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INSPECTORS LEADERSHIP RETREAT 2026

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FRATERNAL ASSET PROTECTION & GOVERNANCE

Financial & Risk Management Stewardship

FOR MASONIC LODGES & HALL ASSOCIATIONS

Aligning Financial Discipline, Captive Insurance, and Property Risk Mitigation

Steven L. Yeffa, Grand Treasurer

PRESENTATION AGENDA

01

Part 1: Good Financial Management

Dual-entity framework, cash flow management, key financial ratios (DCOH, DDR, CRFR), real estate metrics, and benchmarking.

02

Part 2: The Captive Insurance Model

Commercial market challenges, captive architecture, model comparison, and 4 strategic drivers.

03

Part 3: Masonic Hall On-Site Assessments

Ground-level risk evaluation, physical property integrity, protection systems, external exposures, and trustee roadmaps.

DUAL-ENTITY FRAMEWORK

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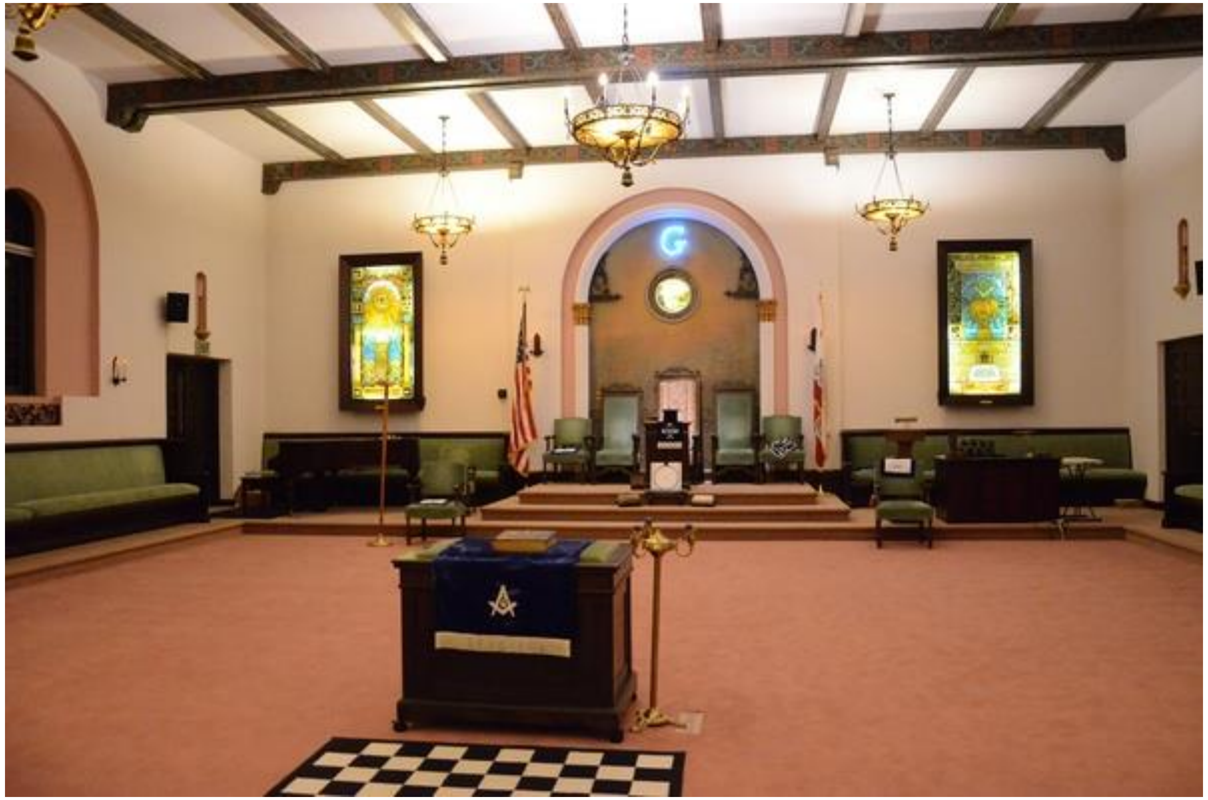
LODGE PROFILE (FRATERNAL)

- Revenue: Dues, initiation fees, life trust distributions.
- Expenses: Per capita assessments, events, regalia.
- Objective: Programmatic & fraternal stability.

HALL ASSOCIATION (REAL ESTATE)

- Revenue: Lease agreements, hall & event rentals.
- Expenses: Building insurance, maintenance, utilities.
- Objective: Property self-sufficiency & preservation.



KEY LEADERSHIP RATIOS

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90–180
Days Target

Days Cash on Hand (DCOH)

$$\text{DCOH} = \frac{\text{Unrestricted Cash}}{\text{Annual Operating Expenses / 365}}$$

Measures operational cash buffer to cover ongoing expenses during off-peak dues collection cycles without tapping reserves.

< 60%
Target Ratio

Dues Dependency Ratio (DDR)

$$\text{DDR} = \left(\frac{\text{Member Dues Revenue}}{\text{Total Operating Revenue}} \right) \times 100\ \%$$

Identifies over-reliance on membership dues and highlights the necessity for diversified income streams (rentals, investments).

> 70%
Funded Target

Capital Reserve Funded Ratio (CRFR)

$$\text{CRFR} = \left(\frac{\text{Current Reserve Balance}}{\text{Target Reserve Goal per Study}} \right) \times 100\ \%$$

Ensures readiness to replace major building mechanicals (roof, boiler, HVAC) without resorting to emergency dues levies.

REAL ESTATE METRICS

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Facility Condition Index (FCI)

$$\text{FCI} = \frac{\text{Deferred Maintenance}}{\text{Replacement Value}} \quad (< 0.05\text{Target})$$

Proves physical structural health to insurance underwriters to secure optimal captive insurance qualification.

Operating Cost per Sq. Ft.

$$\text{Cost/Sq.Ft.} = \frac{\text{Facility Expenses}}{\text{Square Footage}}$$

Establishes objective cost baselines to price third-party event hall rentals and tenant leases profitability.

Break-Even Rental Occupancy

$$\text{Break-Even} = \frac{\text{Fixed Overhead}}{\text{Net Event Margin}}$$

Calculates minimum required rental days per month to cover fixed building holding and utility costs.

FINANCIAL BENCHMARKING

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1. Peer Group Cohort Comparison

Evaluate dues levels, facility square footage costs, and operating budgets against regional lodges of similar membership size and geographic risk.

2. Operational Expense Ratios

Compare percentage of revenue spent on utilities, physical maintenance, and insurance vs. fraternal programming to identify cost anomalies.

3. Capital Reserve Adequacy

Benchmark reserve balances against national fraternal real estate standards to ensure long-term roof and boiler replacement readiness.

4. Rental & Revenue Yield Tuning

Analyze hall rental rates per square foot against local commercial market averages and sister hall rates to maximize non-dues income.

COMMERCIAL INSURANCE MARKETS

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Skyrocketing Premium Rates

Commercial property carriers have drastically increased rates due to global climate events and rising construction replacement costs.

Excessive Deductibles

Fraternal buildings face blanket property and water damage deductibles ranging from $25,000 to $100,000 per occurrence.

Generic Risk Pooling

Historic fraternal structures are lumped into general commercial risk pools that fail to reflect actual lodge loss care and history.

Non-Refundable Expense

100% of unused premium dollars in quiet loss years convert directly into commercial insurer corporate profit with zero recovery.

HOW THE CAPTIVE MODEL WORKS

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Layer 1: Local Lodge Deductible

Local Hall Associations absorb routine, manageable working deductibles for minor maintenance claims.

Layer 2: Captive Retention Pool

The self-owned captive pools member lodge premiums to pay primary claims up to specific aggregate thresholds (e.g., $5M).

Layer 3: Reinsurance Backstop

Commercial reinsurers (e.g., AIG) step in to cover catastrophic excess losses beyond captive limits.

MODEL COMPARISON

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CAPTIVE / LEVEL FUNDING MODEL

- Surplus Retention: Unclaimed premium reserves remain inside the fraternal ecosystem as underwriting surplus.
- Cost Structure: Split transparently into Claims Fund, Reinsurance Premium, and Admin Expenses.
- Long-Term Outcome: Builds organizational wealth and stabilizes future premium costs for lodges.

COMMERCIAL FULLY-INSURED MODEL

- Surplus Retention: 0% retained — 100% non-refundable premium paid directly to commercial carrier.
- Cost Structure: Fixed annual premium set unilaterally by commercial underwriters.
- Long-Term Outcome: Unused claim dollars convert directly into commercial insurer corporate profits.

STRATEGIC CAPTIVE BENEFITS

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MASONIC
INSURANCE COMPANY

01
Cost & Premium Stability

Insulates lodges from commercial market rate spikes. Premiums reflect actual fraternal loss history rather than external commercial losses.

02
Retained Wealth & Investment Yield

Unused premium dollars remain in fraternal reserves as surplus, earning investment yield to offset future operating costs.

03
Tailored Policy Terms

Customizes coverage limits and deductible structures specifically for historic lodge properties, replacing one-size-fits-all mandates.

04
Direct Risk Control

Aligns claims handling and facility preservation standards directly with fraternal values and long-term building preservation.

LINKING REAL ESTATE & INSURANCE

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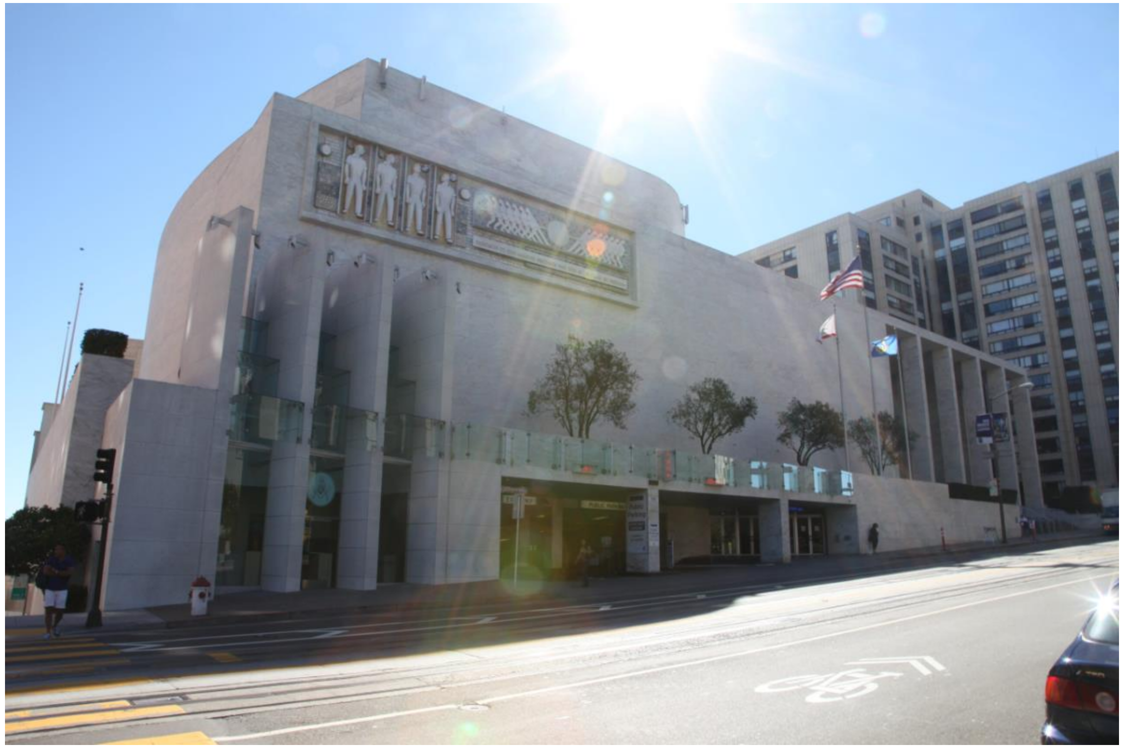
Physical Integrity Drives Solvency

A captive insurance pool is only as solvent as the physical buildings it insures. Unaddressed risks threaten reserves.



On-Site Risk Mitigation

Engineering assessments evaluate property vulnerabilities before they evolve into high-dollar casualty claims.

Preserving Historic Architecture

Proactive physical stewardship protects historic halls for future generations while maintaining captive eligibility.

PILLARS OF HALL RISK ASSESSMENT

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Construction & Mechanicals

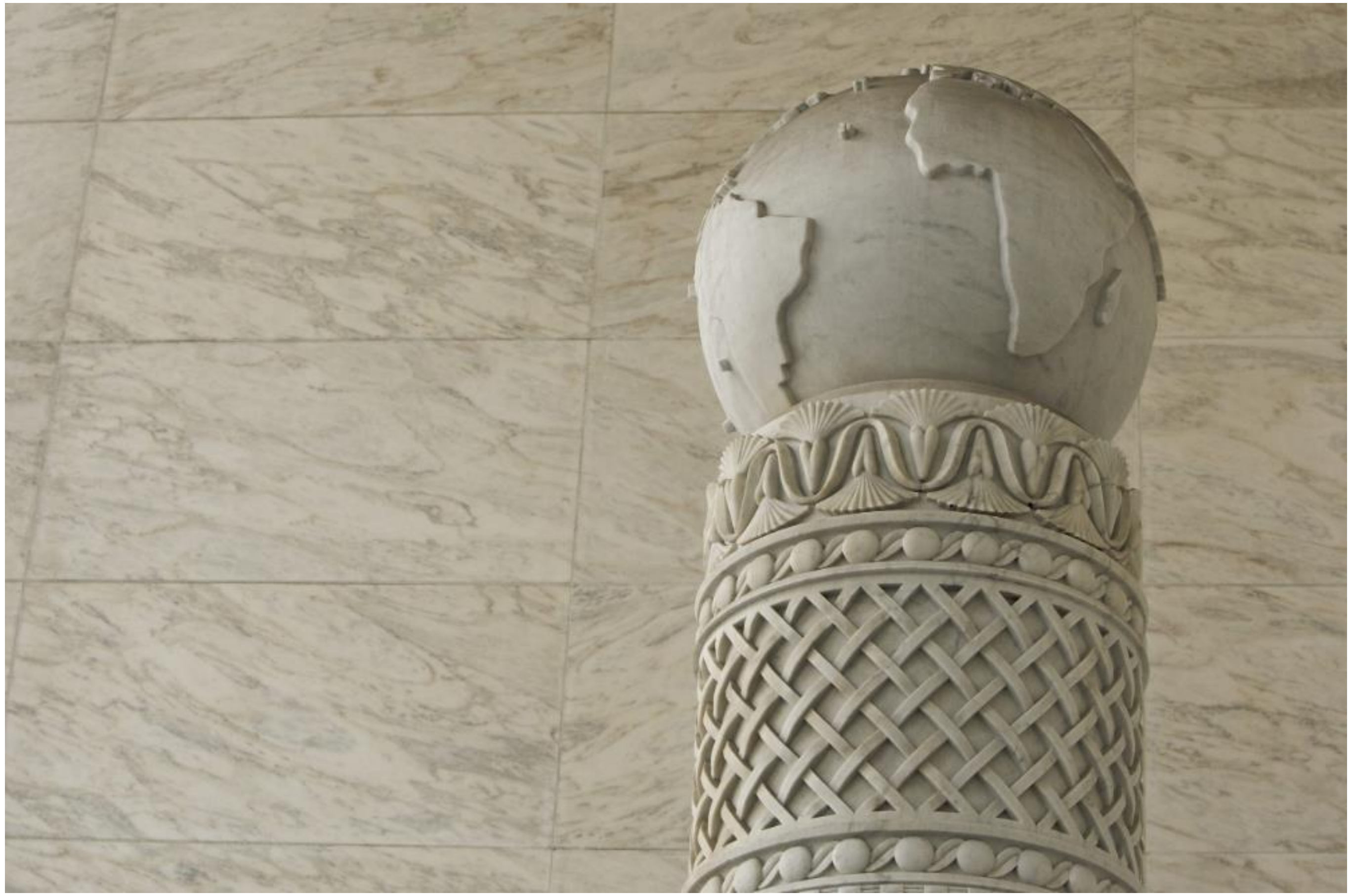
Roofing age, plumbing integrity, HVAC performance, and electrical panel safety to eliminate major water leaks and electrical fire hazards.

Protection Systems

Central fire alarm connectivity, commercial sprinkler coverage, and low-cost automatic water leak shutoff sensors.

External Exposure

Wildfire zone proximity, flood plain analysis, structural setback evaluation, and neighboring property hazards.



TRUSTEE ROADMAPS

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01

Prioritized Repair Tiers

Assessor reports categorize repairs into High, Medium, and Low risk priorities for Trustees.

02

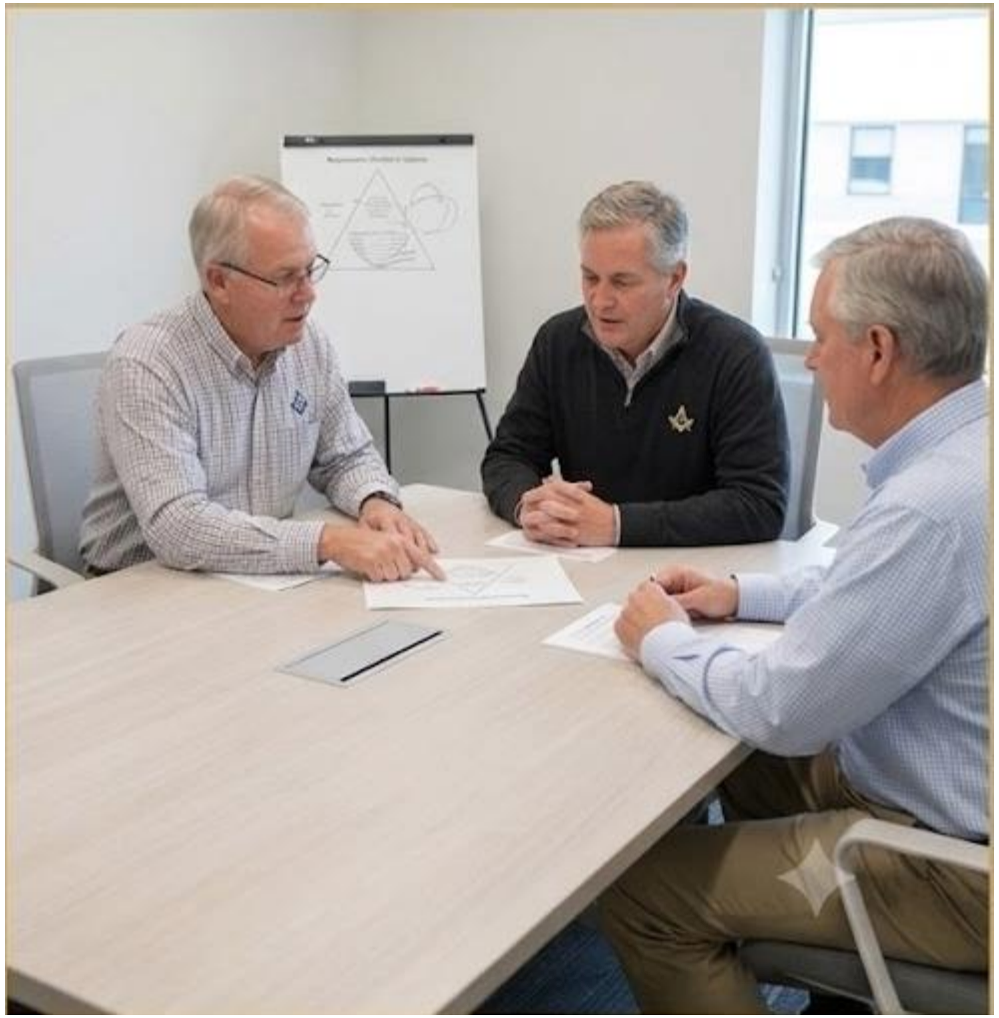
High-Impact Technology

Installing automatic water shutoff leak sensors ($500) averts major $50,000+ water damage claims.

03

Direct Premium Defense

Addressing minor maintenance directly preserves financial strength and low renewal rates.



SUMMARY & ACTION PLAN

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1. Financial Stewardship

Manage cash liquidity via DCOH (90–180 days) and build capital reserves (CRFR > 70%) to prevent emergency dues assessments.

2. Captive Insurance Model

Self-insure to stabilize long-term rates, customize policy terms, and retain unclaimed premium surplus inside the organization.

3. Hall Risk Assessments

Execute physical risk remediations to keep building mechanicals safe, preserve historic halls, and maintain captive eligibility.

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