



About the Company

MSI Insurance Companies consists of a group of insurance companies:

- ▲ *Mutual Service Casualty Insurance Company*
- ▲ *Mutual Service Life Insurance Company*
- ▲ *Modern Service Insurance Company*
- ▲ *MSI Insurance Company and*
- ▲ *Mutual Service Cooperative, MSI's fiscal agent, which provides the voting structure for the organization's leadership.*



The companies' core businesses include:

▲ **Commercial Agribusiness and Group Coverages**

Specialized property/casualty and group life/health insurance products and risk management services for agribusiness and cooperative organizations throughout the United States.

▲ **Personal Lines**

All lines of personal insurance distributed through a professional exclusive agency force serving five states in the Upper Midwest and California. Primary focus includes auto, home and life insurance.

▲ **Pension**

Full service low cost group pension plans for small- to medium-sized companies.

MSI Insurance Companies provide financial security through customer-focused insurance and risk management services.

Our rich cooperative heritage ensures we will always provide a "good value" to our customers.

The companies are licensed in 43 states and Washington, D.C.

President's Message

To our Policyowners . . .

Your companies did well in 1991. We achieved a gain from operations of \$10.5 million, before taxes and capital gains and losses, despite a \$2.1 million catastrophe fire loss and \$1.0 million in unplanned state assessments. Combined operating surplus increased by more than 12 percent, to \$112 million, a new record. Based upon preliminary data, we outperformed the industry in a number of key areas, including our property-casualty combined ratio of 106.9 percent.

Operations

A key objective during the year was to continue to shift our efforts and resources to our three core businesses: personal and family insurance in the Upper Midwest and in a targeted territory on the Pacific Coast, insurance and risk management services for commercial agribusiness firms throughout the United States, and defined benefit pension plans for our agribusiness customers and selected businesses in other industries. In 1991, these three primary businesses produced 94 percent of our premium, a significant increase from the 70 percent of just three years ago.

We are particularly proud of the MSI exclusive agents who serve our personal and family policyowners. These Total Client Service agents have increased their average sales by 16 percent for our primary property/casualty product and 20 percent for our primary life insurance product during the last two years. At year end, the size of this agency force had increased by 5 percent over last year.

MSI's commercial agribusiness results were also exciting. We increased property/casualty policies-in-force by 12 percent, and pension accounts by 4 percent. New annualized pension premium increased by 42 percent.

A critical measure of business performance is customer retention. During 1991, MSI's commercial agribusiness clients renewed their property/casualty coverages with MSI more than 91 percent of the time. This is far above the average for our competitors, and perhaps the best record in the industry. This is strong proof that our efforts to align services to meet the preferences of these customers, and our efforts to price consistently throughout industry cycles, are seen as important advantages by our policyowners and sponsors.

Financial results

The MSI companies also meaningfully improved their financial strength during 1991. All three companies increased assets, and the year-end combined total of \$755 million is \$30 million higher than a year ago. This is a new record.



James F. Van Houten, CLU, CPCU

Mutual Service Life had another good year, with a gain from operations of \$3.8 million. Your life company was able to do this despite unplanned assessments of more than \$1.0 million from the states of Minnesota, Wisconsin and Indiana to ensure that the policyowners of failed Executive Life, Midwest Life and Mutual Security Life received their promised benefits, and from the Minnesota Comprehensive Health Association for medical care for people without health insurance.

Mutual Service Life also made important balance sheet improvements. Commercial mortgages and real estate, which represented a higher portion of invested assets than management believed was prudent, were reduced by \$14.5 million. Year-end mortgage delinquencies of 1.3 percent were only about one-fourth as high as the third quarter industry average of 5.6 percent. Our total mortgage delinquency and foreclosure rate of 2.9 percent was also much better than the industry's average of about 7 percent.

Another indication of the improved strength and stability of Mutual Service Life is its performance on the two new measures recently adopted by the National Association of Insurance Commissioners. The first of these, the Asset Valuation Reserve/Interest Maintenance Reserve, is more stringent than the old Mandatory Securities Valuation Reserve because it includes all invested assets. Though these new reserves are not mandatory until next year, Mutual Service Life already exceeds their requirements.

The second new measure is the National Association of Insurance Commissioners' Risk-Based Capital formula. This formula is to be tested throughout 1992, and its purpose is to more accurately determine the amount of surplus each company needs to guarantee the risk associated with its investments and policyowner obligations. Based on the Minnesota formula, your life company is well over 100 percent of the risk-based capital surplus target.

Mutual Service Casualty Insurance Company had its sixth straight year of excellent earnings, with a gain from operations of \$5.7 million. This performance was accomplished despite a \$2.1 million catastrophe loss due to the Oakland, California, fire. Because of the strength of its investments, Mutual Service Casualty increased its surplus by \$10.7 million during the year.

MSI's smaller casualty insurer, Modern Service Insurance Company, also did well. Its \$1.0 million gain from operations increased its stockholders' equity to a total of \$10.6 million.

Cooperative and community assistance

Providing support to cooperative enterprise and helping to meet community needs is an important part of MSI's culture and heritage.

During the year the Mutual Service Fund of the MSI Insurance Foundation made grants totaling \$76,160 to projects supporting the cooperative way of doing business. The largest grant, the first of two totaling \$50,000, was \$25,000 to the Cooperative Development Foundation to establish a center for cooperative rural housing for seniors.

The charitable and community portion of the Foundation contributed an additional \$110,000 to benefit the community at large. MSI's contribution of \$73,600 to the United Way was in addition to our individual employees' pledges of \$57,000.

Looking ahead

Results were good in 1991 by any measure. All companies performed profitably, and we significantly strengthened our position in our core businesses. Your companies' financial strength as measured by both assets and surplus are at all-time highs. However, there are a number of challenges ahead.

Many of MSI's commercial customers are small businesses located in rural areas. It is these enterprises which are most threatened by quick and unreasoned health care legislative actions. MSI is actively involved in this issue, and the profitable management of our customers' group health products remains both an opportunity and a challenge in the present environment.

The profitability of personal automobile and home insurance policies continues to disappoint the industry, and a number of companies have discontinued this business in selected states. MSI is well positioned in these lines as compared to the industry. However, the environment is dynamic and also requires priority management.

The third challenge is the pressure on asset values which results from the general slow-down in the economy. MSI's aggressive balance sheet strengthening during the past two years provides a solid base from which to deal with this environment. However, prudence dictates that management evaluate each new project and expenditure with more than the usual caution during this period.

As we enter 1992 your companies are prepared to deal with all of the challenges that lie ahead. We have a strong financial base, we continue to excel at providing service and retaining customers in our three core businesses, and we have a clear direction for the future. Our expenses remain under control and our employees and agents are trying to "Think like a customer" in all they do.

On behalf of the employees, agents, and management at MSI, I pledge to our policyowners and sponsors, that we shall continue to dedicate ourselves to providing risk management services and insurance relationships that are noticeably superior.



James F. Van Houten, CLU, CPCU
President and Chief Executive Officer

Consolidated Financial Highlights

	1991	1990
Operations		
Total Revenue	\$264.6 million	\$278.8 million
Total Premium Earned	192.7 million	201.0 million
Gain from Operations	10.5 million	10.0 million**
Addition to Operating Surplus	11.6 million	7.1 million
Financial Position		
Invested Assets	\$661 million	\$645 million
Total Assets	755 million	725 million
Policyholder Liabilities	623 million	607 million
Total Liabilities	656 million	639 million
Total Policyowner's Surplus	99 million	86 million
Total Operating Surplus*	112 million	100 million

*Policyowner's Surplus plus Valuation/Conditional Reserves

**Excludes extraordinary dividends received from Modern Service

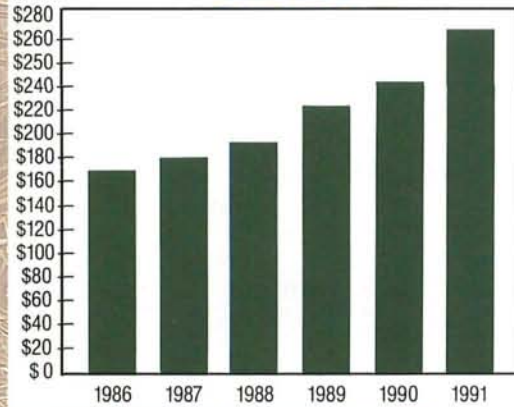
Operations Highlights

- ▲ Assets increased by \$30 million to \$755 million, a new record.
- ▲ Combined operating surplus increased by 12 percent to \$112 million, a new record.
- ▲ Commercial written premium totaled \$112.8 million.
- ▲ Personal and family insurance written premium totaled \$88.6 million.
- ▲ The introduction of Health Focus enabled smaller rural and agribusiness employers to offer their employees cost effective medical insurance.
- ▲ Eighty-five additional employers offered their employees the opportunity to save for retirement security with MSI 401(k) plans.

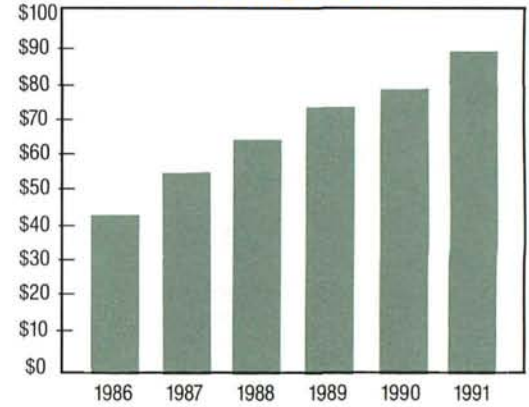


MUTUAL SERVICE CASUALTY

Total Assets

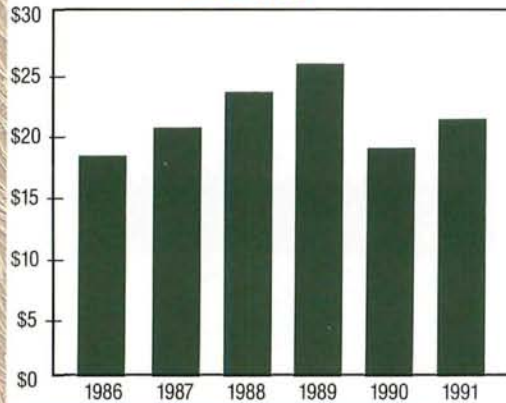


Operating Surplus

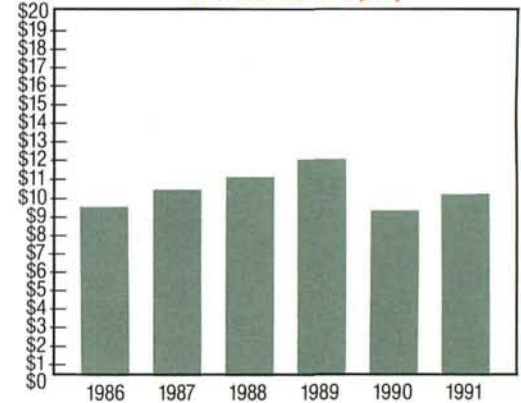


MODERN SERVICE

Total Assets

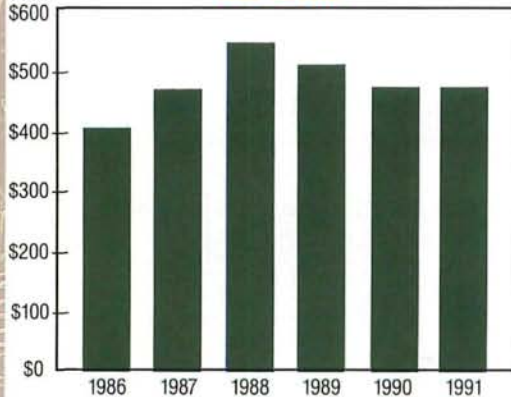


Stockholder's Equity

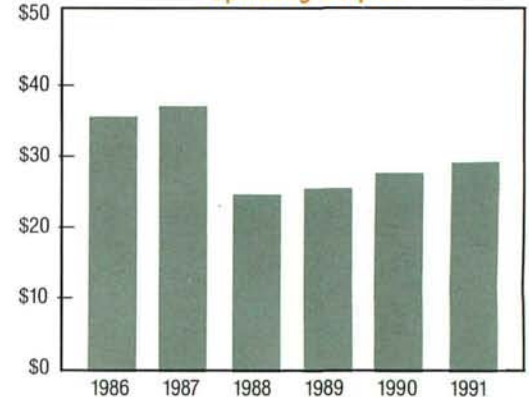


MUTUAL SERVICE LIFE

Total Assets



Operating Surplus



Commercial and Agribusiness Lines: Focused on Customer Needs

This division includes commercial property/casualty insurance and risk management services for agribusinesses and group life/health insurance for rural-based businesses.

MSI's commercial agribusiness markets range from:

- ▲ local farm supply/grain elevator cooperatives and other retail agribusinesses
- ▲ mid-size fruit and vegetable growers and packinghouses
- ▲ large national and regional customers like CENEX, Land O'Lakes, GROWMARK, Sunkist Growers, MFA, and MFA Oil, each with networks of local cooperative affiliates.

These customers are served by MSI's agribusiness risk management specialists. MSI uses a variety of distribution channels to accommodate each customer's preferences and needs. A home-office based sales team coordinates distribution with agencies owned and controlled by cooperatives such as Ag Agency and Terminal Agency, large independent agencies such as Buckman-Mitchell, Lundberg and Associates and McDonald Insurance, and national brokers such as Frank B. Hall, Arthur J. Gallagher & Co., Marsh & McLennan, Johnson & Higgins, Alexander and Alexander, and others. A field-based employee sales team serves local cooperatives and retail agribusinesses on a direct basis in Ohio and Michigan.



After-the-sale service

MSI's commercial specialists include underwriting, risk control and claims personnel who know and respond to our customers' needs. A customer retention rate in excess of 90 percent is a good indication that MSI excels in delivering what is most important — long-term commitment to customers, prompt and fair claims service, risk control expertise, and fair and consistent pricing throughout industry cycles. In 1992, MSI is expanding its product line to include Directors and Officers Liability coverages for local cooperatives and Grain Warehouse Bonds for country elevators.

Group life/health services

MSI's group life/health department consists of two sales teams. One team works with cooperatively-owned agencies and other brokers serving our traditional markets. The other team consists of field-based employees selling directly to rural businesses in select areas of Wisconsin, Illinois and Iowa. Both teams offer cost-effective health insurance to businesses whose employees depend on rural health care providers.

MSI senior loss control representative John Sasse, right, meets with Land O'Lakes driver Ken Cartstensen, center, and Roger Nordvedt, milk assembly manager, at the Dairy Fresh plant in Woodbury, Minn.

In 1991, MSI introduced Health Focus, a health care package designed for small- and medium-sized employers in rural America. The program provides employers flexibility in choosing comprehensive health care programs for their employees while using community doctors and hospitals. MSI representatives provide local consultation in designing and recommending options to employers.

Why it works

Dedicate all your efforts to a specific group of customers and respond to their needs — it's age-old advice — and it works at MSI in the Commercial and Agribusiness division.



Pension Products: Focused on Low Cost

MSI pension professionals provide low-cost IRS-qualified retirement plans for MSI's agribusiness customers, and other targeted small businesses and their employees.

The types of businesses in the MSI pension family are:

- ▲ local and regional cooperatives
- ▲ corporations including tool and die works, hardware, retail, grocery, and
- ▲ professional associations of attorneys, physicians and architects.

Low-cost provider

The MSI 401(k) plan enables small businesses to offer their employees the opportunity to save for their retirement at the lowest cost to the employer. MSI is able to keep the employer cost low because the MSI 401(k) is a complete package, with MSI assuming responsibility for:

- ▲ the legal documents. For the employer, there are no lawyers' fees for setting up the plan.
- ▲ administration. There is no employer record keeping, either for the individual employee accounts or for the government.
- ▲ funding. Investments are managed by the highly respected firms of Duff & Phelps and Investment Advisers Inc. Employees may choose between a balanced fund of stocks and bonds (Separate Account A), an equity fund weighted toward stocks, (Separate Account B), or the Fixed Account, which offers a fixed interest rate.
- ▲ communications. MSI pension specialists conduct meetings to introduce the plan to employees and provide all printed information about the plan, quarterly statements for each employee and individual projections on what each may expect to receive at retirement.

Service is Top Priority

Timely and accurate service is an MSI priority. Performance on internal standards is monitored with a 98 percent monthly compliance record.

Profit sharing, company match and IRS-qualified

"The MSI 401(k) plan is an excellent low cost way for employers to attract and retain competent workers," said Pension Sales Director Steve White.

Employers have the option of using MSI pension plans for profit sharing, and often also match employee contributions. Because the MSI plan is IRS qualified, all earnings and contributions from employers and employees accumulate tax deferred, returning a yield difficult to match in other investments.



MSI pension representative Scott Brandt, center, discusses the Minnesota Conway Fire and Safety Inc. 401(k) plan with President Richard Burt, left, and Jim Bachmann, controller.

Personal Lines: Focused on Total Client Service



MSI Insurance is a family commitment for the Conrads — from right: father, Jerry, and sons, Jeff and Scott. Their neighborhood office in Apple Valley, Minn., is conveniently located for suburban policyowners south of St. Paul.

"I was very pleased with the service we received." "I am glad to know that in the turmoil of insurance companies, there is one that works." "Your representative was very knowledgeable and helpful." "We have been customers for years and MSI has always been there when we needed it." These are the voices of experience — customers who have experienced MSI's unique Total Client Service. For more than half a century, MSI has "been there" for their personal insurance policyowners.

MSI takes a common sense approach. It makes sense to hire quality people, train them well, and design products and services specifically for their clients. MSI's portfolio of common sense products includes: automobile, home, whole life, health, annuity, boat, RVs — you name it.

Innovative products

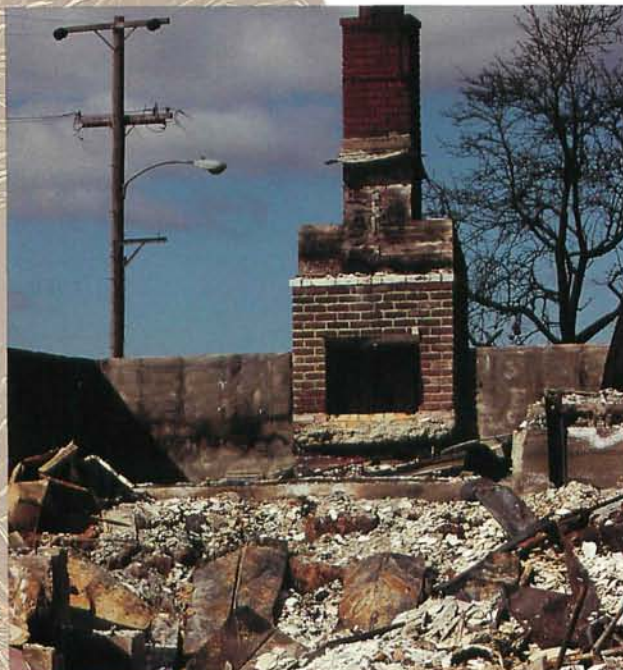
In 1991, MSI introduced ValuGuard — a coverage for newer cars, which provides a new replacement car of similar make and model if the insured car cannot be reasonably repaired. For life insurance, MSI saves money for those insureds who adopt healthful lifestyles. Preferred risks — those who don't smoke and do exercise regularly, for instance — can receive lower premium rates.

MSI agents, easily accessible in neighborhood offices near their customers, are highly trained professionals who have learned to listen to clients. MSI's comprehensive Family Security Review assures customers they are receiving the right amount of protection for all their family needs, now and as the family's situation changes in the future.

One policyowner wrote, "I feel . . . very secure in having all my insurance with MSI." That's a feeling shared by many MSI insureds.



The Oakland fire in 1991 was the largest catastrophe in MSI's history.



Mutual Service Casualty Insurance Company

FINANCIAL STATEMENTS

BALANCE SHEETS (UNAUDITED)

ASSETS	DECEMBER 31	
	1991	1990
Bonds	\$ 174,194,512	\$ 158,145,178
Preferred and Common Stocks	23,654,200	15,224,713
Mortgage Loans	5,884,759	3,632,927
Real Estate	10,459,172	12,046,535
Investments in Subsidiaries and Affiliates	16,272,764	16,485,561
Short-term Investments	7,723,845	8,597,714
Cash		672,163
Premiums Receivable	22,757,261	17,748,349
Receivable from Reinsurers	1,695,087	1,614,148
Accrued Investment Income	4,680,442	4,125,059
Due From Affiliates	1,698,515	3,455,066
Other Assets	374,347	255,043
TOTAL ASSETS	\$ 269,394,904	\$ 242,002,456

LIABILITIES AND POLICYOWNERS' SURPLUS

Reserves for Losses and Loss Adjustment Expenses	\$ 121,482,920	\$ 111,624,888
Unearned Premiums	46,151,166	40,065,176
Reinsurance Liabilities	1,925,140	818,430
Accrued Expenses and Other Liabilities	7,962,011	5,228,242
Overdraft	247,016	
Due to Affiliates	1,726,568	5,101,051
Conditional Reserves	2,127,294	2,062,054
TOTAL LIABILITIES	181,622,115	164,899,841
POLICYOWNERS' SURPLUS		
Guaranty Funds	1,250,000	1,250,000
Unassigned Surplus	86,522,789	75,852,615
TOTAL POLICYOWNERS' SURPLUS	87,772,789	77,102,615
TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS	\$ 269,394,904	\$ 242,002,456

Mutual Service Casualty Insurance Company

FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS (UNAUDITED)

	YEAR ENDED DECEMBER 31	
	1991	1990
UNDERWRITING		
Premiums Written and Assumed	\$ 149,343,482	\$ 153,760,600
Less Reinsurance Ceded	13,207,563	17,298,226
Net Premiums Written	136,135,919	136,462,374
Change in Unearned Premiums	(6,085,990)	(6,480,130)
PREMIUMS EARNED	130,049,929	129,982,244
Losses and Loss Adjustment Expenses	94,527,874	96,379,267
Commissions	25,247,991	23,967,833
Other Underwriting Expenses	22,459,534	22,432,172
TOTAL LOSSES AND EXPENSES	142,235,399	142,779,272
GAIN (LOSS) FROM UNDERWRITING	(12,185,470)	(12,797,028)
NET INVESTMENT INCOME	18,450,696	19,408,123
OTHER INCOME, NET	418,552	188,307
DIVIDENDS TO POLICYHOLDERS	(954,681)	(754,249)
GAIN FROM OPERATIONS	5,729,097	6,045,153
Realized Gains (Losses) on Sales of Investments	939,938	(775,504)
Federal Income Taxes	(310,000)	(174,000)
NET INCOME	6,359,035	5,095,649
Change in Unrealized Appreciation of Investments	3,748,272	(2,055,557)
Equity in Earnings (Loss) of Subsidiaries	491,675	(1,385,419)
Change in Conditional Reserves	(65,240)	4,897,410
Other Surplus Changes, Net	136,432	1,193,927
INCREASE IN POLICYOWNERS' SURPLUS	\$ 10,670,174	\$ 7,746,010

The financial statements do not reflect any potential negative impact of California Proposition 103.

These financial statements include the accounts of MSI Insurance Company.

Certain 1990 amounts have been reclassified to conform to 1991 presentation.



Modern Service Insurance Company

FINANCIAL STATEMENTS

BALANCE SHEETS (UNAUDITED)

ASSETS	DECEMBER 31	
	1991	1990
Bonds	\$ 16,401,203	\$ 15,783,075
Common Stocks	1,351,675	884,657
Short-term Investments	850,950	126,710
Cash	41,525	
Premiums Receivable	1,641,507	804,584
Receivable from Reinsurers	610,713	734,770
Accrued Investment Income	348,487	271,600
Due from Affiliate		354,505
Other Assets	202,581	39,366
TOTAL ASSETS	\$ 21,448,641	\$ 18,999,267
LIABILITIES AND STOCKHOLDERS' EQUITY		
Reserves for Losses and Loss Adjustment Expenses	\$ 6,331,614	\$ 6,060,983
Unearned Premiums	2,437,376	1,883,823
Reinsurance Payable on Paid Losses	478,398	485,436
Accrued Expenses and Other Liabilities	595,632	477,173
Due to Affiliates	1,042,340	511,916
TOTAL LIABILITIES	10,885,360	9,419,331
STOCKHOLDERS' EQUITY		
Capital Stock	1,250,000	1,250,000
Additional Paid-in Capital	1,100,000	1,100,000
Unassigned Surplus	8,213,281	7,229,936
TOTAL STOCKHOLDERS' EQUITY	10,563,281	9,579,936
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,448,641	\$ 18,999,267

Modern Service Insurance Company

FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS (UNAUDITED)

	YEAR ENDED DECEMBER 31	
	1991	1990
UNDERWRITING		
Premiums Written and Assumed	\$ 11,546,005	\$ 6,921,344
Less Reinsurance Ceded	3,371,771	88,150
Net Premiums Written	8,174,234	6,833,194
Change in Unearned Premiums	(553,553)	536,288
PREMIUMS EARNED	7,620,680	7,369,482
Losses and Loss Adjustment Expenses	5,742,178	5,424,943
Commissions	594,172	849,250
Other Underwriting Expenses	1,620,526	1,576,792
TOTAL LOSSES AND EXPENSES	7,956,876	7,850,985
GAIN (LOSS) FROM UNDERWRITING	(336,195)	(481,503)
NET INVESTMENT INCOME	1,477,957	1,913,064
OTHER EXPENSES, NET	(140,829)	(82,263)
GAIN FROM OPERATIONS	1,000,932	1,349,298
Realized Gains on Sales of Investments	34,047	115,994
Federal Income Taxes	(262,000)	(249,000)
NET INCOME	772,979	1,216,292
Change in Unrealized Appreciation of Investments	212,084	(142,844)
Dividend to Stockholders	—	(4,000,000)
Change in Conditional Reserves	—	126,000
Other Surplus Changes, Net	(1,719)	29,723
INCREASE (DECREASE) IN UNASSIGNED SURPLUS	\$ 983,345	\$ (2,770,829)

Modern Service Insurance Company is jointly owned by Mutual Service Casualty Insurance Company and Mutual Service Life Insurance Company.

The financial statements do not reflect any potential negative impact of California Proposition 103.

Certain 1990 amounts have been reclassified to conform to 1991 presentation.



Mutual Service Life Insurance Company

FINANCIAL STATEMENTS

BALANCE SHEETS (UNAUDITED)

ASSETS	DECEMBER 31	
	1991	1990
Bonds	\$ 244,117,463	\$ 235,168,316
Common and Preferred Stocks	407,139	316,914
Mortgage Loans	119,435,806	135,312,626
Real Estate, net	14,662,578	13,351,330
Policy Loans	14,042,152	13,433,670
Investments in Subsidiaries and Affiliates	5,408,046	4,873,866
Other Invested Assets	1,455,981	1,228,347
Short-term Investments	22,308,420	28,520,255
Cash	1,019,883	
Due and Deferred Premiums	1,360,559	1,381,290
Accrued Investment Income	7,275,507	7,080,979
EDP Equipment and Other Assets	2,145,396	3,760,941
Separate Account Assets	49,648,493	38,395,755
TOTAL ASSETS	\$ 483,287,423	\$ 482,824,289
LIABILITIES AND POLICYOWNERS' SURPLUS		
LIABILITIES		
Policy Reserves	\$ 379,393,095	\$ 391,498,955
Dividends on Deposit	13,937,410	13,865,361
Dividends Payable	3,302,143	3,025,457
Policy and Contract Claims	623,797	616,832
Accrued Expenses and Other Liabilities	3,774,607	3,587,668
Due to Affiliates	2,696,476	2,846,821
Mandatory Securities Valuation Reserve	5,207,226	4,737,360
Voluntary Mortgage Valuation Reserve	6,069,414	6,483,284
Separate Account Liabilities	49,648,493	38,395,755
TOTAL LIABILITIES	464,652,661	465,057,493
POLICYOWNERS' SURPLUS		
Guaranty Funds	500,000	500,000
Unassigned Surplus	18,134,762	17,266,796
TOTAL POLICYOWNERS' SURPLUS	18,634,762	17,766,796
TOTAL LIABILITIES AND POLICYOWNERS' SURPLUS	\$ 483,287,423	\$ 482,824,289

Mutual Service Life Insurance Company

FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS (UNAUDITED)

	YEAR ENDED DECEMBER 31	
	1991	1990
INCOME:		
Premiums and Annuity Considerations	\$ 55,040,401	\$ 63,739,226
Net Investment Income	39,449,081	41,704,337
Reinsurance Commissions from Affiliate	10,269,423	12,451,986
Other Income	2,137,113	2,179,916
TOTAL	106,896,018	120,075,465
BENEFITS AND EXPENSES:		
Death and Other Contract Benefits	3,655,803	5,806,522
Annuity and Cash Value Payments	82,308,952	102,931,286
Change in Policy Reserves	(4,792,665)	(17,309,960)
Commissions	4,250,106	5,090,231
General Expenses	15,977,402	16,006,821
TOTAL	101,399,598	112,524,900
GAIN FROM OPERATIONS BEFORE DIVIDENDS	5,496,420	7,550,565
Dividends to Policyowners	1,709,015	1,723,378
GAIN FROM OPERATIONS	3,787,405	5,827,187
Federal Income Taxes on Operations	(183,863)	(265,000)
Realized Gains (Losses) on Investments, Net of Taxes	(1,364,054)	941,106
NET INCOME	2,239,488	6,503,293
Change in Unrealized Appreciation of Investments	(84,788)	(1,385,361)
Equity in Earnings (Loss) of Subsidiaries	491,675	(1,385,414)
Change in Mandatory Securities Valuation Reserve	(469,866)	2,810,618
Change in Voluntary Mortgage Valuation Reserve	413,870	(4,813,163)
Interest on Surplus Note	(821,091)	(885,601)
Surplus Note Repayment	(867,966)	(661,661)
Other Surplus Changes, Net	(33,353)	478,950
INCREASE IN POLICYOWNERS' SURPLUS	\$ 867,966	\$ 661,661

Certain 1990 amounts have been reclassified to conform to 1991 presentation.



Board of Directors



Bruce G. Anderson
Chairman
*Executive Vice President and
Chief Executive Officer
ALCECO, Albert City, Iowa*



Donald R. Armstrong
Vice Chairman
*President and General Manager (retired)
Universal Cooperatives Inc.
Bloomington, Minnesota*



J. Clark Boatman
Controller
*Lucky Farmers Inc.
Woodville, Ohio*



Donald R. Gilles
General Manager
*Durand Cooperative
Durand, Wisconsin*



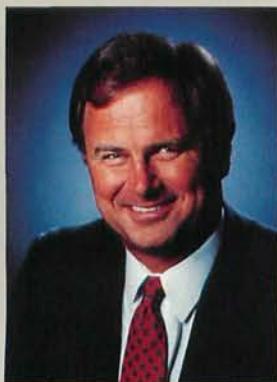
Eugene N. Hager
Farmer
St. Peter, Minnesota



Warner Isaac
Executive Vice President
*Select Foods Inc.
Hayward, California*



Norman T. Jones
Executive Committee
Chief Executive Officer
*GROWMARK Inc.
Bloomington, Illinois*



Gasper Kovach, Jr.
Chief Executive Officer
*Highland-Exchange Service Cooperative
(HESCO)
Waverly, Florida*



Russell B. Porath
General Manager
*Sioux Valley Cooperative
Watertown, South Dakota*



Dixie Lee Riddle
Farmer
Mead, Washington



John B. Shaffer
Owner, Shaffer Farms Inc.
Pipestone, Minnesota

Senior Corporate Officers

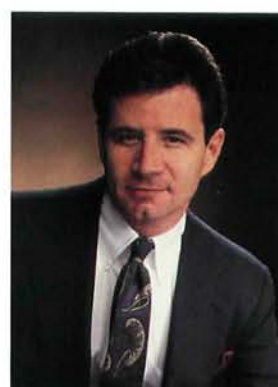
President and Staff



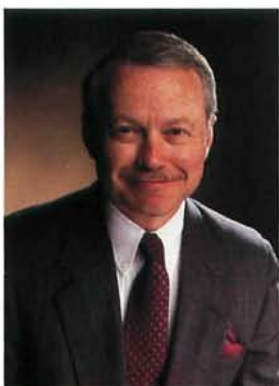
James F. Van Houten
CLU, CPCU
*President
and Chief Executive Officer*



Robert L. Gaecke, FLMI
*Vice President
and General Manager
Life/Health Operations*



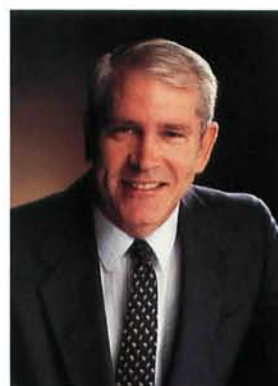
Joseph Randal Powers
CLU, ChFC
*Vice President
Agency Sales*



Charles W. Quandt
*Vice President
and General Manager
Property/Casualty Operations*



Stephen L. Rohde, FLMI
*Vice President
Finance, and Treasurer*



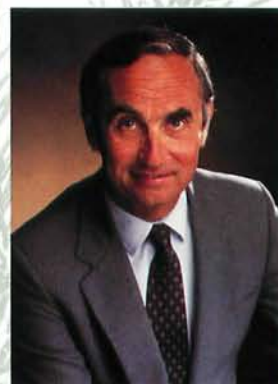
Thomas R. Schori
PhD, CLU, ChFC
*Vice President
Marketing Planning*



Randall I. Stoneking
CLU, FLMI, RHU, LUTCF
*Vice President
Agribusiness Sales*



Jerome L. Sychowski, FLMI
*Vice President
Administration*



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

Division Heads and Additional Key Corporate Contacts

Richard Atkinson, FCAS, MAAA, Director,
Commercial Actuarial

Liz Becker, CPA, Director, Financial Analysis and
Internal Audit

Alan P. Blackwell, FSA, MAAA, Chief Life Actuary

Deb Cochran, Director, Corporate Communications

Brian Deschneau, Director, Operational Accounting

Paul Doxsee, CLU, FLMI, Director, Pension
Administration

Jon Farris, Director, Casualty Underwriting

Mike Fox, Director, Casualty Services

Jack Goetzke, AIC, Director, Casualty Claims

Don Gray, CPA, FLMI, Vice-President, Controller
and Assistant Treasurer

Jeff Hagen, Investment Officer, Real Estate

Mike Henderson, FLMI, Director, Individual
Administration

Greg Hubert, CPCU, Director, Compliance and
Underwriting Services

Ron Kaliebe, CFA, Investment Officer, Securities

Lloyd Keller, Director, Reserving/Reinsurance

Hicri Koroglu, FLMI, Director, Technical Services

Bruce Lee, FLMI, CSP, Director, Systems and
Programming

Jim Melchior, Director, Agency Sales

Jack Moore, JD, Director, Claims Counsel

Ken Petersen, Director, Office Systems and Services

Lee Peterson, FLMI, CLU, Director, Group
Administration

Rod Schnuckle, CDP, Director, Data Center

Colleen Swanson, HIAA, Group Sales Manager

Gil Wenzel, Director, Human Resources

Chuck White, FCAS, MAAA, CPCU, Chief Casualty
Actuary

Steve White, CLU, ChFC, Director, Pension Sales

Michele Williams, CPA, Director, Internal Audit





Mutual Service Casualty Insurance Company
Mutual Service Life Insurance Company
Modern Service Insurance Company
MSI Insurance Company
Mutual Service Cooperative

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