



# Proposed EBMUD Captive Insurance Company

Special Finance/Administration Committee

December 1, 2025

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# EBMUD's Current Insurance Approach

- Current Liability insurance works like a layered cake:
  - EBMUD self-insures the first \$10 million per claim
  - Commercial insurers cover additional layers up to \$100 million
  - The cost of each higher layer depends on the preceding layers
  - The coverage is determined by the first insurance layer
- This model has worked – but costs are rapidly escalating and coverage is shrinking, leading to higher risk to EBMUD at higher costs.

# From Rising Premiums to Shrinking Coverage

Increasingly challenging for EBMUD to obtain commercial insurance coverage for certain lines of insurance.

- Public-sector insurance markets are contracting: fewer carriers, higher rates, more coverage exclusions.
- Premiums up 77% in two years; key coverages (Employment Practices Liability Insurance and PFAS) now excluded.
- Even with a strong safety record and no claims, EBMUD faces double-digit annual cost swings.
- Premiums are determined by market forces, not our own actions (e.g., recent Actuarial Analysis).
- Current approach to insurance leads to unpredictable budget impacts.

# Options to Navigate Difficult Insurance Market

Option	Considerations
Maintain Status Quo	Exposure to significant volatility, exclusions, market contraction Possible loss of coverage at certain layers
Increase Self-Insured Retention (SIR) from \$10 million to \$15 million or higher	Provide some price relief Challenge of increasing exclusions and contracting markets are not addressed
Switching to bare approach – no insurance (e.g., City and County of San Francisco)	Assume significant risk and passing risk to the ratepayers
Establish EBMUD-owned Captive Insurance Company	There are a total of 6,290 captives in U.S. at year-end 2024 including California Joint Powers Insurance Authority (JPIA), Association of California Water Agencies (ACWA), California State Association of Counties, City and County of Los Angeles, Las Vegas Valley Water

# What is a Captive Insurance Company?

- A captive is an insurance company created and owned by an organization (e.g., EBMUD) to insure its own risks
- Captives allow organizations to retain more control over coverage, claim handling, and risk-management decisions
- Premiums paid into the captive build reserves that can be used to cover losses
- Reduced reliance on public-sector insurance market and access to wholesale insurance market
- Captives can stabilize insurance costs over time
- Possible risks: higher than expected losses, regulatory changes

# Our Strategic Response: Create an EBMUD- Owned Captive Insurance Company

- Recommending the Board authorize creating a **single-parent captive**, an insurance company fully owned by EBMUD.
- The EBMUD captive insurance company would:
  - Insure EBMUD's risks directly
  - Provide access to wholesale reinsurance currently unavailable to EBMUD
  - Be domiciled in Utah and operate under Utah's insurance regulations (464 captives at the end of 2024)
- Phased implementation: minimal upfront funding; no disruption to existing coverages.
- Moves us from **price-taker** closer to **price-maker** — provides control, flexibility, and greater access to modern insurance options.

# Financial Snapshot: Investing Now for Decades of Stability

Item	Estimated First-Year Costs	Est. Annual Costs (after first year)
Formation Costs	\$42,500	—
Operating Costs*	\$106,250	\$106,250
Initial Funding	\$270,000	—
Annual Funding	\$971,000	\$971,000
<b>Total Costs</b>	<b>\$1.39 million</b>	<b>\$1.07 million</b>

\*Operating costs include management and actuarial services, audits, and other external support costs.

- Blue rows are funding to pay claims; if no claims are paid, these funds remain in the captive’s reserves – and under EBMUD’s control.
- Captive builds reserves above required levels even under conservative scenarios.
- Surplus reserves can fund expanded coverage, innovation to reduce claims, or be returned to EBMUD.

# Cost Comparison: Short-Term Increase, Long-Term Savings

	Current Costs	Future Costs (First Year)
<b>Total Costs of Captive</b>	<b>\$0</b>	<b>\$1.39 million</b>
Risk Retained within \$10M SIR	\$7.7 million	\$7.7 million
Reduction in Premiums	\$0	(\$330,000)
<b>Total Annual Cost</b>	<b>\$7.7 million</b>	<b>\$8.8 million</b>

- Captive insurance may raise costs early on, but it is a long-term strategy that builds stability and financial resilience.
- Captive owners realize the benefits by re-capturing premiums that would otherwise be spent in the traditional market.
- Based on actuarial projections, at the end of year 10, Captive is expected to have equity of \$6.6 million (losses as projected at the expected confidence level).

# Governance, Oversight & Regulatory Safeguards

- **Captive Board:** Four EBMUD representatives (Manager of Risk Management, Director of Finance, Treasury Manager, Manager of Budget) and one Utah resident (could be from a peer water agency in Utah).
- **Regulator:** Utah Department of Insurance; this is a mature captive jurisdiction with low costs. (Utah regulates 464 out of 6,290 total captives in U.S.)
- **Transparency:** Annual actuarial reports, audits, and EBMUD Finance/Administration Committee Board update on the captive's performance and costs and benefits.
- **No Additional Benefits to EBMUD Employees:** Unpaid positions, subject to existing ethics and governance standards and EBMUD policies for expenses; not expected to travel for Board meetings unless Utah regulations change.

# Strategic Benefits to EBMUD and Ratepayers

- **Premium stability** shields budgets from market shocks.
- **Broader coverage** for excluded risks (inverse condemnation, employment practices liability, etc.).
- **Reserves growth** can fund future risk prevention (e.g., safety tech, small-contractor coverage) or be returned to EBMUD's reserves.
- **Long-term independence** from volatile commercial markets.

# Summary

To solve major challenges in the District's insurance coverage, including rapidly growing costs despite exemplary record and no claims, staff recommend the Board approve establishing a **single-parent captive insurance company domiciled in Utah**.

Key elements include:

- **Phased Approach:** Structured to gradually grow capacity, avoiding significant upfront investments and minimizing disruption to the current risk portfolio.
- **Funding:** Use budget savings to fund FY 2026 & FY 2027 captive costs; future years will be included in the budget process.
- **Governance:** Designate four EBMUD representatives to serve as Board members of the captive insurance company. These positions will be unpaid and provide oversight.

**Leads to more sustainable and flexible insurance for EBMUD.**

# Decision Request & Path Forward

If the Committee is supportive, staff will request Board consideration to establish the captive at its December 9, 2025 meeting.

- **Board Action Requested:**

- Formation of a **single-parent EBMUD Captive Insurance Company domiciled in Utah.**
- Commit initial funding of **\$1.39 million (FY 2026)** and **\$1.08 million annually (FY 2027-2031)**, and include similar funding as needed in future budgets through FY 2031.
- Authorize staff to designate four EBMUD representatives to serve on the Captive's Board of Directors.
- Authorize staff to submit the business plan and license application to the Utah Department of Insurance and report back to the Finance/Administration Committee upon approval.

FY = Fiscal Year

# Questions?



Flowing  
into the  
Future



# Fleet Vehicle and Equipment Telematics

Special Finance/Administration Committee

December 1, 2025

Crystal Yezman, Manager of Maintenance and Construction

# Outline

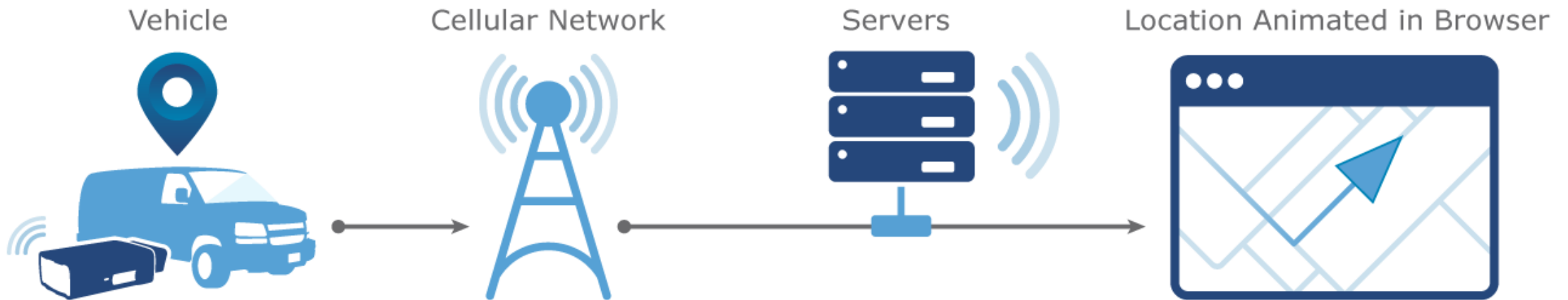
- What are Telematic Devices?
- Benefits & Use of Telematics
- Related District Guidelines
- Union Outreach
- Next Steps



*Telematic Device for an On-Board Diagnostic Port*

# What are Telematic Devices?

Telematics are devices installed on vehicles to track vehicle location and provide vehicle information via cellular service to improve fleet management, maintenance, and driver safety.



Flow Chart Describing How Data is Transmitted Via Telematics

# Telematics Provide Valuable Data

- Real-time position
- Trip distance/time
- Route mapping
- Vehicle faults
- Fuel consumption
- Vehicle speed
- Idling time
- Seat belt use
- Battery voltage and other engine data
- Aggressive braking, cornering, acceleration and speeding

# Benefits of Telematics

<b>Productivity</b>	Real-time GPS tracking, emergency response, trip reporting, solo worker tracking, dispatching and routing tools
<b>Fleet optimization</b>	Predictive maintenance, remote diagnostics, and fuel management
<b>Fleet compliance</b>	Remote regulatory reporting of vehicle inspections and emissions
<b>Integration</b>	Combine with fleet work management software
<b>Sustainability</b>	Reduce environmental impact and carbon emissions, and managing electric vehicles
<b>Safety</b>	Risk and driver behavior reporting, collision notifications, accident reconstruction, and the ability to locate stolen vehicles

# Data Analytics and Regulatory Reporting

- Engine and telematic fault reports
- Fleet savings summaries (fuel, productivity, maintenance and safety)
- Daily idle duration and cost trends
- Fuel and electrical efficiency reports
- Fleet utilization, hours of service and distance traveled
- Remote emission testing and inspections for regulatory reporting
- Predictive analytics, safety scorecards, speeding violations and collision risk due to driver behavior

# Asset Tracking for Stolen Vehicles

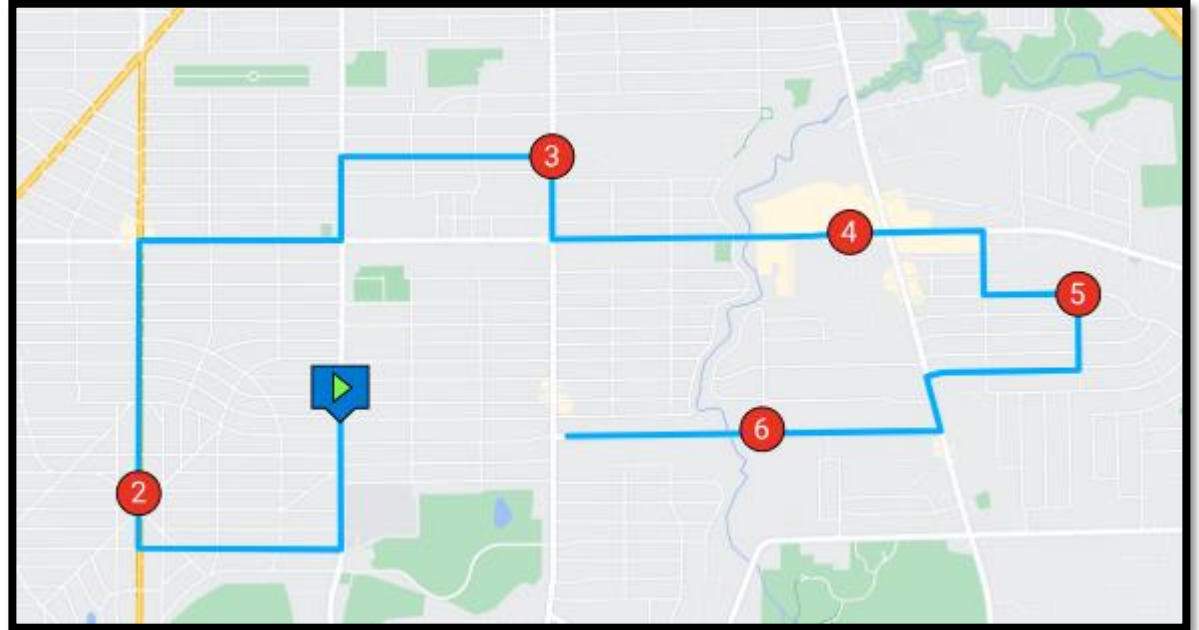
**Real-time tracking:** Continuously track the vehicle's position.

**Location sharing:** Immediately share with local authorities.

**Trip history:** View the entire trip history, which can be helpful for tracking the vehicle's path and determining its last known location.

**Alerts and notifications:** Set up alerts for when a vehicle leaves a predefined geographic area (geofencing) for immediate notifications if a vehicle is stolen.

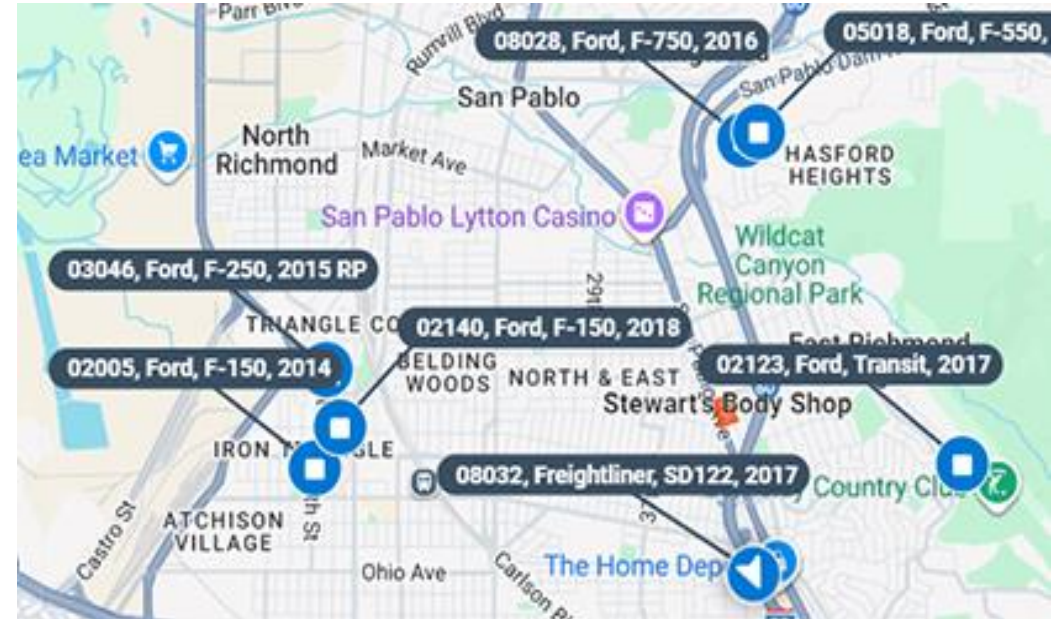
**Stolen vehicle service:** Initiate "theft recovery mode" to increase reporting frequency for faster updates.



*Map Showing Vehicle Route Tracking*

# Telematics Use at the District

- District has been using telematics devices since 2006
- In January 2024, the District began piloting Geotab USA, Inc (Geotab), telematics
- Geotab telematic devices are already installed on 300 vehicles



Map Showing Vehicle Locations

# Procedure 709 – Fleet Management

**Procedure 709** provides procedures for the acquisition, operation, preventive maintenance, regulatory compliance, and use of the District's vehicle fleet and equipment.

Procedure 709 explains that **Telematics System Data** may be relied upon to help ensure the safety of solo workers, to support investigations of property damage claims against the District as well as to assist in any other formal investigations.

# Procedure 709 and Union Discussions

- On September 5, 2025, the District notified unions of proposed changes to Procedure 709 regarding how telematics data could be used for disciplinary purposes
- District responded to union questions regarding District use of data and limitations on internal access to data
- Based on comments, District notified unions on November 4 that District will maintain existing language in Procedure 709 regarding the use of telematics data for disciplinary purposes (i.e., the data cannot be used as sole basis)

# Next Steps

- Staff will ask the Board to consider the purchase of additional devices for the remaining 1,100 fleet vehicles and equipment at the December 9, 2025 Board meeting
- District and unions will continue to meet and confer over remaining issues

# Questions?



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into the  
Future