



**NCRMA**

National Cannabis Risk  
Management Association

**CHOOSING THE RIGHT  
CANNABIS INSURANCE FOR YOUR BUSINESS**

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### TYPES OF CANNABIS INSURANCE

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# Choosing the Right Cannabis Insurance for Your Business

As pioneers of an emerging industry facing immense scrutiny, cannabis business owners must take all the necessary precautionary measures to protect their company's assets, including purchasing cannabis insurance. This article will be the one-stop shop and industry insider perspective on how to shop for cannabis insurance: the preparation process, the due diligence, choosing a broker, the application process, the relationship between brokers and insurance carriers/companies, the different industry and insurance associations, and market availability and pricing. Following this buyer's guide is a deep dive into the different types of cannabis insurance coverages both available and currently unavailable on the market as well as the specific risk exposures facing every classification of cannabis business: retail dispensaries, cultivators, processors, manufacturers, distributors, laboratories & testing labs, shops, and ancillary cannabis businesses like technology, equipment, and software. Many classifications of cannabis businesses have different state-mandated insurance requirements, but this article attempts to explain why cannabis businesses need insurance from the exposures of the seed to sale process and the unpredictability of the very young cannabis industry.

Cannabis businesses need insurance because the cannabis plant is literally a living, breathing organism and is therefore susceptible to the perils of fire, wind, flood, and decay. The seed to sale process, is metaphorically a living organism as well, because even if your cannabis business does not directly grow the plant, indoor, outdoor, or in greenhouses, your business can be liable to lawsuit should something go awry in any part of the interconnected process of delivering the plant to the consumer. The costs associated with a lawsuit of any kind, when compounded with the costs of replacing the ruined crop, or recalling the molded product, or firing the negligent employee, or paying the non-compliance fine, can add up very quickly and sink even the most promising cannabis business enterprises.

As if the risks of the plant and the seed to sale process were not enough, the cannabis industry also suffers from its young age and federal legality. Whenever any new product is introduced to the American public, especially one with the negative reputation and stigma coming off an 80-year prohibition, there are considerable concerns as to how it will be received. This increases the probability of a class action lawsuit against anyone involved in the seed to sale and after-use process. With the long-term federal legal status of the cannabis plant still unclear, cannabis business owners cannot allow for a loss caused by the perils listed above, when they also face the threat of federal intervention in business operations, the ramifications of few banking opportunities, and the hurdles of intrusive operating taxes. Because only a few insurance carriers have been willing to write insurance policies in this volatile industry, cannabis business owners must properly educate themselves on how best to protect their assets, or risk substantial loss should something go awry.



# HOW TO SHOP FOR CANNABIS INSURANCE



## STEP 1: PREPARATION PROCESS: DETERMINING CANNABIS INSURANCE NEEDS AND RISK TOLERANCE

The refrain of insurance experts everywhere when consulting a client on their insurance purchase is: “determine your tolerance for risk.” In these early stages of the cannabis industry, cannabis business owners will not always be able to purchase every form of coverage to protect their assets, so the buyer must be cognizant of this reality and be prepared for losses that may not immediately be covered. Saving or reserving money for an unexpected loss or setback is called self-insuring and is a prudent business practice for all classifications of cannabis businesses. Deciding to invest in cannabis insurance, on the other hand, provides the business owner with a greater degree of certainty that their loss will be covered. That certainty is tied to the cost (premium) of the policy and its potential payout (coverage limits). There are policies with annual premiums from as low as \$800 to \$15,000 depending on the scope of the operation and the cannabis business owners’ tolerance for risk. With a host of risk management services and products available to cannabis businesses, the insurance buyer should evaluate the current strengths and weaknesses of their operation before deciding in which areas of coverage they want to invest their operating capital.

## STEP 2: DUE DILIGENCE: CANNABIS LEGAL AND CPA COUNSEL

After determining your cannabis business' tolerance for risk, the natural next step of the process is to do the homework required of the operating team. This means the buyer should know which insurance coverages it is required to purchase and understand how much insurance is affordable in their budget. To do so, cannabis business owners need to rely on the expertise of their attorney, insurance broker, and accountant to guide their insurance investment decision.

During this period of cannabis industry growth where federal laws still conflict with state laws, cannabis insurance is governed primarily by state regulations. For instance, in almost every state with legalized adult-use or medical marijuana, some form of cannabis insurance is required to receive a license and other coverages for the business to operate. California for example requires a \$5,000 surety bond that ensures the product will be disposed of properly in the event of a regulatory violation. Understanding these specific state regulations, through the advice of a legal counsel will be extremely valuable in navigating the pitfalls of purchasing cannabis insurance. Should the state have health hazard regulations pertaining to cannabis products, there could be exclusions in the policy you purchase that can result in your business footing the bill. Researching state regulations that affect your business is mandatory work, before even considering taking the next step in purchasing insurance.

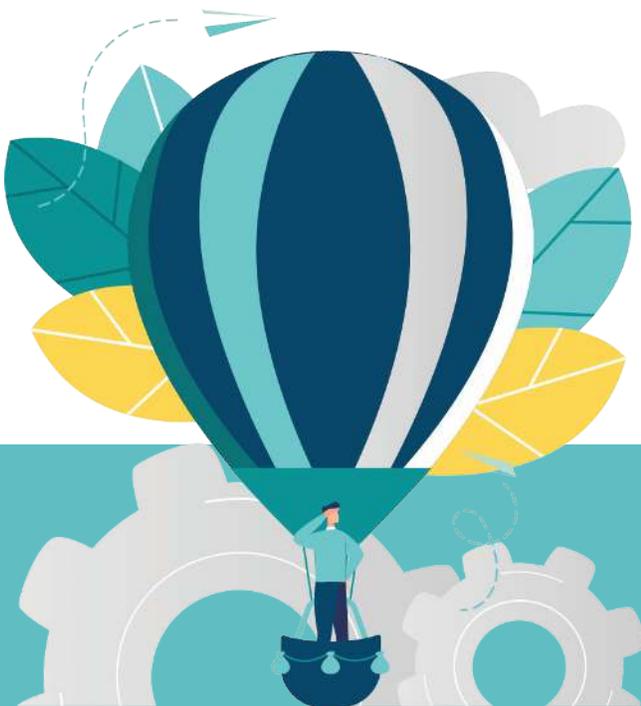
Establishing a stringent operating budget and determining the types and how much protection the business can afford is crucial. CPAs with cannabis industry experience prove their value by evaluating the business plan and preparing a budget for financial products like insurance. Without the proper legal and financial planning, it would be unwise to continue to the following steps.



### STEP 3: CHOOSING A CANNABIS INSURANCE BROKER

After deciding your cannabis business' risk threshold, consulting a lawyer for necessary regulatory advice, and reviewing the financials by an accountant, every classification of cannabis business, be it a retail dispensary, indoor farm, or edible manufacturing facility, needs an advocate for their insurance needs, an insurance broker. Be very mindful in choosing your insurance broker, searching for terms like "professional, experienced, cannabis" in an online search may yield better results than "inexpensive insurance."

In the specialized cannabis insurance market, there will be a host of extremely knowledgeable and reliable brokers to address the insurance needs of your business, but like any new industry, there will be many new brokers entering the market as well. Take the time to meet and discuss your long-term plan with your broker candidates because this service provider is dealing with limited options to place your business' insurance and may not have access to all the cannabis insurance coverages that you desire. Your insurance broker, or agency, will be your source of information on new policies, innovations, and regulations that affect how your business is protected; invest in this relationship.





## STEP 4: CANNABIS INSURANCE APPLICATION PROCESS: MITIGATING YOUR INSURABLE RISK

### Loss Control & Safety

Once the business owner has recruited the proper team of a lawyer, accountant, and insurance broker, the next proactive step in purchasing cannabis insurance is to evaluate the business operation and employ as many risk management services in order to mitigate their insurable risk. This means going above and beyond the bare minimums for compliance with state regulation by hiring loss control and safety evaluators to inspect the business operation, especially outdoor farms and cannabis product manufacturers where risk mitigating services provide the most value for the dollar. Loss control and safety evaluators will identify the immediate risk exposures of the retail space, the indoor farm, the testing lab, etc., pointing out issues that state and federal regulators will have, as well as identifying problematic systems that could result in non-compliance down the road. Cannabis business owners should work with an organization that offers risk engineering and environmental health safety consultation to educate their employees on how to properly and safely operate equipment and create a culture designed to focus on safety and compliance. As a cannabis business owner, it's important to work with loss control and safety evaluators to reduce the frequency and severity of insurance claims.

### Budtender Certification

This employee preparation and education extends to retail employees working in cannabis dispensaries and cannabis storefronts, particularly their knowledge of the product and their internet workplace. Cannabis retail dispensary owners should invest in budtender training to create a knowledgeable sales team that not only can maximize sales, but will be less liable to provide inaccurate or irresponsible purchasing advice. As the public-facing component of the retail dispensary, the budtender represents the company's brand. If you are a cultivator entering into a distribution deal with a retailer, you must ensure that the dispensary staff is properly trained on how to dispose of compromised product, how to prescribe or suggest specific strands, and how to accurately describe the effects it will have on the consumer. Proper education in these fields will reduce long-term likelihood of professional liability lawsuits.

### Cyber Education

Even the smallest cannabis businesses are at risk of cyber breaches because they are part of the interconnected seed to sale process. A breach of a small, single computer, such as that of a small indoor grower, could provide hackers with valuable information on all their partnering dispensaries, product deliveries, or client personal information. Once a larger cannabis entity, a distributor for example, detects the breach, the small indoor grow with the irresponsible employee opening questionable emails will be liable for the exposure. Cannabis businesses of all classifications should implement not only a cyber education course for key employees, but know how to respond in the event that a cyber breach does occur and respond accordingly.

## The Application

The immediate benefit to employing a host of risk management, education-based certification programs for employees is the insurance application completion. In this early stage of the cannabis industry, insurance companies only want to offer the most expansive coverages to businesses they are confident are good consumers of insurance, meaning they are less likely to incur an insurance claim. So not only does having an inspected and risk engineered facility, a safety focused facility team, a certified budtender, and a cyber conscious staff help keep risk low, it also represents to insurance companies the serious intentions of the cannabis business owner. In cannabis insurance, unlike many other industries, the application the buyer submits to their broker, becomes attached to their insurance policy. This allows insurance companies/carriers to deny claims should something that was represented in the application process affect the specific business loss.

## STEP 5: NAVIGATING THE RELATIONSHIP BETWEEN CANNABIS INSURANCE BROKERS AND CANNABIS INSURANCE COMPANIES/CARRIERS

Now that the proper risk management procedures have been implemented by the cannabis insurance buyer, the focus shifts to the person they hired to be their advocate in the insurance marketplace, the broker. Their responsibility is to place your business insurance needs' by presenting your application to the few insurance companies/carriers writing policies in the industry. Some insurance carriers have minimum requirements of insurance coverage that the business must meet to be eligible to receive that particular insurance policy. All the carriers undergo an intensive analysis of the cannabis business' leadership, making sure there is no part of the business operation that the operating and management team do not understand, a humongous red flag to carriers. The carrier decision to write insurance policy takes into account this knowledge base, the risk preventative measures taken by the business, and even in some cases, the total amount of licensed cannabis businesses in the state. Newly legalized states have a much higher barrier to entry for new businesses to gain operating licenses, the businesses that receive them generally being better capitalized and managed. In many cases, the insurance broker will have to go to multiple different insurance carriers, as well as wholesale insurance companies (the businesses that specialize in hard-to-place insurance) to find the coverages their client requests. This results in quite a bit of work for the broker, arranging all the necessary applications.



## STEP 6:

### JOINING CANNABIS INDUSTRY ASSOCIATIONS AND CANNABIS INSURANCE ASSOCIATIONS

With the last couple steps of the cannabis insurance process out of the hands of the cannabis business owner, there is still much work to be done to finish establishing or revamping your risk management practices. The drawbacks of working within an emerging industry like cannabis have been repeated ad nauseam, but one benefit that never receives due consideration is the over-arching culture of reciprocity and camaraderie in the cannabis industry. Joining local and national cannabis industry associations will create the web of professional connections that will ensure your business stays competitive and engaged in the rapidly changing market. The directories and networking events afforded by industry associations allow for business growth in an industry that is deprived of normal means of expansion such as banking loans. Industry associations always feature risk management professionals that can help supplement the team developed in the first steps of buying cannabis insurance.

#### Insurance Associations

Some associations feature insurance components to them, in addition to the benefits outlined above, because the association can grow a much larger insurance pool when they consolidate the employees of many member businesses into a single plan. The Washington state non-profit organization Cannabis Alliance offers a health care plan to employees of member businesses. Providing an option for health insurance is state-mandated in many recreational and medical states, so to remain compliant, the most cost-effective decision a cannabis business owner could make is to pay the annual association membership dues in order to provide association health insurance to their employees. The same can be said of insurance associations that feature a property & casualty insurance offering to member businesses.





## STEP 7: DETERMINING THE PRICING OF THE INSURANCE POLICY: HOW RISK POOLS WORK

The peculiar legal position of the cannabis industry has brought upon a very diverse and alternative insurance marketplace for classifications of cannabis businesses, especially those that directly touch the plant like retail dispensaries, indoor grows, outdoor farms, greenhouses, harvesters and processors, cannabis product manufacturers, and cannabis laboratories and testing facilities. With so few insurance carriers willing to insure the risk exposures of cannabis businesses, generally due to the compromising position it would place insurance carriers with the federal government, the mainstream all-lines product options for insurance brokers are limited. A scarce number of admitted carriers allows for less flexible pricing and coverage availability for businesses. Insurance carriers in the cannabis industry do not have the benefit of years of statistical analysis of the risk exposures of cannabis businesses as carriers in other industries have. Normally underwriters would have thousands of claims to use as precedent to determine the pricing of a cannabis insurance policy. This makes the underwriting process and claims management process especially cumbersome for both the insurance brokers and the insurance carriers themselves. Strategies like attaching the application to the insurance policy to protect against claims and imposing strict minimum premiums and maximums on coverage limits. Furthermore, the cannabis insurance buyer is less likely to receive supplemental or additional coverages for their risk management practices than they typically would in a normalized industry. And while the pricing of insurance plans is still considered to be affordable and fair by market standards, the precarious position of the industry lends itself to alternative risk solutions.

### Risk Pools

While discussing coverage options with your insurance broker, ask whether they have access to or any information regarding the risk pools that have been developing across the country in response to the stringent underwriting practices of traditional insurance companies. Much like the health insurance offered by the Cannabis Alliance to the employees of their member businesses, group buyers focused entirely on the risk exposures of cannabis plant-touching businesses are building their own membership of trusted cannabis businesses. By pooling together their insurable risk with other businesses with strong risk management strategies in place, cannabis businesses can generate claims savings, promote credible rate-making and inevitably better priced insurance policies. Risk pools with strict risk management practices are less likely to incur claims and less likely to incur very serious or expensive claims that would nullify the benefits of the risk group. This approach is not too different from the basic

principles of insurance as the traditional outlets still pool all the insurable risk of their clients, but the autonomy and level of control a cannabis insurance buyer has with a risk pool is significantly greater. Over time, this insurance option can yield even better coverage options and pricing as the members directly receive the benefits of a year with fewer claims.

## STEP 8: PURCHASING THE INSURANCE POLICY

Because insurance is involved with all facets of a cannabis business' operations, the insurance purchasing process can be tedious. But with this attention to the details, the cannabis insurance buyer has positioned their business for long-term success and risk deterrence. To recap the process: first determine where and how much protection you need, then do your regulatory homework, bring in your insurance advocate, educate and certify your employees, triple check your application, explore coverage options, join industry and insurance associations, evaluate your policy traditional and alternative group options, and then sign on the bottom- line because every cannabis business needs proper insurance.





## TYPES OF INSURANCE

### CANNABIS GENERAL LIABILITY INSURANCE

Your business must be covered for possible accidents involving your clients and/or any other third-party contacts with whom you do business. General liability coverage protects your premises and your operations from lawsuits involving public contact. This is just as necessary a coverage in the cannabis space as it is in any other industry.

### CANNABIS PRODUCT LIABILITY INSURANCE

One of your biggest risks is a product liability lawsuit. This is particularly true in the emerging businesses of growing, harvesting, processing, distributing and retailing cannabis. Since there are risks in the cannabis industry that are not well understood or established, there may be a propensity of cases where a customer consumes the product, then causes themselves or others harm. Both recreational and medical states are anticipating this reaction to the new products and are requiring cannabis establishments to purchase product liability insurance.

The big concern with cannabis products – and a major area of exposure for your business – is accidents arising from impairment. Generally speaking, a cannabis cultivator, processor, distributor, or retailer may be considered liable if a defect in the product causes injury to a user or third party due to the user's impairment or poor judgment.

## CANNABIS BUSINESS AUTO INSURANCE

There are standard auto use liabilities that you will face during the transport of cannabis during the seed to sale process. In addition to normal auto transport that a business in another industry would have in their commercial package plan, cannabis business auto insurance must also address the security issues during loading and unloading. Cargo insurance addresses many of the risks that may occur in the transport of the product as well.

## MARIJUANA & HEMP CROP INSURANCE

Crop insurance is a policy that, under certain conditions, covers your business for losses arising out of damages to your cannabis crop. Cannabis crop insurance is not state-mandated anywhere in the United States at this time and has become increasingly cost prohibitive for operators of outdoor cannabis grow facilities.

The reason why insurance buyers are suggested to purchase as much coverage of their crops as available in the marketplace is clear: your crop is extremely valuable. An entire grow that took four months to harvest could be wiped out in a fire. Look no further than the fires ravaging entire neighborhoods of Northern California for example. The fires didn't directly ruin the farms, but the ashes from the fire made their way into nearby greenhouses resulting in plants testing positive for asbestos, lead, arsenic, and magnesium. 2018 recorded the first claim settlement for outdoor crop insurance in which a \$30,000 insurance premium paid out close to \$1,000,000.

## CANNABIS PROPERTY INSURANCE

Cannabis business owners should always buy property coverage for their building or greenhouse and be very mindful that the policy covers not just personal property (furniture, permanently installed equipment), but also the cannabis inventory. Property insurance will also cover property in transit, equipment, and protection for events that might cause loss of income, such as breakdowns and other business stoppages.

Property insurance covers losses due to a multitude of hazards including fire, water damage, explosion, theft, and vandalism to name a few significant events.





Damage to your property itself will also be covered under your property policy whether it be your building, greenhouse or equipment subject to policy terms.

Property coverages include standard theft loss, the primary exposure to dispensaries, to unique cases such as those for damage to finished cannabis stock during transport, which can also be covered under the business auto for transporters.

## CANNABIS EQUIPMENT BREAKDOWN INSURANCE

Cannabis businesses have very valuable cultivation, processing and manufacturing equipment protected by very high security systems. Standard property policies do not provide adequate coverage for this high-value equipment. These types of losses are covered under Equipment Breakdown insurance.

Equipment breakdown covers losses resulting from breakdown of certain types of equipment including security and alarm systems, fire detection systems, computers, telephone copiers printers, heating and air conditioning equipment, and other mechanical and electrical equipment.

For example: your computer system is damaged by a power surge or your processing equipment unexpectedly breaks down. This coverage helps pay for the cost to repair or replace the equipment itself as well as income lost from business interruption.

## CANNABIS BUILDERS RISK INSURANCE

Cannabis business operators need insurance while the building is being built. Builder's Risk covers loss of your materials and building during construction as well as coverage for property in transit or property at an unspecified location. Builders risk insurance protects your building site from damage caused by fire, vandalism, lightning, sprinkler leakage, sinkhole collapse, and volcanic action. Additional coverages may be purchased to protect against glass breakage, water damages, weight of snow, and falling objects.

A well-run operation must have builders risk coverage in place before the construction of the building can begin. As soon as your building construction is complete, the policy ends, regardless of the expiration date, and a property policy steps in to fill the void.

## CANNABIS EXCESS RISK INSURANCE

Prudent cannabis industry professionals should protect your assets against the unlikely prospect of a catastrophic event and claim. Excess risk insurance provides extra protection to guard against large, unexpected risks that your cannabis-based business may experience.

Excess liability sits over other liability policies, typically following the same coverages, conditions and exclusions of the underlying policy with no expansion of coverage. This coverage responds to claims covered by underlying coverage when those policy limits are exceeded.

## CANNABIS WORKERS COMPENSATION INSURANCE

Workers' Compensation insurance provides coverage for the following exposures should your employee get injured in the course of employment:

- Wage replacement benefits
- Medical treatment
- Vocational rehabilitation

Workers' Compensation insurance is required by law and is not always offered by traditional insurance carriers in the cannabis industry. It is the responsibility of the broker to access the marketplace for Workers' Comp insurance for their client. Otherwise the company could be non-compliant and worse pay the extremely large settlements to employees like indoor and outdoor growers, bakers, food, drug, and pharmaceutical prepares as well as manufacturers, clerical workers, and salespersons.





## CANNABIS CYBER LIABILITY INSURANCE

Cyber Liability insurance concerns all businesses that collect personal information and or sell products over the internet. Cyber risks affect businesses of all sizes and forms as even the smallest cannabis dispensary may be connected to large distributors with valuable information. The costs of a breach to a business with insufficient cyber liability insurance include the forensics team to find the root of the breach, the cost of reporting to clients and to the state regulatory board the effects of the breach, and the lawsuit that will likely arise from any third party victimized by your breach. Cyber liability insurance provides coverage for both liability losses, court representation, business interruption, fraud, extortion, and physical damage.

## EXECUTIVE LIABILITY INSURANCE: D&O, EPL, CRIME

Directors and Officers insurance, (D&O) protects investors and shareholders against mistakes made by individual directors and officers, past, present, and future, as well as company indemnification, company liability, outside directorship liability, and difference in conditions. Accredited investors value this protection so much, they are often willing to pay costly premiums to insure their interests are protected, especially in young, evolving industries like cannabis with significant variance in the success of small businesses.

The buyer should also protect their business from employment related claims involving discrimination and harassment. Employment practices liability insurance may also cover other management failures such as wrongful discipline or demotion, failure to hire or promote, wrongful infliction of emotional distress, and libel, slander, defamation of character, or invasion of privacy. Without EPLI coverage in place, your business could be paying these claims out of pocket.

Finally, included under executive liability insurance is Crime insurance. This is especially hard to place in the cannabis industry due to the nature of the cannabis product and its black-market demand. Crime coverages can cover the following risk exposures: employee theft, employee dishonesty, forgery, theft of money, robbery, safe burglary, outside premises theft, funds transfer fraud, and counterfeit money. The best defense to crime is still great security and risk management.



# RISK EXPOSURES FOR CANNABIS BUSINESS CLASSIFICATIONS

## RETAIL DISPENSARIES

Much of the framework of insuring against the risk exposures of a cannabis retail dispensary has already been established by insurance plans for other retail operations. Anytime a business has direct contact with the public, they certainly need General Liability insurance to protect against slip and falls.

The true risk of a cannabis retail dispensary comes from the very real crime element associated with a product in a federal legal limbo. With traditional banking sometimes difficult for dispensaries to establish, some cannabis dispensaries still operate with cash transactions. Very comprehensive executive liability insurance can cover employee theft, forgery, theft of money, robbery or safe burglary, as well as funds transfer fraud and counterfeit money.

It is always in the best interest of dispensaries to have product liability to cover any court expenses they may incur as part of a lawsuit, even if it is not directly filed against them and they have not made or labeled the product.

## GROWERS OR CULTIVATORS

The greatest risk exposure for cannabis cultivators is obvious; their crop is their livelihood and therefore must be safeguarded through risk management and insurance against electrical fire, smoke, disease, mold, and mildew among other natural, agriculture related risk exposures. The perceived frequency and severity of risk, to the crop, can make insuring outdoor grow operations very costly to the business owner. There are several options however available for indoor and greenhouse grows.

Product liability would be the second priority for a cultivator. Most growers that are providing product directly to retailers have a direct products exposure from mislabeling products as well as the potential for lawsuits from the unexpected or unwanted effects of consumption of their product.



Growers also must consider stock throughput insurance to protect the products they send to retailers through the entire seed to sale process. This means the product is protected from any damage through transportation like theft or an overturned vehicle.

The facility will also be required to purchase workers compensation insurance to protect their employees in the event of injury. Grow operations take very thorough measures to mitigate risks ranging from UV light exposure to repetitive motion injuries.

## MANUFACTURERS OR PROCESSORS

Cannabis businesses manufacturing products through the extraction or processing of the cannabis plant have to be very mindful of their product liability. The constantly evolving regulations around the cannabis industry make compliance the top priority for product manufacturers. Having product liability and product recall insurance can help offset the potential losses of a faulty product or a once acceptable product that under new regulations is no longer fit for public consumption. With a future inevitably headed towards class action lawsuits from misuse of the product by the consumer and the resulting accidents and claims as well as lawsuits stemming from mislabeled products, expansive product liability coverage is necessary for well-run, risk averse manufacturers.

Critical to the success of the operations are the expensive extraction and processing equipment used to transform the plant to the intended final product. Equipment breakdown and excess risk insurance are fitting solutions to a delay in the manufacturing process.

Finally, cannabis manufacturing facilities, just like grow facilities, are required to purchase workers compensation insurance for their employees' well-being. With even more dangerous machinery than the cultivators, the likelihood of and severity of a workers comp claim could be potentially disastrous for a business because a facility with too many claims would have to pay much larger premiums and make it difficult for some insurance companies to cover them at all. Here, more so than any other classification of cannabis business, is loss control & safety risk mitigating services essential to continued success.

## DISTRIBUTORS

The glaring risk exposure of cannabis distributors is the theft of property in the distribution of product from the cultivation or extraction facility to the retail dispensary. Cargo insurance properly addresses this risk exposure and is the primary concern of the business owner shopping for insurance.

Auto liability and physical damage is usually required by a state legislator and protects against injury as a result of a traffic collision both first and third party. This is similar to the auto liability insurance policies everyone with a car is greatly encouraged to purchased.

## TESTING LABS

When a testing lab makes a mistake in detecting pesticides or contaminants in the plant or end product, the ripple effect across all classifications of cannabis business can be very expensive to the guilty party. Improper testing standards lead to massive product recalls in California in 2018 and has slowed the licensing process and growth of the medical program in states like Pennsylvania and New Jersey.

Errors and omissions insurance (E&O) covers for mistakes in the services provided by the insured, like the scientists of a testing lab for cannabis, both for flower and for food or other cannabis concentrate. E&O helps to transfer the risk away from the testing lab employees over to the insurance company and will cover any court costs in the event of a lawsuit.

Testing labs also need to cover their equipment and their employees just like the other businesses.

## SMOKESHOPS

For those businesses ancillary to the cannabis industry who either intend to distribute cannabis eventually and are still in the licensing process, or just a regular smokeshop, the access to proper financial products like banking and insurance can still be comparatively expensive than a normal retail store. But just like the risk exposures of dispensaries, smokeshops are open to the public and thus absolutely need general liability to protect against simple yet prevalent slip and fall accidents.





Because they are not selling cannabis however, the business owner shopping for insurance does not have to concern themselves as much with product liability or other coverages common in the cannabis industry.

### ANCILLARY CANNABIS BUSINESSES: LEGAL, ACCOUNTING, TECHNOLOGY

The primary concern of ancillary cannabis businesses would be the professional liability of their individual employees. Lawyers and accountants usually purchase some measure of security against bad advice or a mistake in their process or end product.

These e-commerce or professional services businesses that cater to the cannabis industry also definitely need general liability for its coverages outside of just slips and falls. It protects against slander in the media and many other unforeseen risk exposures.

Because it is a relatively new industry, these businesses are likely purchasing D&O insurance to protect their investors from poor decision making from company executives. Their investor teams are very appreciative of executive liability insurance and in some cases, to protect their investment, even purchase this insurance themselves.