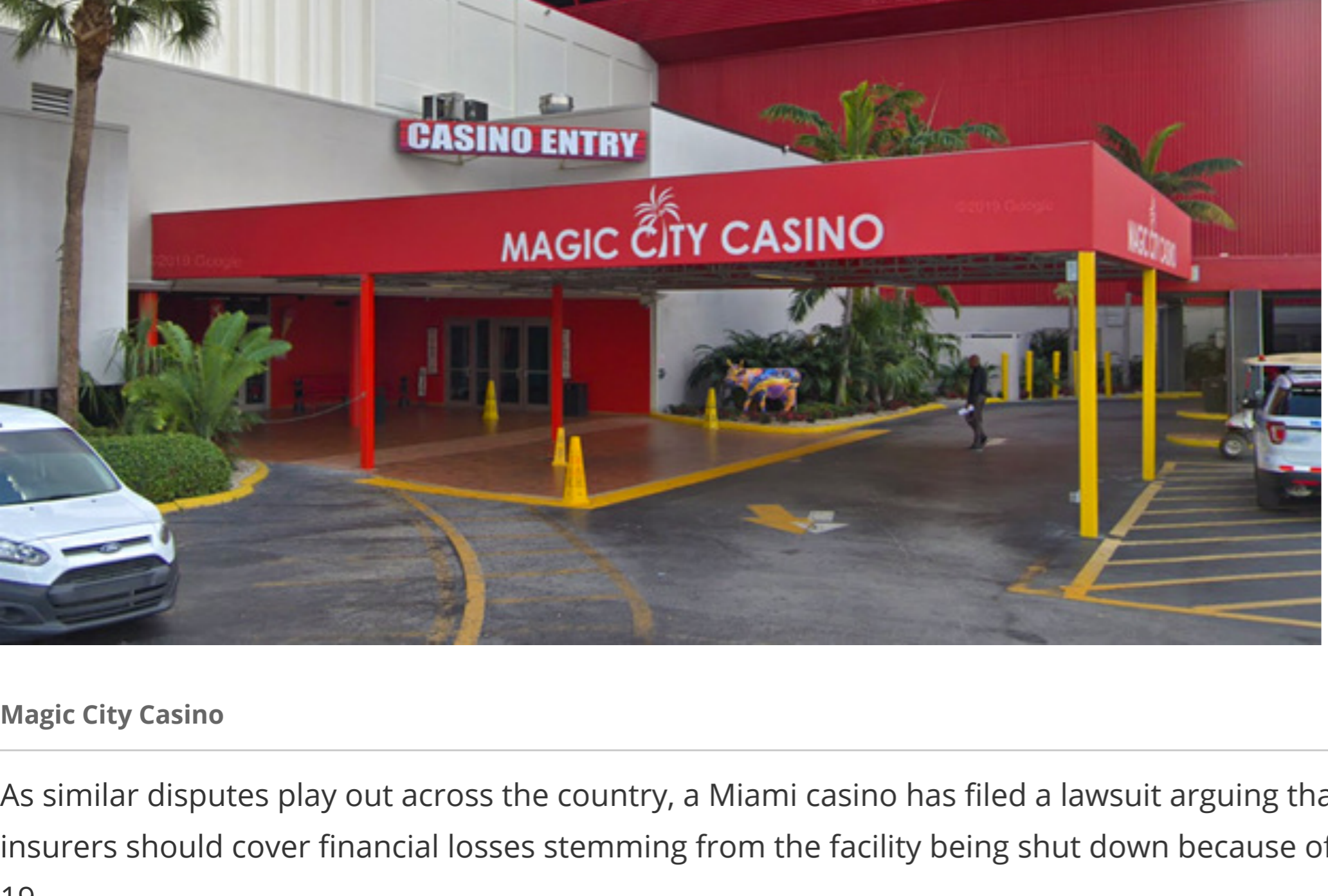


News

Magic City Casino Sues Insurers Over Coronavirus Losses

Magic City is suing AXA XL Insurance Group, AXA subsidiary Indian Harbor Insurance Co., Hallmark Specialty Insurance Co. and Ategrity Specialty Insurance Co., saying they sold “all risk” property insurance policies to the casino that include covering business-interruption losses.

By **Jim Saunders** | July 29, 2020 at 07:55 AM



Magic City Casino

As similar disputes play out across the country, a Miami casino has filed a lawsuit arguing that insurers should cover financial losses stemming from the facility being shut down because of COVID-19.

The lawsuit, filed last week in federal court in South Florida by the operators of Magic City Casino, contends that four insurance companies wrongfully denied coverage for “business interruption” losses. Such disputes have high stakes for businesses and insurers as they tangle over whether policies cover losses from a pandemic that shuttered large parts of the economy.

Magic City is suing AXA XL Insurance Group, AXA subsidiary Indian Harbor Insurance Co., Hallmark Specialty Insurance Co. and Ategrity Specialty Insurance Co., saying they sold “all risk” property insurance policies to the casino that include covering business-interruption losses. The casino said it is not suing other insurers that sold policies that excluded coverage for such things as viruses.

“The policies are all-risk,” the lawsuit said, referring to the defendants. “In an all-risk insurance policy, all risks of loss are covered unless that are specifically excluded.”

The lawsuit also focuses, in part, on the fact that the casino could not operate because of orders issued by Gov. Ron DeSantis and local officials. It said the disputed policies contain identical sections about providing coverage for losses resulting from an “order of civil or military authority.”

“As a result of the presence of COVID-19 and the closure orders, plaintiff ... sustained a suspension of business operations, sustained losses of business income, and incurred extra expenses,” the lawsuit said. “Plaintiff has also sustained business income losses due to direct physical loss or physical damage at the premises of dependent properties.”

The insurers had not filed documents responding to the lawsuit as of Tuesday, but the insurance industry is warning about the financial effects on companies if they are forced to cover such pandemic-related losses.

An April 24 presentation by the Insurance Information Institute, an industry-backed group, said “global pandemic risks are uninsurable.” It also took issue with contentions that insurers should be responsible for covering such losses, saying, “Only a handful of business interruption policies cover communicable disease contamination; very few U.S. businesses purchase them.”

A May document from the Federal Reserve Bank of Chicago also focused on the disputes, saying insurers are telling many business owners that their policies don’t cover pandemic-related losses.

“Some business owners have fought back by filing lawsuits, while legislators in a few states have talked about passing laws to mandate pandemic coverage, potentially retroactively,” the document said. “The outcomes of these actions may not be known for several years but are likely to be important, because the losses from the pandemic by businesses with BI [business interruption] insurance are very large and could leave some insurers insolvent after just a few months of payments.”

The Magic City lawsuit does not specify how much money the casino is seeking in the case.

Jim Saunders reports for the News Service of Florida.



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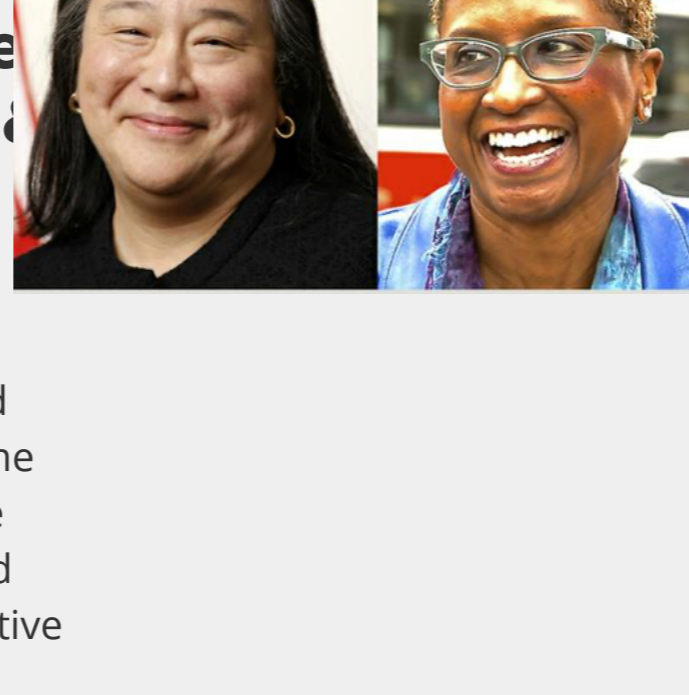
“It’s different when a defense firm sees an insurer carrier as the plaintiff on the other side, rather than an individual,” one plaintiffs lawyer said. “And so, part of the struggle on my side was trying to help everybody in the case see that this is going to be treated just like any other case would.”



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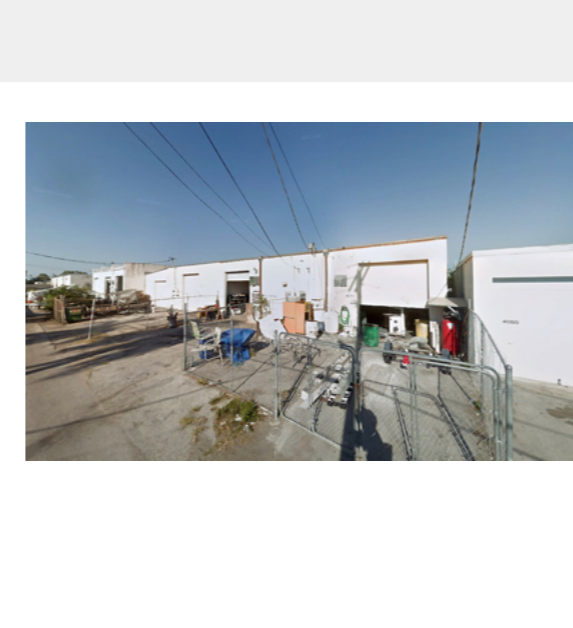
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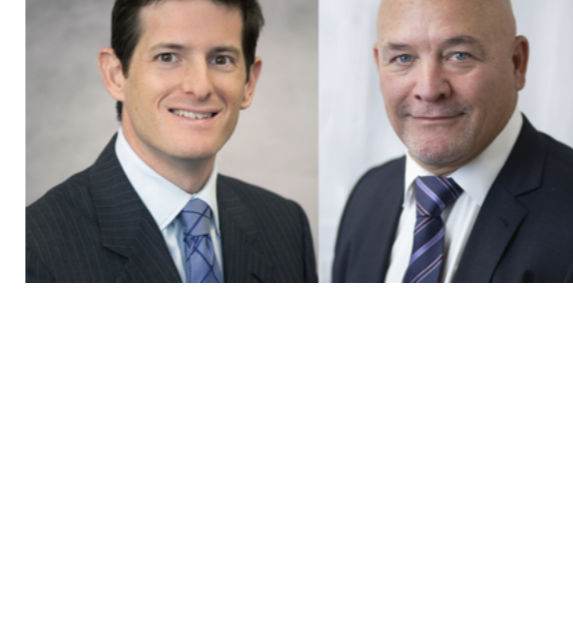
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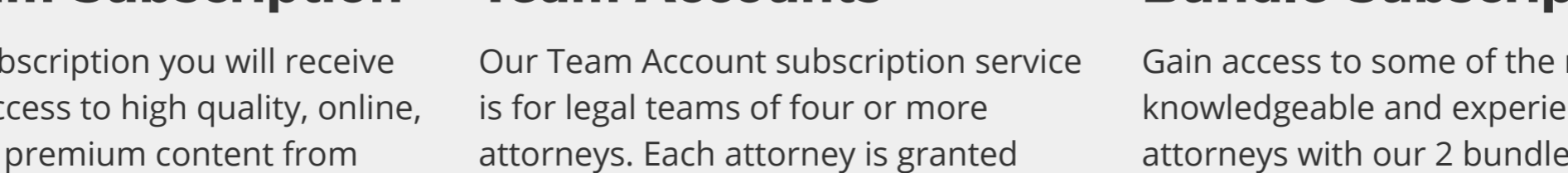


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