

RESOLUTION NO. 35472-25

RESOLUTION AUTHORIZING FORMATION OF EAST BAY MUNICIPAL UTILITY
DISTRICT CAPTIVE INSURANCE COMPANY

Introduced by Director Lewis ; Seconded by Director Katz

WHEREAS, the East Bay Municipal Utility District (EBMUD) has experienced a significant rise in insurance premiums and coverage exclusions due to the increasingly challenging commercial insurance market; and

WHEREAS, despite EBMUD's strong safety record and the fact that it has not drawn upon external insurance coverage in decades, market forces, particularly reduced competition and capacity, have resulted in higher costs and decreased predictability; and

WHEREAS, to mitigate these challenges, EBMUD staff identified the captive insurance alternative as the best option to address the underlying issue of EBMUD's inability to influence pricing or coverage; and

WHEREAS, the captive alternative offers a long-term strategic solution, allowing EBMUD to underwrite its own risk, retain any underwriting profits, and gain direct access to reinsurance markets; and

WHEREAS, financial modeling and actuarial analysis indicate that while formation costs will slightly increase anticipated expenditures during the first two years, long-term projections show premium stabilization, reserve accumulation, and reduced exposure to commercial market volatility; and

WHEREAS, the State of Utah is a mature and cost-effective captive regulatory environment with 464 captives licensed at year-end 2024; and

WHEREAS, at the Special Finance/Administration Committee meeting on December 1 and the Finance/Administration Committee on December 9, 2025, staff presented the Committee with information on the proposed EBMUD Captive Insurance Company (Captive); and

WHEREAS, the Finance/Administration Committee presented its committee report to the Board of Directors (Board) at the December 9, 2025 regular business meeting; and

WHEREAS, the Captive will operate as a separate legal entity from EBMUD but remain subject to applicable EBMUD Policies and Procedures, and accountability and ethics requirements;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the East Bay Municipal Utility District does hereby authorize the formation of a single-parent EBMUD Captive Insurance Company domiciled in Utah to insure specific EBMUD risks, to initially include general and automobile, employment practices, and public officials liability above the EBMUD'S \$10 million self-insured retention.

BE IT FURTHER RESOLVED that the Board does hereby establish a five-member board of directors consisting of four EBMUD representatives and at least one Utah resident member as required by Utah state law.

BE IT FURTHER RESOLVED that the Board hereby authorizes the General Manager, or his designee to:

1. Designate four EBMUD representatives to serve on the Captive's board of directors;
2. Identify and designate at least one Utah resident member director as required by Utah state law to serve on the Captive's board of directors;
3. Prepare and submit the Captive's business plan and license application to the Utah Department of Insurance;
4. Report back to the Finance/Administration Committee upon approval of the Captive but the Utah Department of Insurance; and
5. Review annual actuarial reviews and external audits, and establish ongoing reporting to the Finance/Administration Committee.

BE IT FURTHER RESOLVED THAT THE fiscal impact associated with this action will be absorbed within the existing budget appropriation.

ADOPTED this 9th day of December, 2025 by the following vote:

AYES: Directors Gómez, Katz, Lewis, Oddie, Smith, and President Young.

NOES: None.

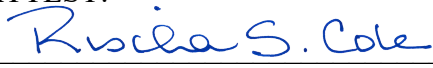
ABSENT: Director Chan.

ABSTAIN: None.



President

ATTEST:



Secretary

APPROVED AS TO FORM AND PROCEDURE:



General Counsel