

## Management Committee

For the Metropolitan Council meeting of May 27, 2020

**Subject:** Railroad Liability Insurance for Northstar Operations

### Proposed Action

That the Metropolitan Council authorize the renewal of its railroad liability insurance, effective 6/1/20-6/1/21, for the Northstar Commuter Rail Operations in an amount not to exceed \$2,900,000.

### Summary of Committee Discussion/Questions

Staff presented an overview of the contractual requirement to procure and maintain this insurance in the agreement with BNSF. Staff then outlined how the insurance is structured and that several insurance companies are utilized to obtain the full limits required.

There was also quite a bit of discussion about the challenges faced with this insurance renewal, given the difficult insurance market. While the insurance market conditions led to a premium increase, this increase was not as significant relative to other the rail agencies (according to benchmarking by the Council's broker) given how well-run Northstar is and its safe operation and loss history.

The Committee also asked questions about insurance market conditions and what has been driving rate increases, which staff answered accordingly.

A motion was made by Council Member Barber, which was seconded by Council Member Gonzalez, to approve the proposed action. Motion carried.

## Management Committee

Meeting date: May 13, 2020

For the Metropolitan Council meeting of May 27, 2020

**Subject:** 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 6/1/20-6/1/21, for the Northstar Commuter Rail Operations in an amount not to exceed \$2,900,000.**

### 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 (comprised by utilizing several different insurance companies), per occurrence and must provide coverage for both the Council and BNSF.

This past year has been extremely challenging in the insurance market for buyers. Initially, the driving force behind this has been 10 years of rate reductions, combined with rising claim costs. Contributing to this over the last few months, however, has been anticipated insurance losses related to the pandemic. As a result, several insurance companies have reduced the amount of insurance they can provide, with many exiting the rail liability market altogether. Despite these challenges, though, there are many things in Northstar's favor. Mainly, it is a very well-run operation and has an impressive safety record, which insurance underwriters understand and have seen year after year in renewal presentations.

Given the market conditions, premium increases were expected with this renewal. Presentations were made to several insurance underwriters, with the initial focus of establishing the lead layer in the tower and then building on that. Underwriters expressed a strong interest in participating on the program, but many had internal restrictions of what could be offered in terms of pricing and coverage.

Staff, working closely with the Council's insurance broker, was able to structure the insurance program in the most cost-effective manner, given the incredibly difficult insurance market. The operations of Northstar, combined with the strong partnerships with the underwriters, was especially critical this year in securing the necessary coverage.

### Rationale

The recommended insurance provides the required coverage of the JUA, at the most cost-effective price. It continues with the 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