

HOW HIGH?

*Current State of the Cannabis Industry
and Where it's Heading*



ADMIRAL INSURANCE
GROUP

a Berkley Company

Agenda

- **CBD vs THC**
- **Introduction To Cannabis**
- **Current Federal Positions**
- **State Positions On Cannabis**
- **Vertical Integration**
- **Types Of Processing And How Extraction Is Different From Others**
- **Vapes**
- **Health Hazard Exclusionary Language And The Importance Of Getting It Right**
- **Standard Claims And How They Are Impacted By The Cannabis Industry (Slips And Falls, A&B, Etc)**
- **Sample Accounts**
- **Wrap Up And Questions**



Panelist

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CBD vs THC

- **What is THC (Tetrahydrocannabinol) and CBD (Cannabinol)**
- **THC Benefits**
- **CBD Benefits**
- **CBD/Hemp with 0.3% or less of THC goes to the Health, Nutrition & Lifestyle Department**



Classifications of Entities In Cannabis Chain

- **Growers (Cultivators)**
- **Processors**
 - Extractors
 - Trimmers
 - Manufacturers
- **Retailers (Dispensaries)**
- **Colloquial Term: Seed To Sale**
- **Additional Entities:**
 - Testing Labs
 - Marketers
 - Related Product Manufacturers



Federal Government and Cannabis

- **Cannabis is still illegal under federal law**
- **Federal classification of cannabis**
- **Recent federal outlook regarding cannabis is favorable**
- **Current legislative measures**



Available States

- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- District of Columbia
- Florida
- Hawaii
- Illinois
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Montana
- Nevada
- New Hampshire
- New Mexico
- New York
- North Dakota
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- Vermont
- Washington



Vertical Integration

- **Laws vary by state as to how much vertical integration is allowed.**
- **Varies from requiring full integration to allowing only limited integration.**
- **Washington uses a liquor model where there has to be at least two parties involved.**
- **Oregon allows for full vertical integration in some cases.**
- **Has both positive and negative ramifications for the risk**



Processing - Highly Varied

- The middle layer of the Seed to Sale chain is the most varied.
- Processing includes bag and tag, cooking edibles, and oil extraction.
- Oil extraction can be performed through a number of different techniques.



Processing - Highly Varied

- Processors aggregate exposure from numerous different cultivators when using product from other sources.
- Some processing is low risk – creating edibles using oil from another processor.
- Some processing is high risk – extracting oil from a mixed batch using a hydrocarbon method.



Vaporizers: Cannabis Versus Nicotine

- THC consumption product that produces vapor instead of smoke
- Single use vapes are pre-filled with a battery, heating element and THC oil
- Long-term use vaping devices feature rechargeable heating units that can be reused, with user reattaching a new oil cartridge when the old one expires
- Both feature low voltage batteries



Vaporizers: Cannabis Versus Nicotine

- Explosions are common cause of loss due to battery and heating elements
- In contrast to many THC vaporizers on the market, nicotine vaporizers tend to feature large, rechargeable battery packs that can cause devastating bodily injuries due to high voltage
- Competitive cannabis carriers specifically exclude all vaporizers and accessories, creating a gap in coverage for manufacturers and retail/dispensary operators



Health Hazard Exclusion

- The health hazard exclusion is a key exclusion to consider when evaluating coverage.
- A full health hazard exclusion eliminates a substantial majority of products coverage.
- The exclusionary language should only exclude long-term exposure while maintaining coverage from acute injury.



Claims Beyond Product Claims

- Easy to focus on the product related claims such as adulterated product.
- Some claims that occur in many industries are still relevant in cannabis and can be more concerning due to the nature of the industry.
- Slip and fall may be an increased exposure due to having potentially intoxicated individuals in a dispensary.
- Assault and battery is a significant exposure due to the cash nature of the business and the use of guards.



Mitigating Factors

- **Highly regulated industry which requires stringent controls.**
- **Cameras are everywhere – it is easy to see what happened and in a quality that makes it clear.**
- **The barrier to entry is high in the legal market and with that comes a desire for companies to “get it right”.**



Sample Account #1

- **Start-up Manufacturer Processor Of Cannabis Products**
 - **Located In California**
 - **Two Product Lines**
 - **Pre-rolled cannabis product that looks similar to a pack of cigarettes.**
 - **THC infused pills for those who prefer not to smoke.**
 - **Sells To Retailers.**
 - **Written At MP Of \$5k**



Sample Account #2

- **Cultivator Processor Of Cannabis Products**
 - **Located In Colorado**
 - **Grows Various Strains Of Cannabis Plants**
 - **Extraction Of Various THC Concentrates Via CO2 Loop System**
 - **Sells To Retail Dispensaries**
 - **Premium Is Just Under \$15k**



Sample Account #3

- **THC Infused Non-alcoholic Beer Manufacturer**
 - **Located In Colorado**
 - **Sells To Retailers And Dispensaries**
 - **The Insured Has An Agreement In Place For Distribution**
 - **Premium Is \$17,500**



Sample Account #4

- **Medical & Recreational Marijuana Growing, Cultivating, Distribution And Dispensary Operation**
 - **Located in California**
 - **Multiple Storefronts And Facilities Throughout The Southern California Region**
 - **Premium Is \$71,500**



Any Questions?



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