

## **Railroad Liability Insurance – Discussion with ORDC**

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### **Limited Market**

Only a few insurers provide railroad liability insurance. In order to entertain insurance for any type of operation, the insurer must have the backing of one or more reinsurers. Reinsurance is a very important and integral part of the complex world of insurance.

Insurers only back an insurer for the writing of railroad coverage when the insurer has a recognized railroad underwriter. They require an underwriter with special rail expertise and the ability to develop a significant volume of business, and there are limited numbers of such qualified personnel. Furthermore, the railroad market possesses a limited number of prospective insurance buyers, making it difficult for there to be more than a few insurers that can successfully develop such significant premium volume.

### **High Premiums**

For tourist and excursion operators, the cost of primary limits of railroad liability insurance, \$1 million to \$5 million, is generally determined by the amount of ticket revenue. With even small operations, however, there are still minimum premium levels that must be met, costs which can certainly challenge limited budgets. Regardless of the quality of your safety program or the fact that there have been no claims, the minimums still apply.

When increasing beyond primary limits, the cost for each additional million tends to stay at a constant level even when purchasing \$50 million, \$100 million or even \$200 million. Therefore, when a limit of \$200 million is imposed, most operators are unable to afford the purchase, a price tag of perhaps \$500,000 or more.

### **Short Term Purchase?**

If an organization needs railroad liability only for a special event or needs a short term increase to a very high limit on an existing railroad liability policy, the cost can often equal the full annual premium for such a purchase. Generally speaking, short term policies are not available, but under the unique situation where it is possible, the cost for only a few days can easily be as much as 75% of a full annual premium.

### **Immunity / Liability Limitation**

An insurance broker is not qualified to comment on such matters, but any immunity or liability limitation legislation is likely to leave open exceptions that limit their effectiveness. Also, there are no known cases of this being accomplished anywhere in the United States.