commercial programs, WWCC offers its 3,000 subscribers a special community channel. And perhaps most significantly, it also gives each of the county's eight school districts its own channel for sharing classes and other resources on an interactive basis.

Nowhere is the benefit of cable more clearly demonstrated than in Trempealeau County's educational

system. Before cable, the county's small school districts were struggling to provide the complete curricula necessary to meet current educational standards. The local residents felt strongly that their children should not be denied the educational advantages of students in city schools — children with whom they would ultimately compete upon entering college.

But with limited enrollments, the school districts were finding it impossible to provide specialized or advanced course offerings. Busing was tried, transporting either students or teachers from one school to another to share resources, but it was found to be time-consuming, costly and a physical burden. Several of the schools consolidated, but at the expense of community pride.

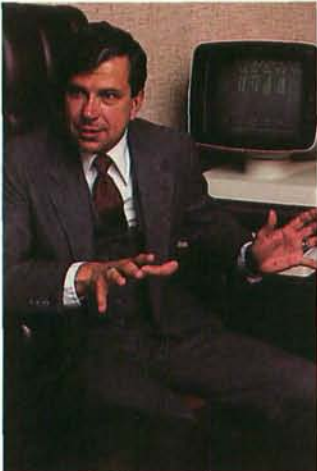
Now all eight school districts in Trempealeau County are inter-connected with cable and able to simultaneously share a curricula they were previously denied. Courses offered include computer logic, shorthand, music theory, creative writing, advanced math, German and Spanish.

Jane Bautch, Spanish teacher in the Arcadia, Wis., school district, describes how the system works: "I have 22 students in my own classroom; another eight at the Eleva-Strum district 25 miles away, and four more at the Independence district, about 10 miles away. I can see and hear my Eleva-Strum and Independence students on two separate television monitors in my classroom. By watching those monitors, I can call on any student and hear his response. The kids can see me on identical monitors and can stop me to ask questions."

The Mutual Service Fund committee of the MSI board of directors sees the WWCC cable system as making a valuable contribution to rural communities. Dr. Richard Vilstrup, professor of agricultural economics at the University of Wisconsin and a member of the MSI Fund committee, said, "The cable system not only widens the educational curricula in rural schools, but also assists farmers in obtaining the most recent extension marketing and management reports. We were pleased to support this project to expand the Trempealeau experience."

Rod Nilsestuen, executive director of the Wisconsin Federation of Cooperatives, expressed his appreciation for the MSI participation in the cable project. "It's this kind of front-end involvement and support that is crucial to any cooperative development," he said. "MSI has been in a class by itself in seeing the need for real financial support and development for new kinds of cooperatives." ■

The accomplishments of 1982 are significant on their own merits, but they may also be viewed as orderly steps toward long-term goals. On the following pages, three MSI corporate officers look at their operations in terms of long-range corporate strategies. The respondents are: Jerome L. Sychowski, FLMI, vice president, Data Processing; William F. Kenny, CLU, vice president, Marketing, and Loren Haugland, CFA, vice president, Investments.



Jerome L. Sychowski

**Q: What role does the Data Processing department play at MSI?**

*Sychowski:* Insurance companies are data-intensive by nature, and our role has become increasingly important. With improvements in technology and a more aggressive data processing staff, nearly every facet of our insurance operations revolves around data processing. In the sense that our daily operations depend on data processing, we are like the heartbeat of the company.

**Q: How have these improvements in data processing affected the company?**

*Sychowski:* I think the most significant improvement in data processing over the last several years is going from a "batch" to an "on-line" mode. People can now access the data directly via the computer and get information in seconds, versus submitting a request and then waiting 24 hours. Computer terminals throughout the building are in constant use — people entering, updating and looking up data. Then in the evenings, the computer system also prints forms, declarations and policies for clients and agents. This on-line capability, of course, profoundly improves response time to our field force and service to the customer.

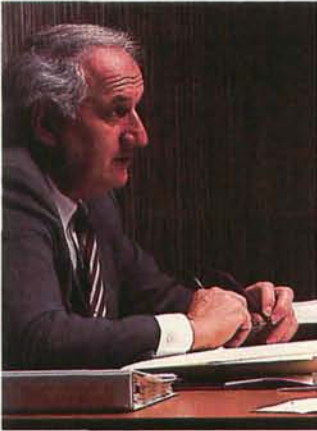


**Q: What is MSI doing to keep up with the rapidly changing technology?**

*Sychowski:* Four years ago, we published a Data Processing Five-Year Plan, relating to technology and software applications. Within that plan was a proposal to convert to IBM equipment. Because most insurance companies use IBM systems, this proposal gives us the opportunity to buy application software packages which are more cost-efficient and take less time to implement than designing our own system. The data processing plan is very much on-target, with our conversion from Univac to IBM equipment scheduled for completion in 1984. We are also working with our agents in the field on personal computers and office automation.

**Q: What are the biggest challenges ahead for the MSI data processing staff?**

*Sychowski:* Working hard to convert from Univac to IBM equipment at the same time as implementing new applications in a timely fashion might seem like trying to put 10 pounds in a five-pound bag. But there are rewards from both of these efforts. Along with change comes new challenges, and our people thrive on that. I think there is a unique team spirit among the 85 department members that accounts for their extra efforts and hours. We receive excellent support from senior management, who strongly believe our computer systems provide a return on investment by reducing expenses, increasing productivity and giving us an important competitive advantage. ■



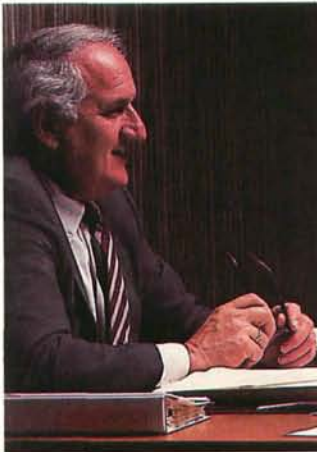
William F. Kenny

**Q: Now that MSI has completed the first year of its Five-Year Strategic Marketing Plan, how effective is it?**

**Q: Why did MSI formulate this plan?**

*Kenny:* During 1982, the strategic plan was an integral part of our decisions relative to products, pricing, service, advertising and distribution. It was also a year that saw a significant increase in our sales volume. We had good acceptance of the strategic plan by our sales people, customers, our board and employees.

*Kenny:* MSI had developed over the years by serving a variety of marketing segments, including cooperatives, farmers, small businesses and homeowners — in both urban and rural areas. As we looked at more sophisticated marketing approaches, one of the challenges was to more clearly identify our specific market segments — what their needs were, and what kinds of products and services would best serve those needs and expand those markets. A second goal was to be sure that we were allocating our resources effectively in market development. We wanted to improve our overall effectiveness, acquire new business, retain our current customers and improve service.



**Q: What special directions is MSI taking because of the marketing plan?**

**Q: What are some specific examples of new products or procedures resulting from the plan?**

**Q: What's your personal evaluation of the MSI marketing plan?**

*Kenny:* We are using a new process in product development. It more effectively identifies the needs of the customer, the alternatives to serving that customer, what the trade-offs are and the quality, pricing and underwriting of the product. In 1982, we also launched a new advertising program with a strong television emphasis. It was aligned to our marketing strategy and positioned MSI, and particularly our agents, around our People Helping People® philosophy. Probably the strategy's biggest contribution is the ability to focus on doing for our customers what we do best, rather than trying to do a lot of different things for a lot of different markets.

*Kenny:* One good example is our new individual major medical plan, which has had dynamic sales growth. We've also been very aggressive in pursuing the farm-owners', recreational and boatowners' markets. We've updated and come out with a new homeowners' endorsement that is particularly appealing to those with homes valued at over \$75,000. We've also implemented an on-line group claims computer system.

*Kenny:* There are companies that devote extensive time to the planning process and put together a lot of plans — some of them very exotic. I think we spent good time in planning, but the difference at MSI is that we're implementing and supporting our plan. There's a corporate-wide team approach which is very evident. It's actually not a marketing plan; it's a corporate plan for marketing. We're evaluating where we are with it, and each year we're updating it. What that does is keep the plan alive, viable and effective. Really, that's quite unique in my experience. ■



Loren Haugland

**Q: How important is investment income to insurance companies?**

*Haugland:* New consumer laws, inflation and increased competition have made it difficult for insurance companies to price their products at operational cost levels. Companies have also tried to be more responsive to emerging community and individual needs by using less stringent underwriting requirements. Sometimes that means insuring customers who aren't good risks. Consequently, we are looking more and more to investment income to supplement our insurance operations.

**Q: What kinds of investments does MSI make?**

*Haugland:* Our basic philosophy has always been to support our product lines. In other words, we make investments whose income characteristics dovetail with specific product lines. For example, in the Casualty Company, where large losses can occur suddenly, highly marketable investments with capital-gain potential are required to maintain liquidity. In the Life Company, where contractual obligations are of a long-term nature, we stress high current income and are willing to accept less liquidity. We do this primarily through fixed-income investments such as bonds and mortgages. In recent years we've also invested in real estate.



**Q: How do you see the MSI portfolio changing?**

*Haugland:* We will, in the future, strive to diversify our assets more than we have in the past. Investments in commercial mortgages will be increased substantially. We will also emphasize equity and real estate investments as continued hedges against inflation. Active trading of our securities portfolios (actively buying and selling) will become a dominant theme, replacing the current buy and hold strategy.

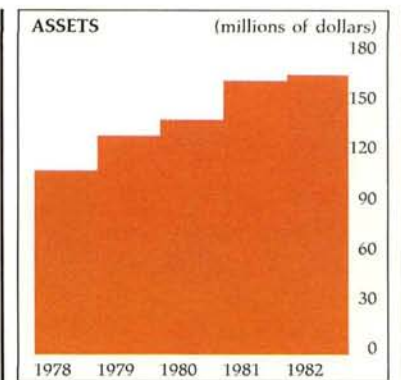
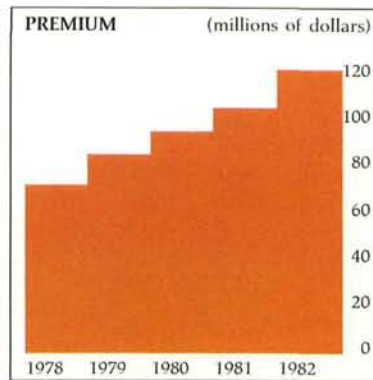
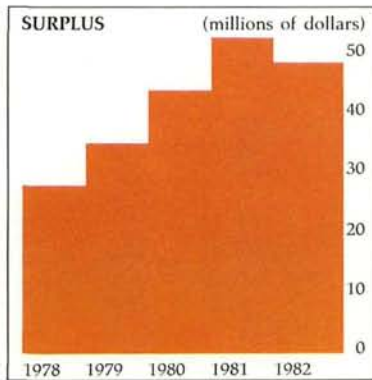
**Q: What particular investment expertise does MSI have?**

*Haugland:* There are a couple of things. One, we are very flexible and able to respond quickly to a loan request. Potential borrowers know that we have decisive people who can make decisions quite rapidly, and this gives us increased opportunities to consider investment proposals. Secondly, because we are not a huge company, we make smaller investments which frequently offer greater return potential. We are willing to consider investments in the \$250,000 range, which eliminates competition from most larger institutions. I would also say that we have an experienced and highly professional staff, which is very enthusiastic and aggressive.

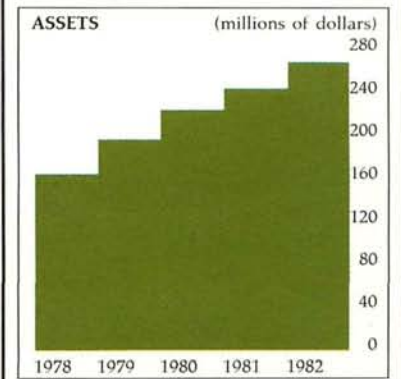
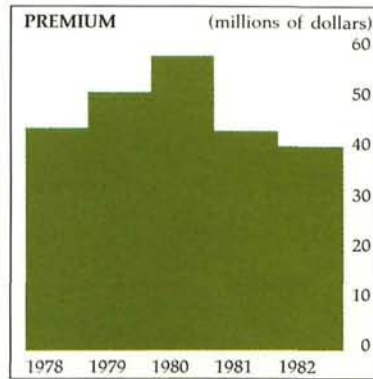
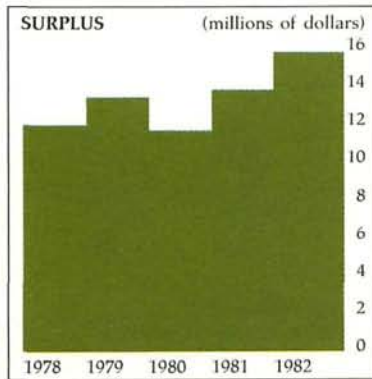
**Q: How does MSI plan investment strategy?**

*Haugland:* To begin with, we have a broad philosophy which is reviewed each year, and it's general enough not to require frequent changes. Within this context, we prepare an annual investment strategy that is approved by an advisory investment committee and reviewed by the board of directors. I think the major component required in any investment planning is flexibility. You have to be flexible enough to adjust your strategy rather quickly to accommodate changes in the marketplace. ■

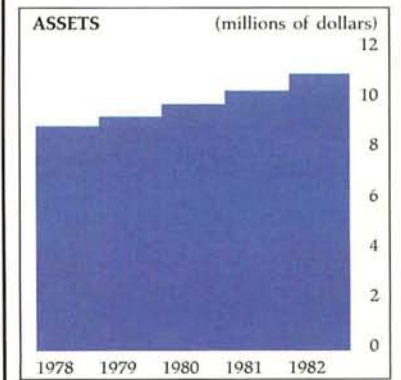
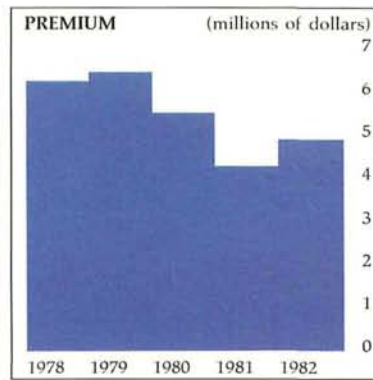
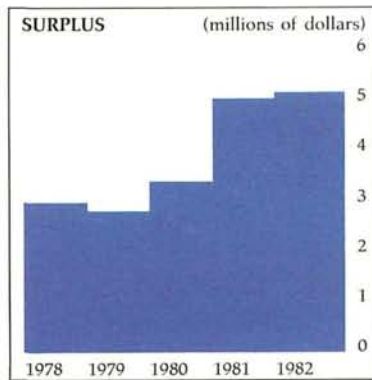
**Mutual Service Casualty**



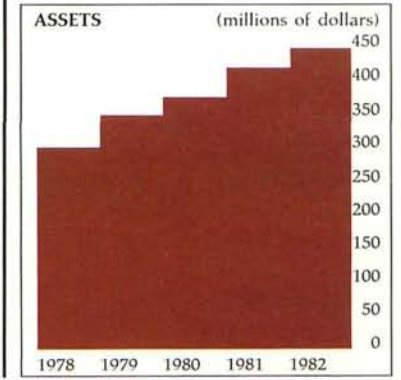
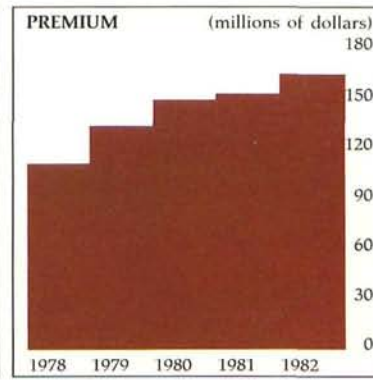
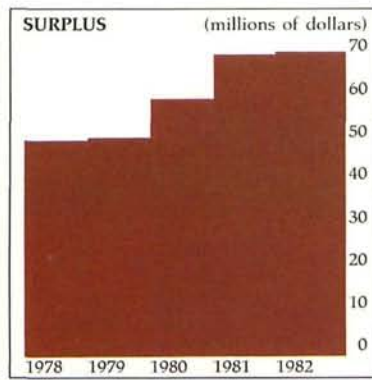
**Mutual Service Life**



**Modern Service**



**Combined Results**





**BALANCE SHEET\***

ASSETS	December 31,	
	1982	1981
Bonds	\$145,855,098	\$137,205,200
Mortgage Loans	323,707	395,653
Preferred and Common Stocks	5,266,983	3,491,535
Investment in Modern Service Insurance Company	2,556,346	2,527,013
Cash	3,484,000	2,323,957
Note Receivable	—0—	7,069,245
Premiums Due and Other Receivables	7,212,201	6,919,768
Accrued Interest	3,147,622	3,297,296
<i>Total Assets</i>	<b>\$167,845,957</b>	<b>\$163,229,667</b>

**LIABILITIES AND POLICYOWNERS' SURPLUS**

Liabilities:		
Reserves for Losses and Loss Expenses	\$ 82,334,033	\$ 80,184,337
Unearned Premiums	29,457,916	26,248,156
Advance Payments	1,180,125	1,423,488
Unpaid Expenses and Taxes	3,394,587	3,417,180
Other Liabilities	2,638,786	1,682,085
<i>Total Liabilities</i>	<b>119,005,447</b>	<b>112,955,246</b>
Policyowners' Surplus	<b>48,840,510</b>	<b>50,274,421</b>
<i>Total Liabilities and Policyowners' Surplus</i>	<b>\$167,845,957</b>	<b>\$163,229,667</b>

\* As filed with the Minnesota Insurance Department.

**STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS\***

	Year ended Dec. 31,	
	1982	1981
<b>Underwriting</b>		
Premiums Written, Gross	<b>\$121,382,843</b>	\$105,967,559
Less Reinsurance Ceded	<b>12,450,450</b>	8,664,365
Premiums Written, Net	<b>108,932,393</b>	97,303,194
Change in Unearned Premiums	<b>(3,209,760)</b>	(108,498)
<i>Premiums Earned</i>	<b>105,722,633</b>	97,194,696
Losses and Loss Adjustment Expenses	<b>88,365,593</b>	76,906,674
Commissions and Other Acquisition Expenses	<b>18,089,542</b>	15,241,664
Other Underwriting Expenses	<b>11,275,944</b>	10,459,351
<i>Total Losses and Underwriting Expenses</i>	<b>117,731,079</b>	102,607,689
<i>Gain (Loss) from Underwriting</i>	<b>(12,008,446)</b>	(5,412,993)
<b>Investment Income</b> <i>Less Related Expenses</i>	<b>11,487,532</b>	10,996,264
<i>Gain (Loss) from Operations Before Federal Income Taxes</i>	<b>(520,914)</b>	5,583,271
Federal Income Taxes	<b>—0—</b>	—0—
<i>Gain (Loss) from Operations</i>	<b>(520,914)</b>	5,583,271
Policyowners' Surplus at Beginning of Year	<b>50,274,421</b>	43,886,480
Increase in Unrealized Appreciation of Investments	<b>(184,398)</b>	146,188
Other Changes, Net	<b>(728,599)</b>	658,482
<i>Policyowners' Surplus at End of Year</i>	<b>\$ 48,840,510</b>	\$ 50,274,421

## BALANCE SHEET\*

ASSETS	December 31,	
	1982	1981
Bonds	\$184,878,049	\$168,633,488
Mortgage Loans	25,297,534	26,391,785
Preferred and Common Stocks	3,681,650	3,706,250
Real Estate	13,337,672	11,865,404
Policy Loans	14,753,526	13,059,618
Investment in Modern Service Insurance Company	2,551,846	2,522,566
Other Invested Assets	664,100	—0—
Cash	1,933,578	728,893
Federal Income Tax Recoverable	950,000	772,500
Due and Deferred Premiums	3,306,555	3,221,776
Accrued Interest	5,513,037	4,965,150
Amount Due from Reinsurer	1,177,755	—0—
Separate Account	9,108,721	8,878,543
<i>Total Assets</i>	<b>\$267,154,023</b>	<b>\$244,745,973</b>

## LIABILITIES AND POLICYOWNERS' SURPLUS

### Liabilities:

Reserves for Policy Contracts in Force	\$212,313,353	\$186,845,397
Dividends on Deposit	13,191,828	12,573,780
Advance Premiums and Suspense	3,729,806	2,845,849
Policyowners' Dividends	6,146,884	5,987,483
Pending and Unreported Claims	1,818,669	1,206,818
Unpaid Expenses and Taxes	2,399,744	2,898,644
Securities Valuation Reserve	2,777,163	2,715,489
Note Payable	—0—	7,069,245
Separate Account	9,108,721	8,878,543
<i>Total Liabilities</i>	<b>251,486,168</b>	<b>231,021,248</b>
<b>Policyowners' Surplus</b>	<b>15,667,855</b>	<b>13,724,725</b>
<i>Total Liabilities and Policyowners' Surplus</i>	<b>\$267,154,023</b>	<b>\$244,745,973</b>

\* As filed with the Minnesota Insurance Department.

STATEMENT OF OPERATIONS AND POLICYOWNERS' SURPLUS\*

	Year ended Dec. 31,	
	1982	1981
<b>Income</b>		
Premiums, Annuity and Other Contract Considerations	\$40,196,946	\$43,203,818
Investment Income Less Related Expenses	21,563,808	18,285,451
Separate Account	2,350,853	(918,624)
<i>Total</i>	64,111,607	60,570,645
<b>Benefits and Expenses:</b>		
Death and Other Contract Benefits	8,456,472	13,060,951
Increase in Policy Reserves	26,591,010	20,476,316
Annuities and Cash Value Payments	6,262,477	7,703,148
Commissions	3,264,063	3,236,862
General Expenses and Taxes	11,808,640	9,634,598
Separate Account	2,350,853	(918,624)
<i>Total</i>	58,733,515	53,193,251
<i>Gain from Operations Before Dividends and Federal Income Taxes</i>	5,378,092	7,377,394
Dividends to Policyowners	3,440,355	4,490,004
Federal Income Taxes	250,000	300,000
<i>Gain from Operations</i>	1,687,737	2,587,390
Policyowners' Surplus at Beginning of Year	13,724,725	11,810,865
Realized and Unrealized Gain (Loss) on Investments, Net	(227,160)	502,181
Change in Securities Valuation Reserve	(61,674)	(593,902)
Other Changes, Net	544,227	(581,809)
<i>Policyowners' Surplus at End of Year</i>	\$15,667,855	\$13,724,725

**BALANCE SHEET\***

ASSETS	December 31,	
	1982	1981
Bonds	\$10,113,869	\$9,438,072
Preferred and Common Stocks	260,175	237,550
Cash	157,915	64,298
Premiums Due and Other Receivables	354,360	259,388
Accrued Interest	202,823	203,486
<i>Total Assets</i>	<b>\$11,089,142</b>	\$10,202,794
<b>LIABILITIES</b>		
Reserves for Losses and Loss Expenses	\$ 4,579,635	\$ 4,120,765
Unearned Premiums	1,015,660	737,867
Advance Payments	112,835	62,745
Unpaid Expenses	268,321	227,390
<i>Total Liabilities</i>	<b>5,976,451</b>	5,148,767
<b>Stockholders' Equity</b>		
Common Stock Par Value	1,250,000	1,250,000
Additional Paid-in Capital	1,100,000	1,100,000
Retained Earnings	2,762,691	2,704,027
<i>Total Stockholders' Equity</i>	<b>5,112,691</b>	5,054,027
<i>Total Liabilities and Stockholders' Equity</i>	<b>\$11,089,142</b>	\$10,202,794

\* As filed with the Minnesota Insurance Department.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS\*

	Year ended Dec. 31,	
	1982	1981
<b>Underwriting</b>		
Premiums Written, Gross	\$4,828,900	\$4,323,101
Less Reinsurance Ceded	33,021	34,997
Premiums Written, Net	4,795,879	4,288,104
Change in Unearned Premiums	(277,793)	112,687
<i>Premiums Earned</i>	<b>4,518,086</b>	4,400,791
Losses and Loss Adjustment Expenses	2,834,620	2,238,664
Commissions and Other Acquisition Expenses	850,222	732,459
Other Underwriting Expenses	967,903	959,882
<i>Total Losses and Underwriting Expenses</i>	<b>4,652,745</b>	3,931,005
<i>Gain (Loss) from Underwriting</i>	(134,659)	469,786
<b>Investment Income</b> <i>Less Related Expenses</i>	<b>804,967</b>	717,679
<i>Gain from Operations Before Federal Income Taxes</i>	<b>670,308</b>	1,187,465
Federal Income Taxes	33,163	—0—
<i>Gain from Operations</i>	<b>637,145</b>	1,187,465
Increase in Unrealized Appreciation of Investments	6,883	(47,484)
Other Changes, Net	(585,364)	(125,445)
<i>Increase in Retained Earnings</i>	<b>\$ 58,664</b>	\$1,014,536



From left, Lynn Balbach, Glen E. Gearing, Bruce G. Anderson, Dr. Richard H. Vilstrup, Howard C. Richards, Duane H. Putz, Jerome G. Tvedt, David C. Aspen, Ralph Hofstad, Francis L. Lair and Gerald M. Rubin.

**Glen E. Gearing**  
Chairman  
Self-Employed Dairy Farmer  
Merrillan, Wisconsin

**Francis L. Lair**  
Vice Chairman  
Retired President and  
General Manager  
Universal Cooperatives  
Bloomington, Minnesota

**Bruce G. Anderson**  
Executive Committee  
General Manager  
Albert City Elevator  
Albert City, Iowa

**David C. Aspen**  
Self-Employed Farmer  
Menomonie, Wisconsin

**Lynn Balbach**  
Self-Employed Farmer  
Springfield, Minnesota

**Ralph Hofstad**  
President  
Land O'Lakes, Inc.  
Minneapolis, Minnesota

**Duane H. Putz**  
General Manager  
Ottertail Co-op Oil  
Fergus Falls, Minnesota

**Howard C. Richards**  
Self-Employed Farmer  
Lodi, Wisconsin

**Gerald M. Rubin**  
Self-Employed  
Real Estate Management  
Corte Madera, California

**Jerome G. Tvedt**  
Retired President  
CENEX  
Cumberland, Wisconsin

**Dr. Richard H. Vilstrup**  
Professor of Agricultural  
Economics  
University of Wisconsin  
Madison, Wisconsin

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

**Gordon E. Lindquist, CLU**  
President and  
Chief Executive Officer-Elect

**Jerome M. Friedmann, AEP**  
Vice President, Personnel and  
Corporate Relations

**Roger D. Hauck**  
Vice President, Controller

**Loren Haugland, CFA**  
Vice President, Investments

**Avis E. Johnson**  
Vice President, Casualty

**William F. Kenny, CLU**  
Vice President, Marketing

**Frank J. Rajkowski, CLU**  
Vice President, Sales—  
Agency

**Richard G. Rosel**  
Senior Vice President,  
Finance/Treasurer

**Kevin J. Stangler**  
Vice President, Accounting/  
Assistant Treasurer

**Jerome L. Sychowski, FLMI**  
Vice President, Data  
Processing

**William E. Terbilcox**  
Vice President, Claims

**Gerald A. Williams, CLU**  
Vice President, Sales—  
Special Markets

**Thomas F. Wright**  
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Vice President, General  
Counsel/Secretary





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- Group Pensions
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- Homeowners' Insurance
- Farmowners' Insurance
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