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See page 5 for Notice of Assessment No. 9 for October.

THE NEW RATES

Interesting History of the Whole Supreme Lodge Legislation

BY P. S. M. W. BICKFORD.

Causes and Conditions Which Led to the Change.

Past Supreme Master Workman J. C. Bickford, in an editorial article in the *Massachusetts Workman*, presents some facts that were very potent in deciding the legislation adopted by the Supreme Lodge, which in reality amount to a clear and succinct history of the causes and conditions that led to the change, and as Bro. Bickford is acknowledged to be one of the foremost members of the Order and one well qualified to speak upon it or any other question, we quote very freely from his article:—

"First is the fact that if one hundred thousand men are insured for \$1,000 each, there must be paid into the beneficiary fund of the order, company, or organization, \$100,000,000 to meet the payments as they mature from the first year of insurance on to the end of life of the last member. To do this rates must be established to so equalize the burdens that each and every one, so far as is possible, will bear his equitable share. This may be done in various ways. It might be done by a single payment from each member at the commencement of the protection; it might be by a fixed yearly rate, computed according to mortality tables, the insured paying such a surplus above cost in the early years of protection as would equal the increasing rate each year to the end of expectancy of life; it might be done by the step rate plan, increasing the amount paid each year in accordance with the increasing cost of the protection to the end of life, but in this case a person living beyond the expectancy—perhaps to 80 or 90 years of age, would find the rates absolutely prohibitive, and it is necessary that all organizations, whether fraternal, co-operative, natural premium assessment, or otherwise, should so adjust their rates as to make a stopping place somewhere within the possibilities of the insured.

AT THE FORMATION.

"In the formation of the A. O. U. W., and of most other fraternal societies, the principles of insurance were entirely ignored or, if not entirely ignored, they were only considered at the starting point of the term of insurance, and the matter of continuing on through life with the increasing cost of each succeeding year was wholly lost sight of. Even the starting point was ignored in the beginning of the A. O. U. W., and the broad principles of charity and fraternity were the foundations upon which it was established. The grand work it accomplished under the plan will never be exceeded in the history of unselfish fraternalism; but there came a time when sentiment could not controvert

facts; and the increasing age of its members brought an increasing death rate which threatened the life of the Order. The application of the relief law became a burden upon the young jurisdictions, and the maximum rates which were collected in the old jurisdictions were nearly prohibitive of gain in membership; and while measures were proposed which might for a time have brought relief they were of such a character as made their enactment impossible.

"In 1895 the Beneficial Commission was created to devise some plan that would permit the older jurisdictions to compete with other organizations, and at the same time perpetuate the Order. That commission entered upon the work assigned, and at the session of 1896 presented a report, recommending the adoption of a classified plan of assessments and the raising of a relief or emergency fund. The rates recommended were those now in force in our own and all other jurisdictions except Nebraska, South Dakota and Minnesota, but the commission recommended that twelve assessments per year be collected without notice from all jurisdictions adopting the plan, and a sum that would equal the amount of twelve assessments under that plan, from all jurisdictions that did not adopt it. It was recommended further that each full-rate member pay a monthly assessment of twenty-five cents, and each half-rate member a monthly assessment of a like amount, to be held as a relief or emergency fund, and that jurisdictions should be entitled to relief for deficiencies from deaths occurring in ages above 54 years.

ONLY ADOPTED PART OF THE PLAN.

"The Supreme Lodge adopted a part of the plan proposed by the commission, viz., the plan of classified assessments, to be applied to jurisdictions asking for relief for three years in succession, including the year 1896, and to be in force January 1, 1897. It made the maximum rate of each jurisdiction the same, i. e., the equivalent of twelve classified assessments. It permitted current cost collections, and left the matter of emergency and relief just where it had been, except concerning the maximum necessary to obtain relief.

"If the plan recommended by the commission had been adopted, the A. O. U. W. would have had at the present time at least a million dollars in reserve in the emergency fund of the Supreme Lodge, and many millions accumulated in the various low rate jurisdictions. This was not done, however, and the Order continued on current cost collections, both as to beneficiary fund and relief. Each year the call for the latter bore more heavily on the members, and in 1899 there was a demand for a more equitable method of raising this fund, it being claimed that the high rate or the older jurisdictions that were receiving relief should contribute in a larger degree than the young and low rate jurisdictions, which did not participate in its bounty.

"It was estimated that if a fund approximating one million dollars could be raised annually, it would pay the relief called for, and with interest accretion reach such a sum as would take care of the Order. This estimate was based on the assumption that the older jurisdictions were improving their condition by the accession of new members and a yearly reduction of the average age of the membership.

GUARANTY LAW PRESENTED.

"A committee of seven was appointed to present a plan that would be adequate, and this committee, after consideration, presented to the Supreme Lodge in 1900 the guaranty and relief law now in force. It went into operation January 1, 1901, and accomplished what its originators anticipated, i. e., it raised about one million dollars; not that sum the first year, but approximating thereto. The new law was not formulated upon a mortality table of the Order, for the committee did not have it—not even the statistics of half the jurisdictions; but it was based upon the supposed necessities of the Order. When it went into operation the adjustment for the year 1900 was made, and the one dollar per capita collected during the last term of that year was called from the Grand Lodges, and utilized as far as it would go paying the relief required for 1900. It paid a little more than one half the amount that was due, and left a deficit of nearly three hundred thousand dollars to be taxed up against the new plan.

"In the meantime the death rate was increasing in the older jurisdictions, so that for the next year the deficit was increased above the amount started with in 1901.

"At the session held in Portland in 1902, the writer introduced a resolution instructing the Supreme Recorder to ascertain by wire or otherwise from each jurisdiction receiving relief for 1901, the number of deaths during the first six months of 1901 and 1902, in order that some plan might be formulated at that session to meet the demands which might be made for the current year. The reports received indicated a less number than in 1901. It was therefore considered that the death rate of 1901 was abnormal, and that the plan was sufficient to meet the requirements for another year; but it was decided to appoint a commission to consider the subject, investigate the condition of the Order and ascertain what changes were needed to perpetuate it. This commission had the advantage of nearly complete statistics of the A. O. U. W., and after consultation decided on a valuation of the Order, that a computation might be made as to the deficits existing at the present time and those that would accrue under the present rates and system.

AN ABLE ACTUARY ENGAGED.

"That the work might be done thoroughly, the commission secured the service of an able actuary, who, after days and nights of labor, presented the condition of the Order as set forth in the Supreme Master Workman's circular, also a plan for readjustment of rates to overcome the existing deficiencies, and provide for those of the future. The report was presented by the commission to the Supreme Lodge, and the actuary was brought before the committee of the whole, to whom the report was referred. For four hours he answered questions propounded by the members, in a manner that convinced all that there could be no question as to the soundness of the position taken; and after a thorough discussion the new plan was adopted by an almost unanimous vote.

"This plan differs in some respects from that recommended by the beneficial commission of 1896 in that it is more elastic, being ample to allow the collection of a sufficient amount of beneficiary fund for current death

claims; providing for a level or classified rate at the option of the various Grand Lodges or the members; a partial credit and a paid-up certificate; also the proviso that all jurisdictions contributing to the guaranty fund shall participate therein, and that a jurisdiction like our own may continue on its present plan as long as the members may desire, on the condition that it contributes to the guaranty fund according to the rates established, but that it must pay all losses except the deficiencies in ages above 55 until the amount that would be collected by twelve assessments under the proposed rates has been raised and expended for that purpose.

"In other words, if we contribute to the guaranty fund according to the rates established, we shall receive from that fund the deficiency that exists, according to the table in the Supreme Master Workman's circular, on all deaths occurring in ages above 55; but we must raise from our members a sufficient sum to pay all losses occurring in ages under 55 years, and the difference between the deficiency and the amount of the certificate in ages above 55 years, providing that the sum so required does not exceed the sum that would be raised by the application of the new rates to our membership.

"The application of this law is essentially the same as was that of the plan of classified assessments, with the safeguard of being adequate by the collection of current cost in low rate jurisdictions, and due care for the preservation intact of the reserve and guaranty funds.

A CHANGE WAS NECESSARY

"That it was necessary to make the change was clearly demonstrated by the fact that at the time of the meeting of the Supreme Lodge last June, the unpaid losses charged against the guaranty fund approximated six hundred thousand dollars; and the further fact confronted the members that in every one of the older jurisdictions the death rate in the older ages was increasing, and would continue to do so.

"The jurisdiction of Pennsylvania, with a membership of sixteen thousand, has over eight thousand in the classes above fifty years of age, extending up to between eighty and ninety years, nearly every member of whom holds a two-thousand-dollar certificate. The American Experience Table of Mortality would give the youngest less than twenty-one years of expectancy of life; so that, figured on an insurance basis, we must calculate that in twenty-one years those certificates must mature and be paid. Their payment would call for \$16,000,000, and yet the amount raised upon the entire membership of the jurisdiction yearly is but a trifle over \$500,000. This in the years given would amount to perhaps \$11,000,000, leaving \$5,000,000 to be contributed by some one else.

"Take the jurisdiction of Ohio, with a membership on January 1, 1902, of 1932 full-rate members above 50 years of age. A careful computation shows that the jurisdiction would be entitled to sixty-six deaths in that year among those members. This would call for \$132,000, and yet the rates now in force, if every member paid the maximum of twelve assessments, would fall by over \$49,000 of paying the losses, and the death rate will increase as the ages advance. There