

MAKING SENSE OF STATE AND LOCAL CANNABIS INSURANCE REGULATIONS

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National Cannabis Industry Association

FINANCE AND INSURANCE COMMITTEE

Shay Gilmore

Adam Patt

Ian Stewart

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INTRODUCTION

Deciding what insurance is needed for your cannabis operations can be difficult. This decision is further complicated by the variation in what insurance is mandated by state and local cannabis regulations. This paper attempts to provide some clarity on specific insurance requirements mandated by state and local authorities in several states including California, Colorado, Illinois, Massachusetts, Michigan, Nevada, Oregon, Vermont, and Washington.

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CALIFORNIA

Licensed commercial cannabis operators in California are required to obtain a surety bond in the amount of \$5,000, payable to the state as a condition of licensure. Distributors (license Types 11 and 13) must also maintain general liability insurance coverage of at least \$1 million for each loss occurrence and \$2 million in the aggregate. Additionally, under the California Labor Code, all California employers must provide workers' compensation coverage to employees; all licensed cannabis businesses in California should look into workers' compensation insurance if they have employees.

In addition to the insurance coverage required, general liability and product liability insurance provides protection from a variety of potential lawsuits for all operator types. Cultivators may want to obtain pollution coverage in case of environmental damage. Testing laboratories may want to obtain coverage for errors and omissions, including for bodily harm. Manufacturing licensees may consider product recall and equipment coverage, and distributors and retailers might also consider coverage for property in transit.

	Surety Bond	Commercial General Liability	Automobile Liability
CA State	\$5,000 payable to the state	≥ \$1,000,000 / occurrence \$2,000,000 aggregate annually for distributors	
Culver City		≥ \$1,000,000 / occurrence \$2,000,000 aggregate annually coverage for personal injury, products liability, bodily injury, death, accident and property damage, and advertising injury	\$1,000,000 combined single limit coverage for owned, hired and non-owned automobile liability
Goleta	≥ \$5,000 for distributors, only	Combined single occurrence issued by an "A" rated carrier ≥ \$2,000,000.	Delivery-specific retailers must have ≥ \$1,000,000 for bodily injury liability for any/all vehicles being used to transport cannabis goods
Long Beach		Must at all times maintain liability insurance having aggregate policy limits in an amount not less than \$1,000,000.00. (LB Muni. Code § 5.90.030 - Medical Operators)	If transporting cannabis goods or delivery to consumers, the vehicle used must be insured at or above the legal requirement in California (Long Beach Muni. Code § 5.90.140)
Oakland		"Each medical cannabis provider association designated by the city shall (a) indemnify the city of Oakland (b) carry insurance in the amounts and of the types that are acceptable to the city's Risk Manager..." (Oakland Muni. Code 8.46.040)	



(Continued)	Workers' Compensation Coverage	Professional Liability	Additional Named Insureds	Other
CA State	See Cal. Labor Code §§ 3700 et al.			
Culver City	As required by State with Employers' Liability limits of \$1,000,000 / accident	\$1,000,000/ claim	City, members of City Council, its boards and commissions, officers, agents, and employees	
Goleta			City	
Long Beach	Must provide proof with application			In Long Beach regulations, notes that an LLP is required to maintain certain levels of insurance as required by law.
Oakland			City	

	Surety Bond	Commercial General Liability
Los Angeles		"shall attest to providing proof of a bond and/or insurance, including product liability insurance, as required by the State of California and the DCR, within 15 days of receiving a License." (Rules and Regs. Regulation No. 3 (A)(6).)
San Mateo County	≥ \$35,000 for costs of confiscation, storage, clean-up or abatement of any wastes.	
Sonoma County	\$1,000 corporate surety bond filed with County Sanitation Engineer	
Santa Barbara County		≥ \$1,000,000 per occurrence ≥ \$2,000,000 aggregate
Yolo County	\$10,000 by corporate surety authorized to do business in the state, in favor of County.	

*There are no listed requirements for Automobile Liability, Worker's Compensation Coverage, Professional Liability, or Additional Named Insureds for Los Angeles, San Mateo County, Sonoma County, Santa Barbara County, and Yolo County.



COLORADO

Licensed commercial cannabis operators in Colorado are not required at the state level to obtain any insurance coverage specific to the cannabis industry, but these operators are subject to all of the same insurance requirements (e.g., workers' compensation) as other commercial operators in other industries in Colorado.

None of Colorado's major cities have issued any local insurance requirements specific to cannabis operators, but these operators are subject to all the same insurance requirements as other commercial operators in other industries in those cities.



ILLINOIS

State level insurance requirements for cannabis dispensary operators require \$50,000 bound unto the State of Illinois Department of Financial and Professional Regulation, Division Professional Regulation (the "Division"), as Obligee. Cultivators must provide evidence of financial responsibility in the amount of at least \$2,000,000, payable to the Department of Agriculture in accord with the provisions of Sections 1000.40(g) and 1000.60, in the form of either an escrow account in a chartered financial institution in Illinois, or a commitment for the issuance of a surety bond.

Additionally, all Illinois employers must provide workers' compensation coverage to employees with minimum limits of \$100,000 per accident, \$500,000 per policy, and \$100,000 per employee; all licensed cannabis businesses in Illinois should look into workers' compensation insurance if they have employees. Businesses requiring usage of automobiles for transportation are subject to the statutory limits.

	Surety Bond	Commercial General Liability	Automobile Liability	Workers' Compensation Coverage
Illinois Dispensaries	50,000 bound unto the State of Illinois Department of Financial and Professional Regulation, Division Professional Regulation (the "Division"), as Obligee.	None	None specified	Any employer required by State 100/500/100.



(Continued)

	Surety Bond	Commercial General Liability	Automobile Liability	Workers' Compensation Coverage
Illinois Cultivation Center (Dept. of Agriculture)		Provide evidence of financial responsibility in the amount of at least \$2,000,000, payable to the Department in accord with the provisions of Sections 1000.40(g) and 1000.60, in the form of either an escrow account in a chartered financial institution in Illinois, or a commitment for the issuance of a surety bond, within 15 business days after notification of selection for a permit, written by a surety company authorized and licensed by the Illinois Department of Insurance and on the form prescribed by the Department.	None specified	Any employer required by State 100/500/100.



MASSACHUSETTS

Licensed commercial cannabis operators in Massachusetts must maintain general liability insurance coverage of at least \$1,000,000 for each loss occurrence and \$2,000,000 in the aggregate, as well as product liability coverage of at least \$1,000,000 for each loss occurrence and a \$2,000,000 aggregate limit. The deductible for each policy shall be no greater than \$5,000 per occurrence. A registered marijuana dispensary or cultivator that documents an inability to obtain minimum liability insurance coverage as required by 935 CMR 501.105(17)(a) may place in escrow a sum of no less than \$250,000, to be expended for coverage of liabilities.

Additionally, all Massachusetts employers must provide workers' compensation coverage to employees with minimum limits of \$100,000 per accident, \$500,000 per policy, and \$100,000 per employee; all licensed cannabis businesses in Massachusetts should look into workers' compensation insurance if they have employees. Businesses requiring usage of automobiles for transportation are subject to the statutory limits.

Local level insurance requirements for cannabis operators must, at minimum, meet the State requirements. However, municipalities have the ability to specify higher limits if deemed necessary.



	Surety Bond	Commercial General Liability	Automobile Liability	Workers' Compensation Coverage
Massachusetts	No State requirement Obligee.	<p>Applies to both Medical and Adult Use, as well as both Registered Marijuana Dispensaries and Cultivators (a) An RMD shall obtain and maintain general liability insurance coverage for no less than</p> <p>\$1,000,000 per occurrence and \$2,000,000 in aggregate, annually, and product liability insurance coverage for no less than \$1,000,000 per occurrence and \$2,000,000 in aggregate, annually, except as provided in 935 CMR 501.105(17)(b). The deductible for each policy shall be no higher than \$5,000 per occurrence.</p> <p>(b) An RMD that documents an inability to obtain minimum liability insurance coverage as required by 935 CMR 501.105(17)(a) may place in escrow a sum of no less than \$250,000, to be expended for coverage of liabilities.</p> <p>(c) The escrow account required pursuant to 935 CMR 501.105(17)(b) must be replenished within ten business days of any expenditure.</p> <p>(d) Reports documenting compliance with 935 CMR 501.105(17) shall be made in a manner and form determined by the Commission pursuant to 935 CMR 501.105(17). 935 CMR 501: https://www.mass.gov/files/documents/2018/12/19/jud-lib-935cmr501.pdf</p>	<p>Bodily Injury to Others \$20,000 per person; \$40,000 per accident</p> <p>Personal Injury Protection \$8,000 per person, per accident</p> <p>Bodily Injury Caused by an Uninsured Auto \$20,000 per person; \$40,000 per accident</p> <p>Damage to Someone Else's Property \$5,000 per accident</p> <p>https://www.mass.gov/service-details/understanding-auto-insurance</p>	Any employer required by State 100/500/100
Boston	None	None		
Lowell	None	None		
Springfield	Follows State	Follows State	Follows State	Follows State
Worcester	None	None		

*There are no State requirements for Professional Liability or Additional Named Insureds.



MICHIGAN

Licensed commercial cannabis operators in Michigan shall file a proof of financial responsibility for liability for bodily injury on the form prescribed in section 408 of the act for an amount not less than \$100,000.00. If the proof under is a bond, the bond must be in a format acceptable to the Department of Licensing and Regulatory Affairs. A renewal applicant or licensee shall carry premise liability and casualty insurance for an amount not less than \$100,000.00. A secure transporter shall show proof of auto insurance, vehicle registration, and registration as a commercial motor vehicle as applicable for any transporting vehicles used to transport marihuana product as required by the act and emergency rules.

Additionally, all Michigan employers must provide workers' compensation coverage to employees; all licensed cannabis businesses in Michigan should look into workers' compensation insurance if they have employees.

Local level insurance requirements for cannabis operators must, at minimum, meet the State requirements. However, municipalities that have opted into the program have the ability to specify higher limits if deemed necessary.

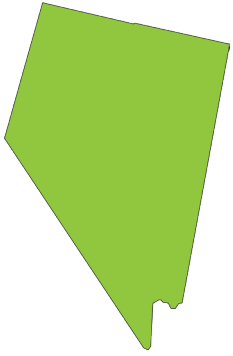
	Surety Bond	Commercial General Liability	Automobile Liability	Workers' Compensation Coverage
Michigan (State Requirement)	No State requirement.	<p>(1) Before a license is issued or renewed, the licensee or renewal applicant shall file a proof of financial responsibility for liability for bodily injury on the form prescribed in section 408 of the act for an amount not less than \$100,000.00. If the proof under this subrule is a bond, the bond must be in a format acceptable to the department.</p> <p>(2) A renewal applicant or licensee shall carry premise liability and casualty insurance for an amount not less than \$100,000.00. An applicant shall provide proof of premises liability insurance to the department no later than 60 days after a state operating license is issued or renewed.</p> <p>(3) A secure transporter shall show proof of auto insurance, vehicle registration, and registration as a commercial motor vehicle as applicable for any transporting vehicles used to transport marihuana product as required by the act and these rules.</p>	A secure transporter shall show proof of auto insurance, vehicle registration, and registration as a commercial motor vehicle as applicable for any transporting vehicles used to transport marihuana product as required by the act and these rules	



	Surety Bond	Commercial General Liability	Automobile Liability	Workers' Compensation Coverage
Detroit	Follows State	Follows State	Follows State	
Grand Rapids	No ordinance, yet.	No ordinance, yet.	No ordinance, yet.	
Kalamazoo	Follows State	A licensee shall at all times maintain full force and effect for duration of the license general liability insurance with minimum limits of \$1,000,000 per occurrence and a \$2,000,000 aggregate limit issued from a company licensed to do business in Michigan having an AM Best rating of at least B++.	A secure transporter shall provide proof of no-fault automobile insurance with a company licensed to do business in Michigan with limits of liability not less than \$1,000,000 per occurrence combined single limit for bodily injury and property damage, vehicle registration, and registration as a commercial motor vehicle for all vehicles used to transport marihuana or marihuana-infused product.	Worker's compensation insurance as required by state law.

	Surety Bond	Commercial General Liability
Lansing	Proof of a surety bond in the amount of \$50,000 with the City listed as the obligee to guarantee performance by applicant of the terms, conditions and obligations of this chapter in a manner and surety approved by the City Attorney; or, in the alternative, b. Creation of an escrow account as follows: i. The account must be provided by a State or federally regulated financial institution or other financial institution approved by the City Attorney based upon an objective assessment of the institution's financial stability; and ii. The account must be for the benefit of the City to guarantee performance by licensee in compliance with this chapter and applicable law; and iii. The account must be in the amount of \$20,000.00 and in a form prescribed by the City Attorney.	Proof of an insurance policy covering the establishment and naming the City, its elected and appointed officials, employees, and agents, as additional insured parties, available for the payment of any damages arising out of an act or omission of the applicant or its stakeholders, agents, employees, or subcontractors, in the amount of (a) at least \$1,000,000.00 for property damage; (b) at least \$1,000,000.00 for injury to one person; and (c) at least \$2,000,000.00 for injury to two or more persons resulting from the same occurrence. The insurance policy underwriter must have a minimum A.M. Best Company insurance ranking of B+, consistent with State law. The policy shall provide that the City shall be notified by the insurance carrier 30 days in advance of any cancellation.

*There are no listed requirements for Automobile Liability, Worker's Compensation Coverage, or Professional Liability for Lansing.



NEVADA

Nevada law requires that all business owners, cannabis or otherwise, with one or more employees in the State of Nevada obtain and maintain workers' compensation coverage. In addition, drivers for licensed marijuana distributors must be bonded in an amount sufficient to cover any claim that could be brought against the driver, and they carry in the motor vehicle proof of valid automobile insurance coverage at all times.



OREGON

Although licensed commercial cannabis operators are not required at the state level to obtain any insurance products specific to the cannabis industry, these operators are subject to all of the same insurance requirements (e.g., workers' compensation) as other commercial operators in other industries in Oregon.

None of Oregon's major cities have issued any local insurance requirements specific to cannabis operators, but cannabis operators are subject to all of the same insurance requirements as other commercial operators in other industries in those cities. Businesses in Gresham, Oregon are required maintain commercial general liability coverage in an amount of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate.



VERMONT

Licensed commercial cannabis operators in Vermont are not required at the state level to obtain any insurance products specific to the cannabis industry, but these operators are subject to all of the same insurance requirements as other commercial operators in other industries in Vermont. This includes workers' compensation coverage of \$100,000 per accident, \$500,000 per policy, and \$100,000 per employee (unless umbrella coverage is present), and automobile liability coverage.

None of Vermont's major cities have issued requirements specific to cannabis operators, but these operators are subject to all the same insurance requirements as other commercial operators in other industries in those cities.



WASHINGTON

Licensed commercial cannabis operators in Washington must obtain commercial general liability coverage or umbrella BI/PD coverage with limits of at least \$1 million, and the state of Washington must be listed as an additional insured.

None of Washington's major cities have issued any local insurance requirements specific to cannabis operators, but these operators are subject to all of the same insurance requirements as other commercial operators in other industries in those cities, including commercial general liability coverage of at least \$1,000,000. Seattle businesses must also obtain a bond in an unspecified amount as a condition for business licensure.



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