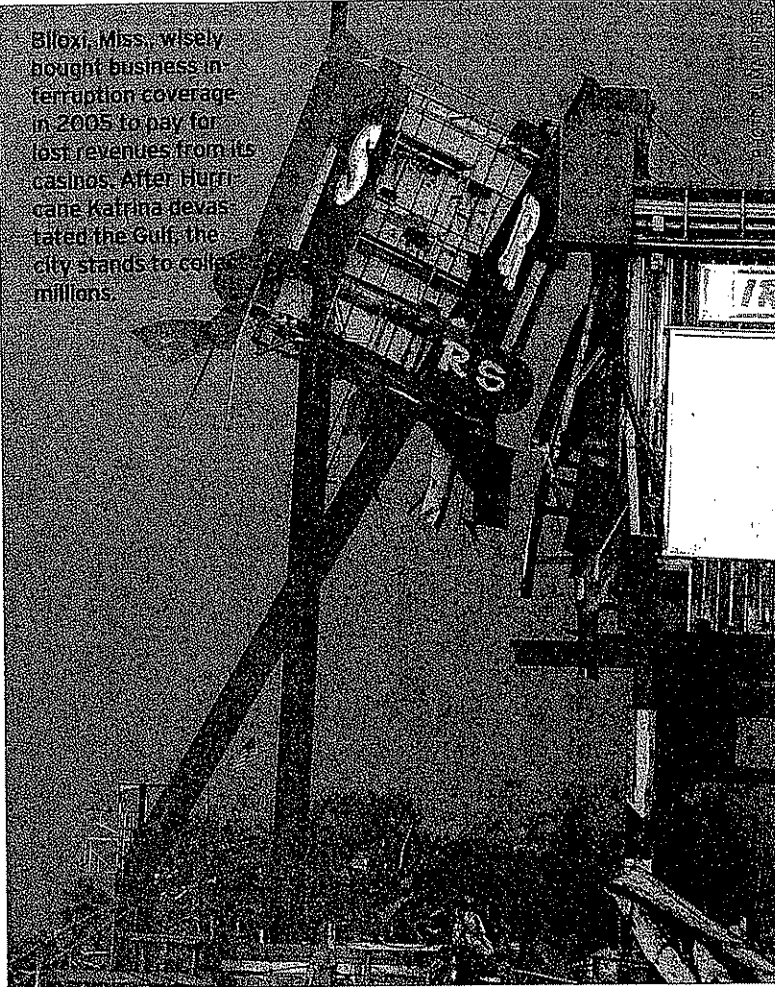


Biloxi, Miss., wisely bought business interruption coverage in 2005 to pay for lost revenues from its casinos. After Hurricane Katrina devastated the Gulf, the city stands to collect millions.



Michael Bradford, "Biloxi's '05 bet pays off in covering casino taxes," BUSINESS INSURANCE July 10, 2006, at p 3

Biloxi's '05 bet pays off in covering casino taxes

By MICHAEL BRADFORD

BILOXI, Miss.—The city of Biloxi, Miss., is coming up dry during the current hurricane season after making a shrewd insurance play last year that will repay the town nearly \$10 million in lost revenue.

The Mississippi Gulf Coast town's mayor, A.J. Holloway, convinced city leaders two months before Hurricane Katrina struck last August to purchase \$10 million in business interruption coverage that would pay to replace taxes lost if casinos were forced to shut down because of a storm.

It was a smart bet.

Katrina devastated the coastal gaming industry when it heavily damaged or destroyed many of the casinos that dot the coastline. Municipalities in the region have suffered from the loss of hefty tax payments generated by gaming.

Biloxi was able to protect \$10 million—half of its yearly revenue from the casinos—with the business interruption coverage written by syndicates at Lloyd's of London and RSUI Group Inc. The policy cost \$92,000 and carried a deductible of 15 days of lost revenue. So far, the city has collected \$7.5 million under the coverage and expects to receive the remainder of the policy limits, a spokesman for the city confirmed.

However, skittish insurers are not willing to back that risk again.

The city "got a really good deal last year and you know what happened," said Wayne Tisdale, executive vp at Stewart Sneed Hewes, a Gulfport, Miss. broker that places Biloxi's insurance.

"They made a good decision last year," he said of the city's move to

Biloxi: Coverage hard to secure

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buy the business interruption coverage. But in an insurance market that was bombarded by last year's hurricane claims, insurers are not willing to offer such generous terms during the current storm season, Mr. Tisdale said. "I can't see it happening again."

The city has declined an offer for business interruption coverage with a price of \$1 million and onerous restrictions, the city's spokesman said. The coverage would have paid only if a Category 5 hurricane struck within 50 miles of Biloxi.

"That would not have covered Katrina," the spokesman said. "If that were in effect, we would not have been covered" for a business interruption loss under those terms.

Mr. Tisdale said the Biloxi city council voted late last week to buy

property coverage on 34 buildings from the Mississippi Windstorm Underwriting Assn. that will provide up to \$1 million in coverage per building. The coverage leaves about \$37 million of uninsured values, he said, because 15 buildings are worth more than \$1 million.

The council also bought coverage from the National Flood Insurance Program that will pay claims up to \$500,000 per building for property damage and up to an equal amount for loss of contents. Landmark Insurance Co. Ltd. is writing fire insurance on the buildings and contents with limits up to \$59 million, according to Mr. Tisdale.

The coverage is a little less than he would like, Mr. Tisdale noted. "Like most public entities, we'll be a little short in our total values," he said.