



**BOARD OF DIRECTORS  
EAST BAY MUNICIPAL UTILITY DISTRICT**

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375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

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**Notice of Special Meeting**  
**Finance/Administration Committee**  
**Tuesday, December 9, 2025**  
**10:00 a.m.**  
**Boardroom**  
**375 11th Street**  
**Oakland, California**

At the call of Finance/Administration Committee Chair Valerie D. Lewis, a special meeting of the Finance/Administration Committee of the East Bay Municipal Utility District Board of Directors has been scheduled for 10:00 a.m. on Tuesday, December 9, 2025 in the Administration Building Boardroom at 375 11<sup>th</sup> Street, Oakland CA.

Dated: December 4, 2025

A handwritten signature in blue ink that reads "Rischa S. Cole".

Rischa S. Cole  
Secretary of the District

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EAST BAY MUNICIPAL UTILITY DISTRICT**

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**AGENDA**  
***Special Meeting***  
**Finance/Administration Committee**  
**Tuesday, December 9, 2025**  
**10:00 a.m.**  
**Boardroom**  
**375 11th Street**  
**Oakland, CA 94607**

*Committee Members: Directors Valerie D. Lewis {Chair}, Andy Katz, and Jim Oddie*

**\*\*\* Please see appendix for public participation instructions\*\*\***

**ROLL CALL:**

**PUBLIC COMMENT:** The Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

**DETERMINATION AND DISCUSSION:**

1. Strategic Insurance Program Initiative – Proposed EBMUD Captive Insurance Company (Skoda)

**ADJOURNMENT:**

**Disability Notice**

*If you require a disability-related modification or accommodation to participate in an EBMUD public meeting, please call the Office of the Secretary (510) 287-0404. We will make reasonable arrangements to ensure accessibility. Some special equipment arrangements may require 48 hours advance notice.*

**Document Availability**

*Materials related to an item on this Agenda that have been submitted to the EBMUD Board of Directors within 72 hours prior to this meeting are available for public inspection in EBMUD's Office of the Secretary at 375 11th Street, Oakland, California, during normal business hours, and can be viewed on our website at [www.ebmud.com](http://www.ebmud.com).*

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## APPENDIX

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### Special Finance/Administration Committee Meeting

*EBMUD Board committee meetings will be conducted in person and accessible via Zoom.  
These meetings are live streamed on the District's website.*

#### Online\*

<https://ebmud.zoom.us/j/92433162059?pwd=emM4YjRrQTJtK3M0NnAxTDRoVzh5Zz09>

Webinar ID: 924 3316 2059

Passcode: 282322

#### By Phone\*

Telephone: 1 669 900 6833

Webinar ID: 924 3316 2059

Passcode: 282322

International numbers available: <https://ebmud.zoom.us/u/kjdx0Kd06>

\*To familiarize yourself with Zoom, please visit <https://support.zoom.us/hc/en-us/articles/201362193-Joining-a-Meeting>

**Providing public comment** - *The EBMUD Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.*

- Each speaker is allotted 3 minutes to speak; the Board President has the discretion to amend this time based on the number of speakers
- The Secretary will track time and inform each speaker when the allotted time has concluded
- Comments on **non-agenda items** will be heard at the beginning of the meeting
- Comments on **agenda items** will be heard when the item is up for consideration
- The Secretary will call each speaker in the order received

#### In person

- Fill out and submit a blue speaker card which is available in the meeting room

#### Via Zoom

- Use the raise hand feature in Zoom to indicate you wish to make a public comment  
<https://support.zoom.us/hc/en-us/articles/205566129-Raising-your-hand-in-a-webinar>
  - If you participate by phone, press \*9 to raise your hand
- When prompted by the Secretary, please state your name, affiliation if applicable, and topic

#### Submitting written comments or materials

- Email written comments or other materials for the Board of Directors to [SecOffice@ebmud.com](mailto:SecOffice@ebmud.com)
- Please indicate the meeting date and agenda item number or non-agenda item in the subject of the email. Contact information is optional.
- **Please email by 4 p.m. the day prior to the scheduled regular meeting;** written comments and other materials submitted to the Board of Directors will be filed in the record.

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**To view the livestream of Board meetings, please visit:**

<https://www.ebmud.com/about-us/board-directors/board-meetings/>

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## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: December 4, 2025

MEMO TO: Board of Directors

THROUGH: Clifford C. Chan, General Manager *CCC*

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Formation of EBMUD's Captive Insurance Company

### SUMMARY

As discussed at the December 1, 2025 Special Finance/Administration Committee meeting, the District's commercial insurance premiums have risen substantially in recent years while coverage has narrowed, particularly in the areas of liability and specialty risk. To address continued volatility and ensure long-term stability, staff evaluated the feasibility of establishing an EBMUD-owned Captive Insurance Company. The proposed single-parent captive would give the District greater control, flexibility, and direct access to wholesale reinsurance markets. At the December 1, 2025 Special Finance/Administration Committee meeting, the Committee requested a follow-up meeting to address their questions about the captive and its governance. This item will be discussed at the December 9, 2025 Special Finance/Administration Committee meeting.

### DISCUSSION

Staff evaluated several strategies to address the increasingly challenging insurance environment, including maintaining the current insurance structure, increasing the District's self-insured retention (SIR), adopting a bare-risk approach, and establishing a captive insurance company. Although increasing the SIR could provide some short-term premium relief, it does not address the more significant issues of expanding exclusions and the continued contraction of the commercial insurance market. By contrast, forming a captive offers several long-term strategic advantages. A captive would provide greater premium stability and reduce cost volatility; enable broader and customized coverage for risks that commercial insurers are increasingly unwilling to underwrite; allow the District to accumulate reserves that can strengthen the balance sheet and offset future premium costs; and create a pathway toward greater independence from the volatile commercial markets. A captive would also give the District access to wholesale and specialty insurance markets that are currently inaccessible, expanding the pool of potential risk-transfer partners and improving the District's ability to secure competitive and reliable excess coverage.

#### Visual representation of captive structure

The attachment demonstrates visual representation of the proposed captive structure.

### Captive Governance Structure

The captive will be domiciled in Utah, have a Board of Directors, corporate officers, and a Utah-approved captive manager, as required under Utah's Captive Insurance Companies Act. The captive board is responsible for overseeing the company's overall strategy, regulatory compliance, financial operations, and claims governance. In addition, Utah law requires annual financial filings, actuarial reports, and independent audits to ensure ongoing solvency and regulatory compliance.

Consistent with industry best practices, the proposed captive would engage independent professional service providers, including actuaries, audit firms, outside legal counsel specializing in captive insurance law, and accounting and administrative support. These third-party services are included within the proposed annual operating budget of approximately \$106,250, as outlined in the staff presentation. The captive manager would help coordinate regulatory filings, maintain books and records, and ensure that the captive meets all Utah domicile requirements.

EBMUD staff would provide periodic updates to the EBMUD Finance/Administration Committee, including information on the captive's performance, financial position, loss experience, operational costs, and overall benefits to the District. Staff would also evaluate opportunities to expand the captive program into additional lines of coverage or modify its risk-financing strategy over time. Any such changes would be presented to the captive's Board for formal consideration and adoption pursuant to its governance responsibilities.

Through this governance framework, combining EBMUD oversight, specialized external expertise, and Utah regulatory supervision, the captive would be structured to operate transparently, prudently, and in alignment with the District's long-term risk-management objectives.

### Governing Law – Utah or California

Because the captive will be domiciled in Utah, its formation, licensing, solvency requirements, corporate governance, and insurance-regulatory obligations will be governed by Utah law, specifically the Utah Captive Insurance Companies Act (Utah Code Title 31A, Chapter 37) and regulations of the Utah Insurance Department. These Utah laws control the captive's organizational structure, reporting requirements, capital standards, and duties as a licensed insurer. However, California law continues to govern EBMUD as a California special district, including compliance with public-agency statutes such as the Brown Act, Government Code §1090, and other state-law requirements applicable to EBMUD's oversight of the captive.

Although Utah regulates the captive's status and operations as an insurer, the insurance contract issued by the captive to EBMUD will specify California law as the governing law and California courts as the exclusive venue for resolving disputes under the policy. This choice-of-law provision ensures that any coverage questions, claims-handling disputes, or contractual matters

between EBMUD and its captive insurer will be adjudicated under California law, even though the insurer itself remains regulated by Utah for licensing and solvency purposes.

Thus, the legal framework will be dual in nature:

- Utah law governs the captive's regulatory standing and operation as an insurance company; and
- California law governs the insurance policy and contractual relationship between EBMUD and the captive, pursuant to the policy's governing-law and venue provisions.

#### Utah Licensing Requirements

Utah requires: (a) a full captive application including business plan and feasibility study, (b) minimum capital, (c) a Utah resident board member, (d) a Utah registered agent, (e) a Utah-approved captive manager, and (f) biographical affidavits for captive directors/officers. Utah will require identification of the directors before issuing a license.

#### Appointment of Captive Board Members

Best practice is for the EBMUD Board to delegate to the General Manager, or the General Manager's designee, the authority to nominate and appoint the captive's initial five-member Board of Directors. While the EBMUD Board must formally authorize the creation of the captive and approve participation in its governance structure, the operational step of selecting the specific individuals who will serve as directors is generally delegated to the GM, who is best positioned to identify qualified internal staff and identify appropriate Utah-based directors.

Utah law requires that the captive's license application identify all initial directors by name, accompanied by biographical affidavits and background documentation. Delegating director nomination authority to the GM allows EBMUD to manage the formation process efficiently, adjust board composition as needed during licensing, and align the selected directors with the expertise required for the captive's operations.

Accordingly, the Board's formation resolution should authorize the GM (or designee) to nominate and appoint the initial directors, execute related documents, and take all actions necessary to complete the organization and licensing of the captive in Utah.

#### Compensation for the Utah Board Member

Captive's based in Utah require at least one resident director, where an organization does not have locally based employees. While staff's recommendation referenced "unpaid board members" this is not a legal mandate. The Utah member could be compensated. Options include:

- A. Source a local professional with experience in the captive space such as legal counsel or insurance/reinsurance industry to serve on the Board of the captive. The captive

management firms that the District would engage typically have a panel of individuals that can serve as the local board member. These independent board members are typically compensated in a range of \$2,000 to \$5,000 a year.

- B. EBMUD may have Utah-based industry partners or peers, including other public water agencies who may agree to serve pro-bono and can reach out to those organizations to source candidates.

The Utah Regulator will want the local board member to have a professional background from a discipline that can complement the board whether that be in insurance, reinsurance, legal or financial capabilities.

### Reinsurance Structure

Reinsurance is frequently used to provide protection to a captive and can take many forms some of which are explained below. In fact, one of the key benefits of the captive is to attract and maintain reinsurance which is unavailable to the District (or any single California entity that doesn't operate or is a part of a captive). It is one of EBMUD's strategic goals to begin negotiations with suitable reinsurers for the newly formed captive in 2026, immediately following formation. However, it would be premature to comment on a possible reinsurance structure this early in the process, prior to actual formation of the captive. When used, reinsurance could operate in one of these ways:

- **Excess of Loss (XOL) Reinsurance.**  
Under an XOL arrangement, the reinsurer responds only after losses exceed a specified attachment point or the captive's limit. For example, if the captive were to insure a layer from \$10 million to \$25 million, an XOL contract might attach above \$25 million. Once losses exceed that amount, the reinsurer would reimburse the captive for amounts above the attachment point. This structure protects the captive from catastrophic, low-frequency/high-severity losses and helps stabilize long-term premiums.
- **Quota Share Reinsurance.**  
In a quota share arrangement, the captive transfers a fixed percentage of both premiums and losses to a reinsurer. For example, the captive might cede 40% of a given layer to the reinsurer. The reinsurer would receive 40% of premium and reimburse 40% of covered losses. This structure is used to smooth earnings, reduce the captive's capital strain, and allow the captive to participate in the risk while mitigating volatility. Unlike an XOL, quota share applies from the first dollar within the captive layer.

During the initial years, reinsurance would likely not be purchased, and the District's liability tower would remain largely consistent with today's program structure:

- EBMUD retains the first \$10 million (self-insured retention);
- The captive insures the next layer above \$10 million to \$15 million; and

- The next \$85 million in liability coverage will continue to be placed with traditional excess insurance carriers, and potentially with additional wholesale and specialty markets that are expected to become accessible once EBMUD operates a captive.

This phased approach allows the captive to build surplus, develop claims experience, and establish credibility with reinsurers before entering the reinsurance market. Over time, reinsurance can be introduced strategically to enhance financial protection, reduce volatility, and expand the District's access to broader risk-transfer markets.

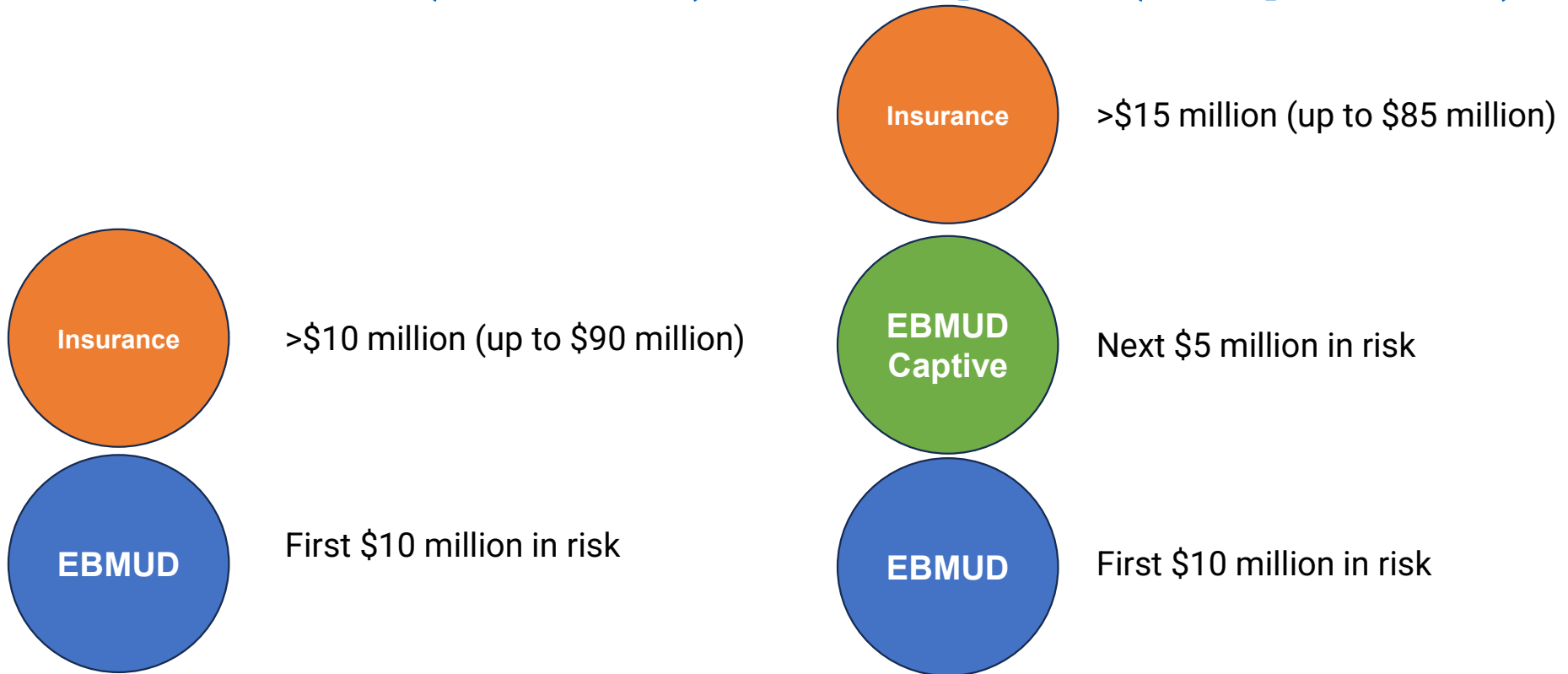
### **NEXT STEPS**

This item will be brought to the Board for consideration at its December 9, 2025 meeting.

CCC:SDS:vb

Attachment: Captive Structure

# Traditional (Current) vs Captive(Proposed\*)



*\*As currently proposed. Can be expanded.*