



Gallagher

Rail Market Report

2025 OVERVIEW





Headlines

Underwriters are focusing on consistent infrastructure maintenance, capital investment and safety protocols as key indicators of risk quality for the US rail industry.

As rail systems digitize, cyberthreats to Information Technology (IT) and Operational Technology (OT) environments create serious safety and financial risks. Vulnerability assessments, system upgrades and IT collaboration are vital to ensuring coverage and operational continuity. Collaboration that includes the client, consultant and the broker can lead to remarkable tangible results in the improvement of the physical infrastructure, cyber security and insurability.

Sustainability initiatives increasingly impact underwriting decisions and long-term investment planning. Sustainability initiatives are no longer just an ethical consideration but a critical component of risk management and strategic financial planning for the insurance industry, vital for long-term competitiveness and resilience. Underwriters are using these initiatives to understand an insured's risk profile and provide more in-depth, sophisticated underwriting methods.

In the current market, it is not unusual for a rail client's insurance program to involve 30 or more carriers. Even small changes in a carrier's risk appetite or underwriting principles can disrupt coverage setups. Success relies on brokers with extensive industry knowledge and solid market connections.

Captives are becoming more popular as strategic risk financing tools. These options give rail clients more control over their premium spend and claim costs while offering more flexibility within their insurance program. The use of captives is continuing to expand into property coverage and revenue-enhancing programs.



Between Emerging Risks and Regulations, US Rail Operators Need Proactive Strategies

In 2025, the US rail industry faced a dynamic risk landscape shaped by regulatory shifts, growing cyberthreats and expanding intermodal networks nationwide. As operators invest in infrastructure and sustainability initiatives, strategic risk management solutions are key to building resilience and securing favorable insurance terms. **This report outlines the trends and actions rail stakeholders consider to stay ahead of and face a rapidly evolving market with confidence.**

Focus on Operations and Safety

Evolving legislation that directly affects safety standards, liability caps and operational procedures requires proactive planning from rail operators across the country.

Safety standards

The Rail Safety Act of 2023, though not enacted, catalyzed bipartisan efforts to improve safety and operational standards. While the Railway Safety Act of 2023 was not enacted, the Railroad Safety Enhancements Act of 2024 continues to make rounds through Congress. Additionally, some states are considering their own rail safety laws. A key takeaway for risk managers is to align themselves with trusted advisors to help navigate this fluid environment. Key safety provisions now being implemented include:

- Two-crew-member minimum for freight and passenger trains
- Stricter freight car manufacturing and safety standards
- Expanded certification requirements for crews and dispatchers

“These measures are designed to enhance safety, improve efficiency and foster a more secure operating environment nationwide,” notes Kevin Woods, Managing Director — Rail at Gallagher.

Liability cap adjustments under the FAST Act

Under the Fixing America's Surface Transportation (FAST) Act, the passenger liability cap is expected to increase from \$323 million to approximately \$400 million in Q1 2026. This change will require approximately \$2.1 billion in additional market capacity.

“Final confirmation is expected by December 2025 or January 2026,” adds Woods. “Once announced, rail operators will have roughly 30 days to secure the required coverage, so advanced planning is essential.” Recently, the Passenger Rail Liability Adjustment Act for 2025 was introduced into the House of Representatives. This act seeks to provide a 90-day window in which any adjustment to the liability cap under the FAST Act would take effect.

Coverage requirements often stem from contractual obligations, especially when leasing tracks from Class I railroads or working with third-party service providers. For instance, software providers for Positive Train Control (PTC) systems will likely be among those demanding the updated liability cap.¹ As these systems are now required for all passenger rail operations, adequate coverage is necessary, even if the exact amount is not determined by law.





CASUALTY

Managing a Complex Landscape

“Casualty risk remains volatile, with premium increases ranging from 5% to 20%, influenced by risk profile, location and the limit of liability you’re looking to purchase,” highlights Woods.

Market volatility, combined with an increase in nuclear verdicts, particularly in high-risk areas, is driving social inflation and impacting claims costs. Additionally, compensation claims under the Federal Employers Liability Act (FELA)² remain a relevant claims driver.

In response, insurers are looking for rail operators to potentially retain more risk while recognizing those with strong safety practices and risk management controls.

D&O LIABILITY

Rising Exposure Amid Market Pressure

Directors & Officers (D&O) are encountering increased risks associated with cybersecurity threats, regulatory requirements and social responsibility expectations. As scrutiny intensifies, more directors of rail industry clients are strengthening their governance and reporting structure.

“Securing coverage, especially for larger rail operations, is becoming more difficult,” as Brad Burtram, executive director for Rail at Gallagher, explains. “Premiums are increasing due to higher risk perception, and insurers are conducting more thorough evaluations, particularly for higher limits. Market capacity is also shrinking, with carriers becoming more selective in their underwriting.” A key to success in this area is for clients to be aligned with the correct broker who has relationships and access to multiple carriers within the market.

CYBERSECURITY

A Strategic Imperative

Cyberthreats continue to escalate, with ransomware, phishing and system breaches presenting serious risks to passenger safety, crew operations and infrastructure integrity — especially when hazardous materials are involved.

PTC systems, designed to slow or stop trains during emergencies, add a layer of safety. However, their vulnerability to sabotage remains largely untested. Amid an expanding digital footprint and more convincing and sophisticated cyber attacks, firms continue to invest in robust cybersecurity frameworks.

“Cyber attacks are undeniably a serious concern that has gained much more attention in the past five years,” explains Woods. “Train and rail operators are increasingly focused on ensuring they have all necessary safety measures and redundancies in place to protect against these threats.”

Ongoing technology upgrades allow for real-time monitoring of wheels, brakes and tracks, thereby reducing some manual inspections. Better integration of IT and OT is vital for secure and efficient operations, and strong collaboration between IT teams, operational experts and insurance brokers ensures cybersecurity measures are well-rounded and effectively enforced.



CLIENT SUCCESS STORY

Turning cyber risk into insurability

A public-sector rail client was denied coverage due to unresolved cyber vulnerabilities and the absence of a formal risk assessment.

Partnering with a trusted London-based cybersecurity firm, Gallagher conducted a comprehensive evaluation of both IT and OT systems and guided the client through critical improvements.

Within two years, the client secured full insurance coverage and higher limits at a lower premium. The upfront investment is expected to pay for itself within the next two years through premium savings, while also enhancing system resilience and boosting market confidence.



Sustainability and Innovation as the Sector Transitions to Net Zero

Social responsibility initiatives continue to be essential in guiding and influencing investment choices and underwriting results.

Operators are actively exploring alternatives to diesel engines, such as hydrogen-powered and electric train sets.³ However, comprehensive evaluations of environmental impact, cost and long-term sustainability guide large-scale investments.

Initiatives focusing on community engagement and safety awareness enhance the industry's commitment to social responsibility, while legislative efforts align daily operations with safety standards and regulatory requirements.

These considerations are impacting insurance underwriting. Carriers favor clients that invest in infrastructure, technology and community programs, seeing them as lower risk and more resilient. Conversely, operators that overlook sustainability initiatives might face a stricter underwriting review and miss out on favorable terms.

CLIENT SUCCESS STORY

Unlocking value through strategic asset appraisal

A major rail operator had not conducted formal assessments of key infrastructure assets in over five-years — including tracks, bridges, stations and maintenance facilities — resulting in vague valuations and insufficient insurance coverage.

The client, with guidance from the Gallagher Rail team, launched a structured three-year appraisal initiative in partnership with Gallagher Bassett Appraisal Services. The outcome: clearer asset valuations, stronger underwriting confidence and a \$100 million increase in coverage limits, alongside reduced premiums at renewal.

The client made the market aware of the major undertaking and kept them up to date at each renewal and ultimately kept their promise to the market to have all property evaluated over a three-year period, giving a true comfort level to the underwriters on the exposures they were insuring.



CLIENT SUCCESS STORY

A captive strategy that delivers long-term value

After an unsuccessful previous attempt with another broker, a rail client turned to Gallagher to form a captive. Gallagher mobilized its internal experts to guide the client through every step, from regulatory compliance with Department of Insurance requirements to the financial structuring needed to support the captive.

The result: a fully established captive that now serves multiple strategic purposes. In the short term, it supports coverage needs in their primary layer and in the future it will assist in needed capacity for the upcoming FAST Act liability cap increase. In the long term, it provides flexibility to address coverage gaps, reduce market dependency and strengthen the client's overall risk strategy.

Key Areas to Watch in the Rail Market

1

Captive insurance expansion

Although captives are still a relatively new strategy for the rail industry, more rail operators are creating their own "in-house insurance companies" to handle liability, property, asset and revenue protection.

The formation process can be challenging, and regulatory and financial hurdles are real, especially for public entities. Still, captives offer greater control and flexibility, lessen volatility and position operators to adapt quickly to regulatory changes. As part of a long-term alternative risk financing solution, captives can help improve loss control and reduce premiums, particularly during more challenging markets.

2

AI and autonomous train technologies

Artificial intelligence and autonomous train systems are already set to transform the rail industry.⁴ Class I railroads are already testing autonomous trains in yard operations, signaling a further shift toward automation.

These technological innovations require significant investment and introduce new underwriting considerations, especially around regulatory compliance and crew mandates. While adoption remains cautious, the potential impact on infrastructure, operations and insurance strategies is considerable.

Trusted Expertise for an Evolving Market

As stakeholders navigate a challenging landscape marked by regulatory changes, emerging technologies and numerous market shifts, Gallagher remains a steady, strategic partner. Our rail specialists deliver tailored solutions that anticipate change, mitigate risk and drive results.

“At Gallagher, we don’t just talk about having resources, we put them to work,” explains Burtram. “Our teams and partners step in, get involved and consistently deliver results that matter. This hands-on approach is what defines us and builds the lasting trust our clients rely on.”

Enhance Your Risk Profile: Five Smart Moves for Rail Operators

1 Plan for market volatility

Rail insurance often involves multiple carriers, and a change in one can easily disrupt your entire program. Early engagement with your broker ensures strategic renewal planning and access to specialized market relationships to ensure you are well represented in the market and keep your coverage stable.

2 Strengthen safety and cyber controls

Clear safety protocols, near-miss tracking, multi-factor authentication (MFA) and staff training are key aspects of effective cyber hygiene. Amid rising cyberthreats, upgrading and regularly patching your IT and OT systems and conducting vulnerability assessments shows proactive risk management. Experts can guide your physical and digital risk improvements towards success, help build a proactive breach response strategy and offer regular updates on common vulnerabilities to watch out for.

3 Invest in your infrastructure

Proper asset valuation, routine inspections and timely maintenance signal strong risk management. Partnering with trusted and knowledgeable brokers can help you build capital plans that support long-term resilience.

4 Leverage captives

Captives offer flexibility that can be particularly useful for managing high-severity risks like auto liability, cyberthreats and legal verdicts. A trusted broker can design and implement captive strategies that fill coverage gaps and reduce reliance on commercial markets during times of volatility.

5 Align with sustainability and innovation trends

Investments in clean energy, community programs and up-to-date governance practices are increasingly favored by underwriters.



SOURCES

¹"Positive Train Control," *Association of American Railroads*, 19 Jul 2025. PDF file.

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³Wallner, Susi. "Rail Industry Report 2025: Key Data and Insights," *Startus Insights*, 23 May 2025.

⁴Shifman, Miki. "The Impact of AI on the Railway Cybersecurity Threat Landscape," *Cylus*, 24 Jul 2025.

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