

Management Committee

Meeting date: May 8, 2018

For the Metropolitan Council meeting of May 23, 2018

Subject: Authorization to Renew Railroad Liability Insurance for Northstar Operations

District(s), Member(s): All

Policy/Legal Reference:

Staff Prepared/Presented: Phil Walljasper, 651-602-1787

Division/Department: Regional Administration/Risk Management

Proposed Action

That the Metropolitan Council authorize the renewal of its railroad liability insurance, effective 6/1/19-6/1/20, for the Northstar Commuter Rail Operations in an amount not to exceed \$1,512,000.

Background

In its Joint Use Agreement (JUA) with the BNSF Railway, the Metropolitan Council is required to procure and maintain a railroad liability insurance program to respond to claims related to Northstar commuter rail. This insurance is to have a limit of \$295 million per occurrence and must provide coverage for both the Council and BNSF.

Given the specialized type of risk and amount of insurance needed, several insurance companies are utilized to provide “layers” of insurance up to the required \$295 million limit.

Working with the Council’s broker, staff marketed the Northstar program to various insurance underwriters, focusing on its operations, safety, and loss history. Based on this, as in the past, there was a great deal of interest from the underwriters to partner with the Council and provide a level of insurance on the liability tower.

A challenge to this year’s insurance renewal was that 2018 ridership increased approximately 8% when compared to 2017. Additionally, the industry has experienced significant casualty claims that have warranted rate increases on all lines of coverage from some insurance companies. However, staff and the Council’s insurance broker worked closely with the underwriters and were successful in negotiating no change in the rate.

Rationale

The recommended insurance provides the required coverage of the JUA, at the most cost-effective price. It continues with the relatively low retention of \$2 million, as well continuing with the partnership with AXA XL, the insurance company providing the lead layer of insurance.

Thrive Lens Analysis

Authorization of the Northstar insurance renewal supports the Thrive principle of Stewardship by securing the required insurance in the most cost-effective manner.

Funding

The premium with the recommended insurance is included within the Metro Transit operating budget. Additionally, the self-insured retention is fully funded at \$2 million.

Known Support / Opposition

Not applicable