



***MSI INSURANCE 1983 ANNUAL REPORT***

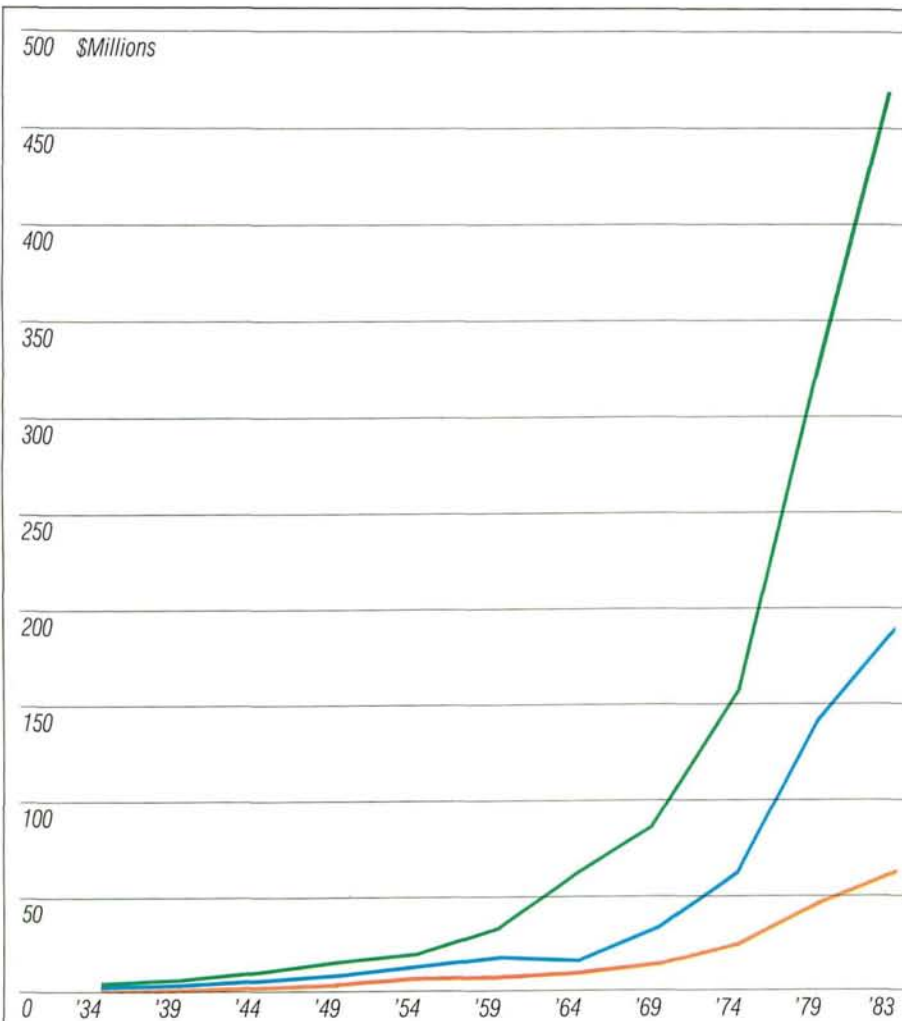
MSI Insurance is the market identifier for three insurance companies: Mutual Service Life, Mutual Service Casualty and Modern Service Insurance. A fourth company, Mutual Service Cooperative, is the MSI fiscal agent and governing body. A multiple-line insurance group, MSI Insurance is licensed in 43 states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

*Cover photo: MSI corporate headquarters*

## 1983 FINANCIAL HIGHLIGHTS

Assets	\$ 478,426,000
Surplus	\$ 61,433,000
Premium	\$ 179,881,000
Net Investment Income	\$ 36,940,000
Net Earnings	\$ (3,081,000)
Life Insurance in Force	\$2,859,241,000

## 50 YEARS OF GROWTH



Employee lounge, MSI home office, Arden Hills, Minnesota

MSI Insurance reaches its half century milestone in 1984. As the graph shows, the organization has experienced excellent growth during the course of 50 years.

## MESSAGE TO POLICYOWNERS

1983 presented significant challenges for the management of MSI. The casualty insurance companies continued to operate in a climate of severe competition and high losses. As a matter of perspective, it is estimated that nationally the casualty insurance industry will have underwriting losses exceeding \$21 billion during the years of 1982-83. This is more than the total 23 year preceding period. For the third consecutive year, prices for home repair, auto repairs and health care costs all rose faster than the Consumer Price Index and inflation rates.

In this environment, Mutual Service Casualty experienced proportionately severe losses. We anticipated that 1983 would be a difficult year and forecasted break-even at best. The continued adverse operating climate was worse than we expected; we were particularly hard hit by weather, especially severe summer storms. This resulted in a surplus loss in the casualty company.

On the brighter side, 1983 was a significant year of opportunity and steps were taken to strengthen the future for MSI:

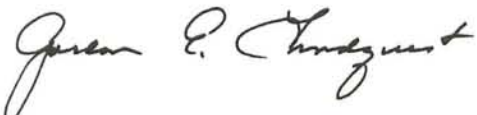
- Mutual Service Life had good operating gains which are expected to continue and improve.
- As opposed to the industry, our group health lines all produced a gain for the second consecutive year.
- Modern Service, our smaller casualty company, had excellent earnings and good growth.
- New sales increased more than 23 percent over 1982, marking a second consecutive year of strong new sales, exceeding industry results.

- Several new products were introduced, including the Ultimate Homeowners, Modern Service Homeowners, a revised Flexible Premium Annuity, and updated Parallel Protector life policy. We also discontinued some products which had traditionally produced high losses.
- Our distribution systems were reorganized to better serve target markets.
- The partnership between our agents and the companies was strengthened. There were significant increases in cooperative sales promotion, advertising, and agents' income. The professionalism of our agency force is becoming better known to the markets we serve.
- Two highly respected regional cooperatives endorsed MSI products to their member cooperatives.
- We continued to carry out our corporate responsibility with grants from the Mutual Service Fund and the MSI Foundation totaling more than \$150,000 to cooperatives and other organizations.
- Investment return in all three companies was excellent, placing them in the top quartile of the industry.
- A work effectiveness program was implemented in the life company designed to improve productivity, make jobs more meaningful, and reduce costs.
- A record 61 MSI agents each wrote more than \$1 million of life insurance during 1983 — more than three times the number in previous years.
- Our television advertising program significantly raised our profile and received national recognition for its excellence.

- A new management team was assembled and functions realigned to focus on improving effectiveness in servicing policyowners in fast changing environments.
- The MSI Board of Directors examined and generated new concepts to assist us in market penetration while retaining cooperative controls.
- A strategic corporate plan was developed supporting long term financial goals. This plan approved by the Board in November, places emphasis on excellent service, sustained planned growth, and the maintenance of financial strength and stability. Creation of the strategic plan, in that it maps the future direction of MSI, was 1983's most significant accomplishment.

1984 is the first year for implementing our corporate strategy. The year promises to be no less difficult than the preceding two years, but we move into this new year with considerable confidence. Because of our commitments and strategic planning, we know what we want to achieve and how we are going to do it.

It has been said that "it isn't the genius of the plan that counts, it's how well it is implemented". Our biggest challenge for 1984 is to successfully implement our corporate strategy. We have the strong support of our constituency, and competent, dedicated people equal to the challenge. We're extremely confident as we begin our second half century of serving our policyowners.



Gordon E. Lindquist  
President and Chief Executive Officer



Gordon E. Lindquist

## OPERATING HIGHLIGHTS

### MARKETING

1983 was a banner year for new sales, increasing more than 23 percent over 1982. This second consecutive year of new sales well above industry averages underscores the effectiveness of the corporate strategic planning for Marketing completed in 1982. New sales were up in all lines, but dramatically increased in personal lines, particularly in Life company products.

Renewal premium income increased less than in previous years, and in some business lines, renewal income decreased. Intensified competition in the marketplace and recessionary pressure on businesses have been the prime causes for lower renewal income. Total business insurance premium is related to sales totals, so as MSI business customers experience downturns, their premiums decrease. Individuals feeling the economic pinch, particularly those who are unemployed, are also insuring less.

MSI instituted strategies to improve renewal totals, focusing on enhanced products, effective controls of expenses, and improved communications with customers. In addition to strengthening customer awareness and sensitivity throughout the home office, management has emphasized improved communications between agents and policyowners through calls, mailings, and in particular, through a new policyowner newsletter, providing useful insurance consumer information.

During 1983, the Midwest sales regions were reorganized according to market similarities, rather than along state lines. The Northern Region of MSI now includes an area with industries such as fishing, paper, lumber and taconite. Agriculture is the key factor in the local economy of the Southern Region. The new Metro Region serves the urban markets of Minneapolis, St. Paul, Milwaukee and Racine.

A new Cooperative Markets Department was formed to provide specialized service to cooperative clients. The department is a consolidation of the cooperative insurance sales and service functions.

As the country's leading insurer of cooperatives, MSI has about 30 percent of its business with the cooperative sector. By centralizing its sales and service functions, MSI will project a more unified image to cooperatives and will be in a better position to expand its business in these markets.

The new department emphasizes unified, centralized efforts. There are two teams.

A corporate accounts unit serves larger cooperatives, regionals and interregionals. The unit seeks business nationwide but is focusing on areas of high cooperative concentration, such as Florida, California and New England. It is comprised of four specialists covering all lines of insurance.

An 11-person cooperative accounts unit serves local cooperatives. It provides specifically designed property/casualty, group life/health and pension packages to local cooperatives affiliated with regional cooperatives which endorse MSI as their insurance carrier.





*A hot air balloon bearing the distinctive MSI logo was part of the 1983 Minnesota State Fair festivities. The balloon crew visited briefly on the 55-acre campus surrounding the MSI home office in Arden Hills.*

MSI introduced a new television commercial during the year, telling the story behind the companies' twin pines logo. The commercials, first aired in the Midwest, feature a 1920 scene of a young boy and his grandfather. They plant two trees side by side and discuss how people, like pine trees, need each other for protection and growth. The TV spots tie together the idea of People Helping People® with the twin pines symbolizing the cooperation between MSI and its policyowners.

#### *LAW DIVISION*

The Law Division consists of the Casualty Claims Department and the Legal Department.

During 1983 the Casualty Claims Department experienced a 3 percent increase in claim volume over 1982 levels. This increase was handled without any addition to staff.

In addition to providing legal services to the various operational and staff departments of MSI, the Legal Department is responsible for MSI lobbying activities. The department represents MSI in working with the Minnesota Department of Commerce in connection with the promulgation of various regulations pertaining to property and casualty insurance.

In 1983, the Legal Department worked with the Life Company to revise the flexible premium annuity product. It also assisted the Life Company in developing the program for administering employer self-insured health welfare plans.

## OPERATING HIGHLIGHTS

### LIFE COMPANY

Mutual Service Life had continued good earnings in 1983. Significantly, the group health line had its second year of positive earnings after losses in 1980 and 1981. This turnaround reflects carefully planned product and pricing strategies.

A major development in the Life Company was the introduction of a work effectiveness pilot project. The purpose of this program is to increase productivity, improve the quality of work while maintaining time standards, and increase opportunities for employees to make their jobs more meaningful.

As part of the project, employees developed mission statements for their work units and reviewed work flow, job structure and organization.

Next, study teams were formed to evaluate individual work areas and to report their findings to management. The results of the study indicated, in many cases, where work flow could be improved or jobs restructured to become more effective and meaningful.

During the year, the Life Company installed a new on-line information retrieval system called Insurance Logistics Automated (ILA-3). The state-of-the-art system is much faster and offers more flexibility than earlier models. It improves policyowner service on such transactions as loans, dividend increases and premium payments. Use of the system also significantly increases flexibility in product development and implementation.

A number of new products were developed or updated during the year. These included a new flexible premium annuity for IRA business, an updated Parallel Protector policy and a new five-year, non-renewable individual life term policy.



*Above: Jim Bourland, Senior Corporate Accounts Executive-Property/Casualty (right), meets with representatives of CENEX, one of the large MSI corporate accounts. Pictured left to right from CENEX are: Rita Tierney, Administrative Manager; John Fouts, Vice President, Financial Services; and Terry Houg, Sales Manager.*

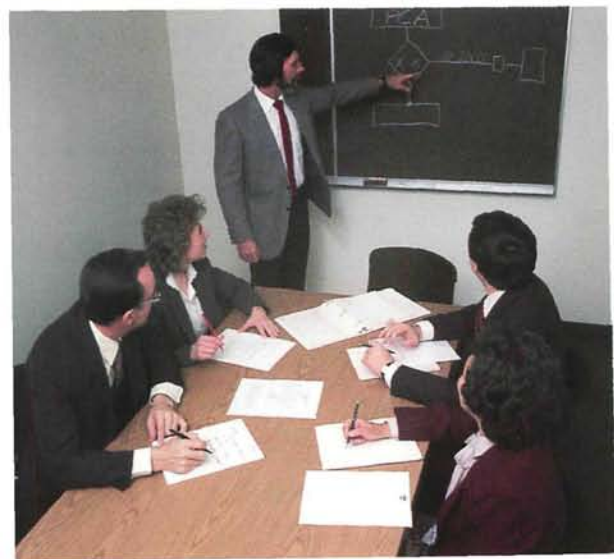
*Right: Policyowner data is at home office employees' fingertips with the new Insurance Logistics Automated System (ILA-3) in the Life Company. The system has been a boon to both policyowner service and product development.*







*Above: Severe casualty losses resulted from a number of devastating windstorms during the summer of 1983.*



*Left: A Mutual Service Life Company work effectiveness team studies a work-flow diagram for certificate issue to Production Credit Associations. Listening to Jacques Triden, Individual Life and Health Claims Manager, are (left to right): Art Breitbarth, Rose Bush, Steve Smith and Dolores Brown.*

## CASUALTY COMPANY

Galen Severson was named vice president, Casualty, in August 1983. An 18-year employee of MSI, he was formerly Personal Lines Underwriting and Service director. Prior to that he spent 13 years as manager of Modern Service.

A new concept in homeowners' insurance was introduced in 1983. The MSI Ultimate and Ultimate-100 homeowners' policies are designed for those buying their second or third home. The policies are geared to newer homes in the \$100,000 bracket. Because they tend to be of more recent construction and situated in more protected areas, the plan can provide higher limits of coverage at reasonable costs. The Ultimate program was introduced in Minnesota and Wisconsin in September, with expansion to other areas planned for early 1984.

During the year, the auto lines experienced higher loss ratios than the previous year. These were due in part to the company's decision to hold back on rate increases, and partly to an increase in the severity of losses over previous years.

On the property side, losses were heavily influenced by four major Minnesota windstorms in 1983. These affected both homeowners' and farmowners' lines. Property losses were also affected by fires caused by improperly installed woodburning stoves. Collectively, the Casualty Company loss ratio was up 2½ percentage points.

Throughout the year, Casualty worked closely with Marketing to emphasize the interdependence between Underwriting and Sales in bringing good risk business to MSI. An outgrowth was the Quality Agent program, which assists agents in risk assessment, and recognizes agents who consistently write quality (good risk) business.

## OPERATING HIGHLIGHTS

### FINANCE

During 1983, all financial accounting functions were combined in the Controller's Department. This includes the recording, reporting, analysis interpretation and forecasting of financial results within the company.

The reorganization of the financial area is part of a company-wide effort to structure operations according to function.

Functional restructuring also took place in the Investment Department, as it was split into the Securities Section and Real Estate Section.

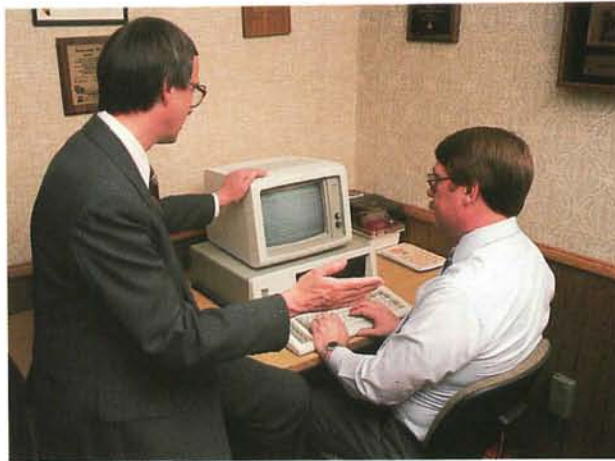
The reorganization enables MSI to pursue a more aggressive investment strategy and fosters a higher return on assets, with limited additional risk.

The Data Processing Department received a new name during 1983 — Information Systems and Services. The name change reflects the department's expanded corporate-wide services. In addition to processing data, the department provides information to all areas of the company. The new name also signifies the department's transition from being a "batch" overnight provider of information to offering direct, on-line access to and entry of information.

The total integrated information concept at MSI includes data processing, printing and word processing.

An agent microcomputer pilot project was inaugurated in October. The six-month trial will evaluate the usefulness and cost effectiveness of using IBM microcomputers in agent offices. The personal computers will be used for direct mail, word processing and maintenance of client files.

The pilot study's four agents and their office staffs received several days of training in the home office. The technical support provided by the Information Systems and Services Department also includes on-site assistance.



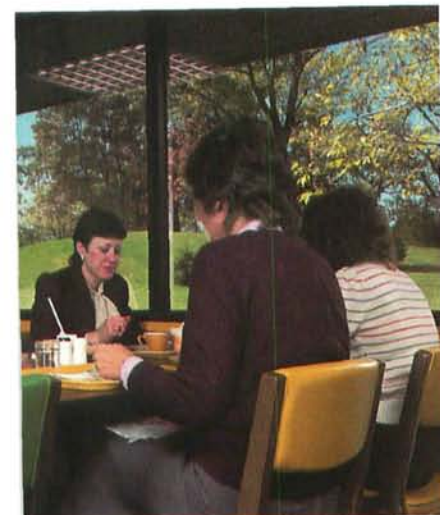
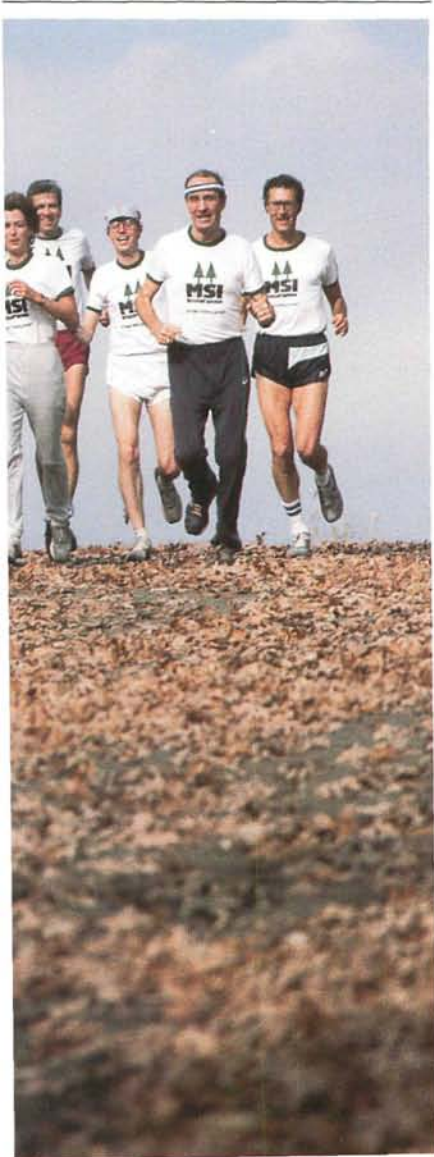
*Top left: MSI agent Marlowe House receives training in the use of a microcomputer from Dan Kern, Microcomputer Coordinator.*

*Center left: Human Resources Development Manager Bob Lauer coaches employees in management techniques, as part of a new program to increase productivity and develop employee skills.*

*Top right: A corporate running team became part of the MSI "Fit for Life" employee fitness program during 1983. A charter member of the group is President and Chief Executive Officer Gordon E. Lindquist, second from right.*

*Right: The energy-efficient MSI headquarters includes a bright employee cafeteria.*





### *CORPORATE SERVICES*

Corporate restructuring during the year included the consolidation of support functions in one division, named Corporate Services.

A significant development was the beginning of the Human Resources Development function, as a first step in meeting the corporate goal of increased productivity through management development. Corporate-wide training needs were assessed and management development classes were started.

The MSI Affirmative Action program, administered through the Personnel Department, was successful in increasing the number of women professionals employed by 20 per cent.

The companies' ongoing "Fit for Life" employee-fitness campaign introduced several new programs during 1983. These included a health risk appraisal program for management, participation in the American Lung Association's Corporate Running Series, and a new smoking policy.

The policy on smoking, announced during 1983, states that as of Jan. 1, 1985, MSI will become a smoke-free work environment. At that time, smoking in the home office will be allowed only in a smoking section of the cafeteria.

The new MSI policy grew from its concern as an employer, and a life and health insurer, which promotes healthy lifestyles for its employees and policyowners.

An employee committee of both smokers and nonsmokers organized a program for the phased implementation of the policy. It included nonsmoking "buddies" who provide support for smokers trying to quit. Professionally developed "UNsmoke" sessions are also being offered to employees, with full tuition reimbursement for those who remain smoke-free for six months.

The 1983 corporate gifts program included the donation of "The Family" sculpture to the College of St. Thomas, St. Paul, in September.

The 3,200-pound copper sculpture was created by renowned sculptress Evelyn Raymond in 1959 for the front of the former MSI home office on St. Paul's University Avenue. When the office moved to suburban Arden Hills in 1979, the sculpture was not architecturally compatible with the new building, and was placed on a hill on the MSI grounds.

The MSI United Way campaign, spurred on by highly enthusiastic and participative teamwork, doubled its ambitious goal of a 15 percent increase in employee contributions. With total gifts of \$37,341, MSI surpassed its 1982 employee campaign by 30 percent.

More than \$85,000 was awarded by the Mutual Service Fund to 26 cooperative organizations throughout the United States. The 1983 recipients were chosen from more than 60 applications representing state associations, consumer and agricultural cooperatives, universities and other educational institutions.

The Mutual Service Fund has provided financial assistance to cooperatives for education, development, promotion and training since 1974. It is part of the MSI corporate commitment to invest in cooperative enterprise.

Additionally, the MSI Foundation donated nearly \$70,000 in corporate contributions to the United Way, charitable organizations and community programs.

## STRATEGIC PLANNING

"Strategic Planning has a high priority at MSI. There are revolutionary forces affecting the insurance industry — technological, competitive/economic and consumer forces. In order for us to capitalize on this changing environment and maximize our opportunities, it is essential that we plan and manage our resources well."

Gordon E. Lindquist, CLU  
President and  
Chief Executive Officer

1983 was a year of planning. It was a year of taking stock, evaluating and charting direction for more than 50 senior and middle managers who took an active part in developing a corporate strategic plan.

The process was launched in January. During the next several months, hundreds of hours were given to intensive study and assessment of individual departments. These formal sessions were supplemented by many hours of communication and interaction between managers at all levels. A task force was organized in each functional area, with extensive "cross pollination" between groups.

Nine task forces, representing distinct functions of the company, independently evaluated their respective function's mission, its present condition and future opportunities, and developed goals and strategies for the next three to five years.



*Nine task forces held intensive planning sessions during 1983 to develop functional goals and strategies. From their findings, top management developed the MSI Corporate Strategic Plan. Pictured in this section are members of the Financial Management Task Force. Pictured above, left to right: Kevin Stangler, Vice President, Controller; Galen Severson, Vice President, Casualty; Thomas Wright, Vice President, Life; Rick Johnson, Vice President, Group Operations and Chief Life Actuary; Greg Ostergren, Casualty Actuarial Director, and Richard Rosel, Senior Vice President, Finance and Treasurer, and Task Force Chairman.*

*Right: Task force Chairman Richard Rosel, left, and Loren Haugland, Vice President, Investments, right, listen to Chester Zinn, Vice President, General Counsel and Secretary.*





In June, reports were reviewed from each of the task forces: Marketing, Finance, Casualty Operations, Casualty Claims, Life Operations, Investments, Human Resources, Corporate Relations and Data Processing.

President and Chief Executive Officer Gordon E. Lindquist and his Council then synthesized the task forces' results into an integrated corporate strategic plan.

As a result of these efforts, MSI was able to identify a number of key goals and issues, and prioritize its use of resources over the next several years.

Toward the end of the year, top management held a series of small group sessions to "report back" to employees the results of the planning process and respond to questions.

The Corporate Strategic Plan was coordinated through the office of the president, with Assistant to the President Ronald P. Solyntjes serving on each of the task forces.

One of the most beneficial by-products of the planning process was the strengthened mutual support that resulted from managers participating on task forces distinct from their own functional areas. The planning process opened doors of communication, resolved long-standing issues, and caused people to organize and document their thoughts.

Most importantly, it directed the efforts of each functional area toward common goals. Broad participation and extensive communication were employed in order to gain company-wide support for the plan.

Corporate goals include:

- corporate-wide commitment to excellent service and customer sensitivity;
- strategically planned growth in market share;
- maintained financial strength;
- increased productivity through personnel management and training programs;
- continued improvement in investment performance;
- more effective use of data processing resources; and
- development of a corporate environment of common purpose and shared values.

## STRATEGIC PLANNING

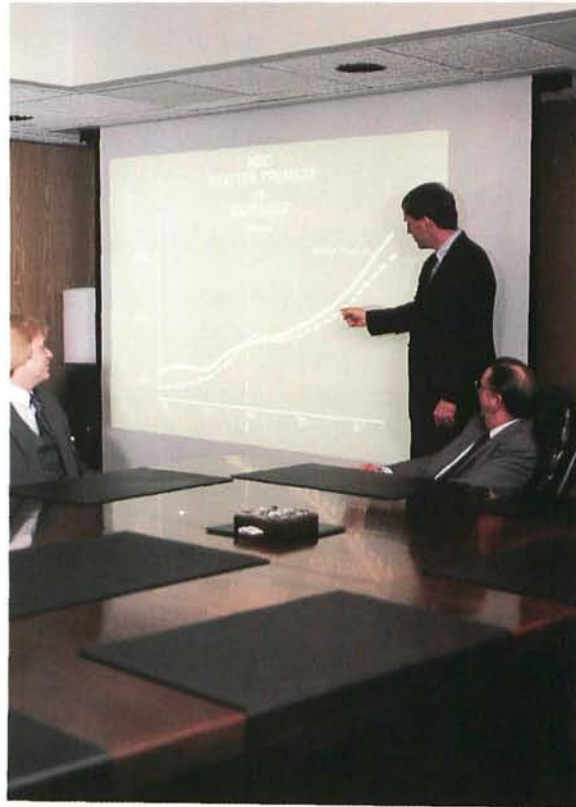
Additionally, specific financial goals were set for the period governed by the strategic plan — the next three to five years:

	Mutual Service Casualty	Mutual Service Life
Premium Growth:	10%	14-16%
Return on Equity:	15%	17-20%
Surplus Ratio:	45-55%	6½-7½%
Modern Service		
<i>Total expenses = total premium</i>		

In order to plan effectively, the task forces evaluated the current state of the organization. The following composite view of MSI is a partial summary of that evaluation.

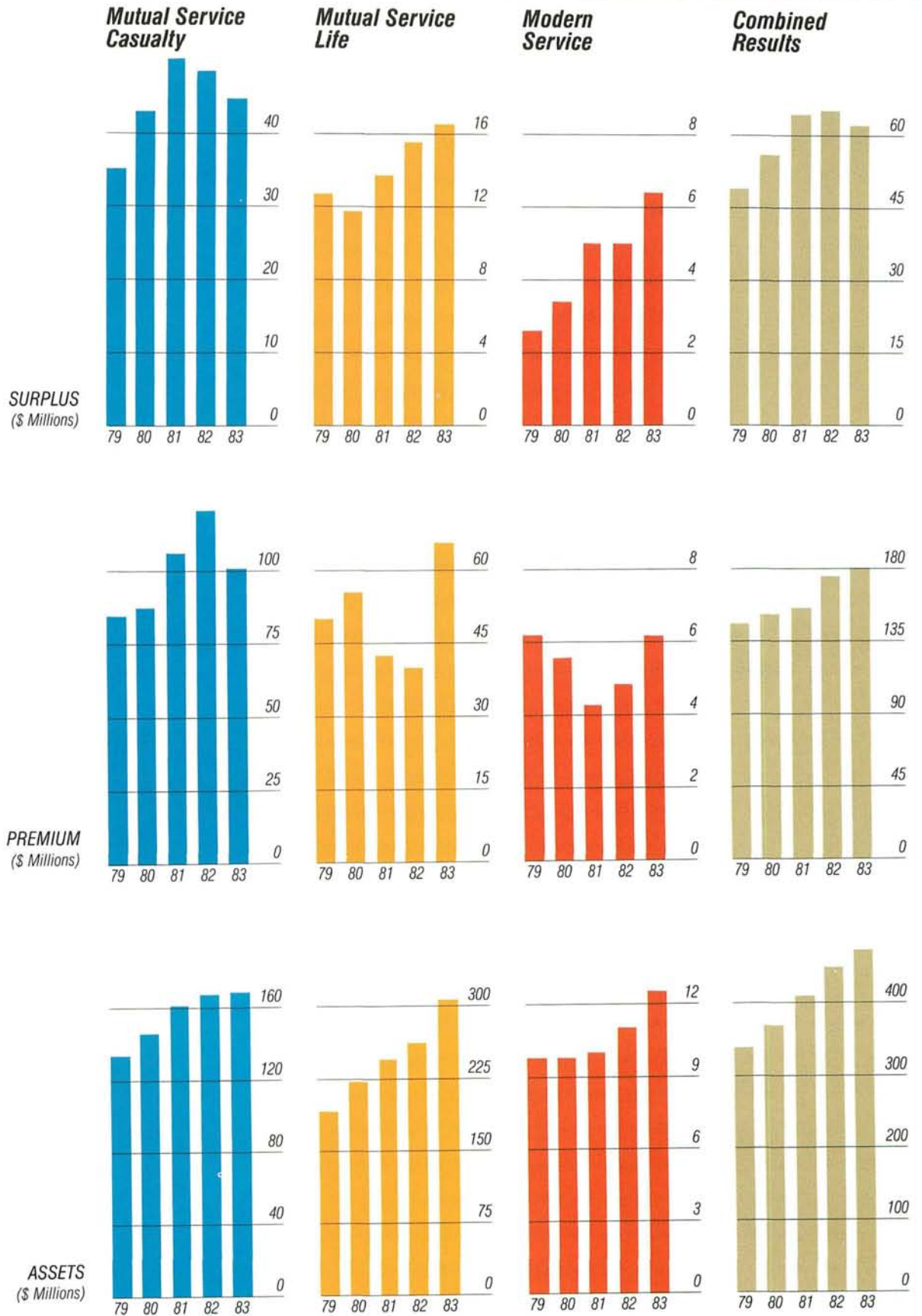
- MSI has a strong cooperative heritage and a reputation for effectively serving cooperative insurance needs.
- Premium mix of MSI Insurance is slightly tilted toward the personal property/casualty lines.
- Ample opportunity for increased market penetration exists in all operating areas and within the cooperative markets.
- MSI is in a strong financial position with adequate resources to implement growth strategies.
- Volatile world and national economies will require flexibility in planning and management.

The corporate mission itself was evaluated and strengthened during the planning process. It was restated as follows: *To grow in a strategically planned manner while maintaining sound financial strength in serving cooperatives, their members, and other markets through business insurance, personal lines insurance, and related financial services.*



*Kevin Stangler, Vice President, Controller, discusses premium and expense projections.*

**SUMMARY OF OPERATIONS**



**MUTUAL SERVICE CASUALTY INSURANCE COMPANY**

**BALANCE SHEET\***

<b>ASSETS</b>	<b>December 31,</b>	
	<b>1983</b>	<b>1982</b>
Bonds	<b>\$143,248,524</b>	\$145,855,098
Mortgage Loans	<b>74,019</b>	323,707
Preferred and Common Stocks	<b>8,049,225</b>	5,266,983
Investment in Modern Service Insurance Company	<b>3,219,859</b>	2,556,346
Cash	<b>2,631,421</b>	3,484,000
Premiums Due and Other Receivables	<b>8,823,983</b>	7,212,201
Accrued Interest	<b>3,242,181</b>	3,147,622
<b>Total Assets</b>	<b>\$169,289,212</b>	<b>\$167,845,957</b>
<b>LIABILITIES AND POLICYOWNERS' SURPLUS</b>		
<i>Liabilities:</i>		
Reserves for Losses and Loss Expenses	<b>\$ 79,860,208</b>	\$ 82,334,033
Unearned Premiums	<b>30,919,600</b>	29,457,916
Advance Payments	<b>5,206,880</b>	1,180,125
Unpaid Expenses and Taxes	<b>3,656,844</b>	3,394,587
Note Payable	<b>4,794,175</b>	—
Other Liabilities	<b>10,129</b>	2,638,786
<b>Total Liabilities</b>	<b>124,447,836</b>	119,005,447
<b>Policyowners' Surplus</b>	<b>44,841,376</b>	48,840,510
<b>Total Liabilities and Policyowners' Surplus</b>	<b>\$169,289,212</b>	<b>\$167,845,957</b>

\*As filed with the Minnesota Insurance Department.



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

	<b>Year ended Dec. 31,</b>	
	<b>1983</b>	<b>1982</b>
<b>Underwriting</b>		
Premiums Written, Gross	<b>\$100,983,124</b>	\$121,382,843
Less Reinsurance Ceded	<b>10,706,604</b>	12,450,450
Premiums Written, Net	<b>90,276,520</b>	108,932,393
Change in Unearned Premiums	<b>(2,639,438)</b>	(3,209,760)
Premiums Earned	<b>87,637,082</b>	105,722,633
Losses and Loss Adjustment Expenses	<b>74,250,867</b>	88,365,593
Commissions and Other Acquisition Expenses	<b>15,799,519</b>	18,089,542
Other Underwriting Expenses	<b>12,356,652</b>	11,275,944
Total Losses and Underwriting Expenses	<b>102,407,038</b>	117,731,079
Gain (Loss) from Underwriting	<b>(14,769,956)</b>	(12,008,446)
<b>Investment Income</b> Less Related Expenses	<b>10,718,084</b>	11,487,532
Gain (Loss) from Operations Before Federal Income Taxes	<b>(4,051,872)</b>	(520,914)
Federal Income Taxes	<b>-0-</b>	-0-
Gain (Loss) from Operations	<b>(4,051,872)</b>	(520,914)
Policyowners' Surplus at Beginning of Year	<b>48,840,510</b>	50,274,421
Increase in Unrealized Appreciation of Investments	<b>986,030</b>	(184,398)
Other Changes, Net	<b>(933,292)</b>	(728,599)
Policyowners' Surplus at End of Year	<b>\$ 44,841,376</b>	\$ 48,840,510

**MUTUAL SERVICE LIFE INSURANCE COMPANY**

**BALANCE SHEET\***

<b>ASSETS</b>	<b>December 31,</b>	
	<b>1983</b>	<b>1982</b>
Bonds	<b>\$193,873,099</b>	\$184,878,049
Mortgage Loans	<b>38,643,059</b>	25,297,534
Preferred and Common Stocks	<b>6,541,976</b>	3,681,650
Real Estate	<b>13,011,652</b>	13,337,672
Policy Loans	<b>15,271,837</b>	14,753,526
Investment in Modern Service Insurance Company	<b>3,214,189</b>	2,551,846
Other Invested Assets	<b>5,437,188</b>	664,100
Cash	<b>1,460,515</b>	1,933,578
Federal Income Tax Recoverable	<b>288,451</b>	950,000
Due and Deferred Premiums	<b>4,674,108</b>	3,306,555
Accrued Interest	<b>6,953,184</b>	5,513,037
Data Processing Equipment	<b>2,040,346</b>	-0-
Amount Due from Reinsurer Separate Account	<b>-0-</b>	1,177,755
	<b>11,630,768</b>	9,108,721
<b>Total Assets</b>	<b>\$303,040,372</b>	\$267,154,023

**LIABILITIES AND POLICYOWNERS' SURPLUS**

<i>Liabilities:</i>		
Reserves for Policy Contracts in Force	<b>\$234,762,105</b>	\$212,313,353
Dividends on Deposit	<b>13,645,833</b>	13,191,828
Advance Premiums and Suspense	<b>3,524,549</b>	3,729,806
Policyowners' Dividends	<b>7,868,240</b>	6,146,884
Pending and Unreported Claims	<b>8,827,045</b>	1,818,669
Unpaid Expenses and Taxes	<b>2,465,416</b>	2,399,744
Securities Valuation Reserve	<b>3,730,529</b>	2,777,163
Separate Account	<b>11,630,768</b>	9,108,721
<b>Total Liabilities</b>	<b>286,454,485</b>	251,486,168
<b>Policyowners' Surplus</b>	<b>16,585,887</b>	15,667,855
<b>Total Liabilities and Policyowners' Surplus</b>	<b>\$303,040,372</b>	\$267,154,023

\*As filed with the Minnesota Insurance Department.

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

	<b>Year ended Dec. 31,</b>	
	<b>1983</b>	<b>1982</b>
<b>Income</b>		
Premiums, Annuity and Other Contract Considerations	<b>\$ 65,973,662</b>	\$ 40,196,946
Investment Income Less Related Expenses	<b>25,331,588</b>	21,563,808
Separate Account	<b>2,963,050</b>	2,350,853
<b>Total</b>	<b>94,268,300</b>	64,111,607
<b>Benefits and Expenses:</b>		
Death and Other Contract Benefits	<b>31,376,262</b>	8,456,472
Increase in Policy Reserves	<b>21,115,457</b>	26,591,010
Annuities and Cash Value Payments	<b>15,582,321</b>	6,262,477
Commissions	<b>3,515,665</b>	3,264,063
General Expenses and Taxes	<b>13,417,128</b>	11,808,640
Separate Account	<b>2,963,050</b>	2,350,853
<b>Total</b>	<b>87,969,883</b>	58,733,515
<b>Gain from Operations Before Dividends and Federal Income</b>		
Taxes	<b>6,298,417</b>	5,378,092
Dividends to Policyowners	<b>3,899,546</b>	3,440,355
Federal Income Taxes	<b>410,000</b>	250,000
<b>Gain from Operations</b>	<b>1,988,871</b>	1,687,737
Policyowners' Surplus at Beginning of Year	<b>15,667,855</b>	13,724,725
Realized and Unrealized Gain (Loss) on Investments, Net	<b>154,328</b>	(227,160)
Change in Securities Valuation Reserve	<b>(953,366)</b>	(61,674)
Other Changes, Net	<b>(271,801)</b>	544,227
<b>Policyowners' Surplus at End of Year</b>	<b>\$ 16,585,887</b>	\$ 15,667,855

**MODERN SERVICE INSURANCE COMPANY**

**BALANCE SHEET\***

	<b>December 31,</b>	
	<b>1983</b>	<b>1982</b>
<b>ASSETS</b>		
Bonds	\$ 11,357,622	\$ 10,113,869
Preferred and Common Stocks	257,675	260,175
Cash	121,666	157,915
Premiums Due and Other Receivables	518,600	354,360
Accrued Interest	275,430	202,823
<b>Total Assets</b>	<b>\$ 12,530,993</b>	<b>\$ 11,089,142</b>
<b>LIABILITIES</b>		
Reserves for Losses and Loss Expenses	\$ 4,236,856	\$ 4,579,635
Unearned Premiums	1,324,409	1,015,660
Advance Payments	169,179	112,835
Unpaid Expenses	360,832	268,321
<b>Total Liabilities</b>	<b>6,091,276</b>	<b>5,976,451</b>
<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	4,089,717	2,762,691
<b>Total Stockholders' Equity</b>	<b>6,439,717</b>	<b>5,112,691</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 12,530,993</b>	<b>\$ 11,089,142</b>

\*As filed with the Minnesota Insurance Department.

**STATEMENT  
OF OPERATIONS  
AND  
RETAINED  
EARNINGS\***

	<i>Year ended Dec. 31,</i>	
	<i>1983</i>	<i>1982</i>
<b>Underwriting</b>		
Premiums Written, Gross	\$ 6,238,119	\$ 4,828,900
Less Reinsurance Ceded	46,107	33,021
Premiums Written, Net	6,192,012	4,795,879
Change in Unearned Premiums	(308,748)	(277,793)
Premiums Earned	5,883,264	4,518,086
Losses and Loss Adjustment Expenses	3,975,359	2,834,620
Commissions and Other Acquisition Expenses	996,619	850,222
Other Underwriting Expenses	1,009,073	967,903
Total Losses and Underwriting Expenses	5,981,051	4,652,745
Gain (Loss) from Underwriting	(97,787)	(134,659)
<b>Investment Income</b> Less Related Expenses	890,200	804,967
Gain from Operations Before Federal Income Taxes	792,413	670,308
Federal Income Taxes	62,769	33,163
Gain from Operations	729,644	637,145
Increase in Unrealized Appreciation of Investments	32,401	6,883
Other Changes, Net	564,981	(585,364)
Increase in Retained Earnings	\$ 1,327,026	\$ 58,664

## BOARD OF DIRECTORS



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



**Bruce G. Anderson**  
Vice Chairman  
General Manager  
ALCECO  
(Albert City Elevator)  
Albert City, Iowa



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



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



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



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



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



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



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



**\*Jerome G. Tvedt**  
Retired President  
GENEX  
Cumberland, Wisconsin

\*Jerome G. Tvedt died  
Nov. 21, 1983 following a  
long illness.



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

## CORPORATE OFFICERS

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

**Jerome M. Friedmann, AEP**  
Vice President, Corporate Services

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

**Richard D. Johnson, FSA, MAAA**  
Vice President, Group Operations  
and Chief Life Actuary

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

**Frank J. Rajkowski, CLU**  
Vice President, Sales-Agencies

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

**Galen L. Severson, CPCU**  
Vice President, Casualty

**Kevin J. Stangler**  
Vice President, Controller  
and Assistant Treasurer

**Jerome L. Sychowski, FLMI**  
Vice President,  
Information Systems and Services

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

**Gerald A. Williams, CLU, ChFC**  
Vice President, Corporate Relations

**Thomas F. Wright**  
Vice President, Life

**Chester A. Zinn, Jr., FLMI**  
Vice President, General Counsel  
and Secretary



*Mutual Service Life, Mutual Service Casualty, Modern Service Insurance*

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