

Business Item

Management Committee



Committee Meeting Date: May 14, 2025

For the Metropolitan Council: May 28, 2025

Business Item: 2025-124

Railroad Liability Insurance for Northstar Operations

District(s), Member(s):	All
Policy/Legal Reference:	Council Policy RF 3-1, Risk Management
Staff Prepared/Presented:	Ned Smith, Chief Financial Officer, 651-602-1162
Division/Department:	Regional Administration / Risk Management

Proposed Action

That the Metropolitan Council authorize the renewal of its railroad liability insurance, effective 6/1/25-6/1/26, for the Northstar Commuter Rail Operations in an amount not to exceed \$2.6M.

Background

There are several agreements between the Metropolitan Council and BNSF relating to Northstar Commuter Rail. Pursuant to these agreements, the Council is required to procure and maintain railroad insurance that provides coverage for liability arising from Northstar operations, which includes both commuter rail passenger service and Northstar premises/facilities. The amount of required insurance is no less than provided in 49 U.S. Code § 28103, which is currently \$323M.

While work is being done to transition away from commuter rail service, Northstar will continue to serve the corridor with commuter rail at the time the current insurance expires. Because of this, the insurance policies will need to be renewed. However, staff has worked with its insurance underwriters to provide coverage with options to revisit the pricing once there is no longer passenger service. Once the risk changes in the corridor (i.e., no passengers, but remaining premises/facilities), staff will re-negotiate with BNSF and the insurance underwriters to adjust the insurance limits, and pricing, that is more reflective of the new exposures.

With the required level of insurance of \$323M, several different insurance companies must be utilized, each providing a layer of coverage (the multiple layers are referred to as a "tower" of insurance). Working with its insurance broker, staff presented the Northstar operations and need for insurance to several different insurance underwriters, with the initial focus of establishing the lead layer. This lead layer establishes the coverage and pricing that is used throughout the rest of the tower. Underwriters expressed a strong interest in participating on the program, but some had internal restrictions of what could be offered in terms of pricing and coverage.

AXA XL continued to be the most viable option to provide the lead layer of coverage, offering competitive pricing, along with the contractually required coverages. This was then used to negotiate the other layers, building out the full tower of required insurance.

Rationale

The recommended insurance provides the required coverage outlined in the various agreements with BNSF, at the most cost-effective price. It also continues with the self-insured retention of \$2

million.

Thrive Lens Analysis

On Feb. 12, 2025, the Council adopted Imagine 2050, which builds on policy direction in Thrive MSP 2040. Under the Thrive lens, 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.

Small Business Inclusion

There are no certified small businesses that provide the level of service required.

