

Dismissing Suit, Mississippi Court Rules That Endorsement Requires Premises-Specific Exposure To Virus (Insurance Law Alert)

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A Mississippi district court dismissed restaurants' breach of contract and bad faith suit, ruling that a policy endorsement did not provide coverage for business losses allegedly caused by the COVID-19 virus and related executive shutdown orders. *University Management, Inc. v. State Auto Prop. & Cas. Ins. Co.*, 2022 WL 805879 (N.D. Miss. Mar. 15, 2022).

Several restaurants and bars sought coverage under a "Limited Extension for Food-Borne Illness" endorsement. The endorsement covered loss caused by the "suspension of your 'operations' at the described premises due to the order of a civil authority; or adverse public communications or media reports, resulting from the actual or alleged . . . [e]xposure of the described premises to a contagious or infectious disease." The insurer denied coverage, arguing that there was no suspension of operations due to exposure to a disease and that the executive orders were not prompted by conditions at the insured premises. The court agreed and dismissed the suit.

The court concluded that the endorsement was unambiguous and required a causal link between the suspension of operations at the insured premises and actual or alleged exposure at those specific premises to a contagious or infectious disease. No such causation existed here, the court explained, because the policyholders failed to allege or provide evidence of contamination at their specific locations. The court deemed it insufficient that media reports and executive orders referred to the spread of COVID-19 throughout the entire restaurant industry, stating: "The express language of the Executive Orders directly contradicts UMI's position because it addresses the suspension of in-person dining, among other activities, due to 'the risk' of the spread of COVID-19, making no mention of any actual presence of COVID-19 in every location throughout Mississippi, let alone UMI's operations specifically."

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