

BRIEF HISTORY OF MODERN WOODMEN

Like so many American organizations, Modern Woodmen of America began with one man's dream. The man was Joseph Cullen Root, and his dream was a nationwide fraternal society that would provide wholesome social activities and character-building for men and protection for their widows and orphans.

Root served for several years as chief officer of the "V.A.S."* society, a small, no longer existing fraternal society based in Lyons, now Clinton, Iowa. Although he originally wished to see this society become national in membership and progressive in benefits, he soon realized that the resistance of his fellow officers to his expansion plans would never weaken.

On January 5, 1883, Root met with twenty-one of his fellow townsmen to organize a separate society. The charter members readily accepted their founder's ritual and plan of operation. The group lacked only a name.

Root was still searching for a name as he attended church one Sunday in July. The Reverend Sydney Crawford based his sermon that morning upon the work of the pioneer woodmen who cleared away the forests for the benefit of mankind. Root visualized his society as a modern organization of men clearing away financial problems for the benefit of their families through life insurance. By the end of the service, the name, "Modern Woodmen of America", was firmly fixed in the founder's mind.

One year later, on May 5, 1884, Root's dream was chartered by the State of Illinois. A home office, then called the "Head Camp", was established at Fulton, Illinois, directly across the Mississippi river from the city of its founding. Records were transported across the ice to the new location during the early spring.

New camps soon emerged throughout the Midwest. No radios, televisions or motion pictures competed for members' attention, and the new Camps quickly became social centers in their towns.

*The letters "V.A.S." represented the Society's passwords: Vera Amicitia Sem-Piterna Est. or, True Friendship is Eternal.

This rapid growth prompted the successful fraternal society to seek larger and more adequate home office quarters, and by 1897, Modern Woodmen of America had moved down the Mississippi to temporary quarters in Rock Island.

Progress on the new four-story Head Camp building grew as rapidly as the young organization's membership; by April 27, 1898, cornerstone ceremonies were celebrated. William Jennings Bryan was the orator, and Quad City residents turned out in multitudes to hear him.

Bryan had been active in Modern Woodmen of America since 1888, but in 1898, he was just beginning his political career. Only one year earlier, he had resigned from the Lincoln, Nebraska, law firm of Talbot, Bryan and Allen to begin publication of his crusading newspaper, "The Commoner".

Bryan's former law partner, A.R. Talbot, left the firm in 1903 to become president of Modern Woodmen of America.

The society's previous presidents, Root, who served from 1883-1890, and William A. Northcott, who served from 1890-1903, had left Talbot with a thriving but actuarially unsound organization.

Modern Woodmen, like most fraternal societies of the time, was collecting inadequate premiums at irregular intervals through the assessment system. The monthly premium rates were sufficient only for current death claims. Whenever the Head Camp accumulated enough money to handle expected death claims for the next few months, premiums for those months were not collected. Prior to 1912, sixty-seven such monthly premiums were skipped; for a total period of five years and seven months, members received insurance protection absolutely free! Naturally, no reserves were established under this system.

As early as 1903, management tried to correct these actuarial problems. Unfortunately, such changes had to be approved by a National Convention of delegates elected from local Camps -- and the delegates knew as little about the benefits of the legal reserve system as they did about the pitfalls of the assessment system. As long as current claims are paid, they argued, don't worry about the future. "We'll keep the reserves in our pockets!" they said.

Like many people today, the objecting delegates believed that the only "cost" they represented to the Society was that of their widow's eventual death claim. Actually, a member's "cost" to a life insurer is a proportionate share of the death losses in his age group as applied to the amount of insurance he carries.

In 1919, the delegates compromised. The Society adopted a recognized mortality table with adequate premium rates for new members entering the Society after July 1. Old members were assigned premium rates based on their original entry ages. The inadequacy of the compromise became so evident by June, 1929, that the National Convention voted to place all contracts on an actuarially sound basis.

Members who had joined since July 1, 1919, were already paying adequate premiums, and their reserves were easily set up. But members who had joined prior to July 1, 1919, had never paid adequate premiums; their situation was more complex. During 1929-1930, Head Camp representatives contacted these members individually and gave them the choice of converting their original contracts to a reserve basis or continuing them on the current cost system.

Conversion brought a level, adequate, but slightly higher premium. Continuing on current cost meant renewing the contract annually on a term basis. Although this brought little immediate change in the premium, the current cost system is similar to the servicemen's insurance issued by the United States government during war years; the rates rise periodically and become quite high at advanced ages. Despite the obvious long run disadvantages of the current cost system, some members

chose it by default. During the Depression, even the small premium increase of conversion could be impossible. Nonetheless, the overwhelming majority of members who had joined the Society before July 1, 1919 converted their contracts.

The Illinois Supreme Court upheld Modern Woodmen's 1929 conversion to the legal reserve system in February, 1930. The court stated that the action was reasonable and necessary to guarantee the perpetuity of the organization and that all concerned had been treated fairly and equitably. When this decision was appealed to the United States Supreme Court, it held that no federal question was involved. The opinion of the Illinois court became therefore binding on all members of all states.

Today, all of Modern Woodmen's more than \$1 billion insurance in force is on an adequate premium basis. The premium rate of each Modern Woodmen member is his total premium outlay; no separate per capita assessments or dues are collected.

Although Modern Woodmen's status as a fraternal life insurance society does not affect premium rates, it does affect payment methods and nomenclature. Because clients receive their life insurance protection through their membership in Modern Woodmen, they are "members", rather than "customers". Their contracts are "certificates of membership", rather than "policies". Their premiums, or dues, are collected by the secretaries in our local lodges or "Camps".

Every four years, these Camps elect delegates to county or district conventions. From the state conventions come the National Convention delegates who elect the officers, including the Board of Directors, who manage the affairs of the Society.

Modern Woodmen's present legal reserve fraternal system has brought such progress that in August, 1967, the Society moved into a new, seven-story, glass

and granite home office building located on the Rock Island bank of the Mississippi river. Assets of \$280 million make Modern Woodmen the largest financial institution in the Quad Cities.

It has been said that Modern Woodmen has returned a greater percentage of its total premium collections to beneficiaries and living members than any other life insurance organization. Every legitimate death claim has been paid promptly and in full. More than \$1 billion has been paid to beneficiaries and living members and \$49 million has been returned in dividends.

The insuring public can be assured that Modern Woodmen of America meets the rigid solvency requirements of the law in all the states and Canadian provinces in which it operates.