It’s 4:20 Somewhere!
Cannabis Risk Management and Insurance

Speakers:

• John Balian, Vice President, Wood Gutmann & Bogart Insurance Brokers
• Hunt Turner, Co-Managing Director of Employee Benefits, Wood Gutmann & Bogart Insurance Brokers
• Charles Pyfrom, Sr. Vice President, CannGen Insurance Services (a Next Wave Insurance Services Company)
• Ian Stewart, Chair of Cannabis Law Practice Team, Wilson Elser
Cannabis
POTENTIAL FEDERAL CANNABIS REVENUE

FEDERAL REVENUES 2017-2025 WITH FULL LEGALIZATION (IN BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Retail Sales Tax at 15%</th>
<th>Federal Payroll Deductions (10.6% Total)</th>
<th>Federal Business Tax Revenues (NO 280E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$10.0</td>
<td>$10.0</td>
<td>$10.0</td>
</tr>
<tr>
<td>2018</td>
<td>$9.7</td>
<td>$10.7</td>
<td>$10.7</td>
</tr>
<tr>
<td>2019</td>
<td>$10.4</td>
<td>$10.4</td>
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<tr>
<td>2020</td>
<td>$11.0</td>
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<tr>
<td>2021</td>
<td>$11.6</td>
<td>$11.6</td>
<td>$11.6</td>
</tr>
<tr>
<td>2022</td>
<td>$12.3</td>
<td>$12.3</td>
<td>$12.3</td>
</tr>
<tr>
<td>2023</td>
<td>$13.0</td>
<td>$13.0</td>
<td>$13.0</td>
</tr>
<tr>
<td>2024</td>
<td>$13.5</td>
<td>$13.5</td>
<td>$13.5</td>
</tr>
<tr>
<td>2025</td>
<td>$14.1</td>
<td>$14.1</td>
<td>$14.1</td>
</tr>
</tbody>
</table>

TOTAL COMBINED PROJECTED PAYROLL, BUSINESS TAX & FEDERAL SALES TAX (15%) REVENUES 2017-2025

FOR MORE INSIGHTS LIKE THIS VISIT: NEWFRONTIERDATA.COM

$105.6 BILLION
So Is It Safe or What?

"I FIND IT QUITE IRONIC THAT THE MOST DANGEROUS THING ABOUT WEED IS GETTING CAUGHT WITH IT."

-BILL MURRAY

THE FREE THOUGHT PROJECT.COM

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Conflicting Research on Highway Safety

• Highway Loss Data Institute Study – 2017
  • Collision claim frequency 2012-2016 in CO, WA and OR as compared with control states
  • “The legalization of retail sales was associated with a 2.7 percent increase in collision claim frequencies”
  • Controversy of correlation vs causation

• American Journal of Public Health Study – 2017
  • Data on fatal car accidents 2009-2015 in CO and WA as compared with control states
  • No significant association between legalization and fatalities relative to other states
Multiplied risk of a fatal traffic accident while under the influence

<table>
<thead>
<tr>
<th>Drug</th>
<th>Multiplication Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marijuana</td>
<td>1.83</td>
</tr>
<tr>
<td>Narcotics</td>
<td>3.03</td>
</tr>
<tr>
<td>Stimulants</td>
<td>3.57</td>
</tr>
<tr>
<td>Depressants</td>
<td>4.83</td>
</tr>
<tr>
<td>Multiple non-alcohol drugs</td>
<td>3.41</td>
</tr>
<tr>
<td>Alcohol</td>
<td>13.64</td>
</tr>
<tr>
<td>Alcohol and other drugs</td>
<td>23.24</td>
</tr>
</tbody>
</table>

Source: Columbia University study
An Issue of States’ Rights?
2016 Legalization

- Medical Marijuana
- Recreational Marijuana
Outgrowths Of Industry Self-Policing & State Regulations:

- Seed to Sale Tracking of Plants & Products
- Pesticide Controls & Testing
- Advertising Restrictions
- Packaging Safety Requirements
- Labeling Requirements
- Controls on Extraction & Production Techniques
- Controls on Vertical Integration
- Insurance Requirements
Banking Issues
Insuring The Risk In This Emerging Market
Indemnity and Additional Insured Issues

• Is an indemnity agreement with a business engaged in the marijuana industry legally enforceable in a state that has not yet legalized marijuana?
• Are there problems caused by naming out of state production and supply chain partners as additional insureds?
Carriers Offering Cannabis Coverage

Larger Players
- Hannover Re
- Protective Insurance Company
- State National
- James River
- Kinsale
- Hudson
- Berkshire Hathaway
- Hallmark

Smaller/Regional Players
- Golden Bear (CA Only)
- Canopius US
- Conifer
- Topa - Dorchester
Policy Language

- General Liability Issues
  - Smoking Exclusion
  - Non-Stacking Endorsement on a Claims Made form

- Product Liability Issues
  - Shared limits with GL on same coverage form

NON-STACKING ENDORSEMENT

All coverage parts

If this policy and any other policy issued to you by us apply to the same claim or "suit," the maximum Limit of Liability under all policies shall not exceed that of the policy with the highest applicable Limit of Liability.
Policy Language

• Product Liability Issues
  • Excludes coverage for all cannabis and vape equipment
Policy Language

• Product Liability/General Liability Issues
  • Excludes all mental and physical impairment caused by cannabis
Policy Language

- Product Liability/General Liability Issues
  - Excludes cannabis impairment and any resulting claim from such impairment
  - No duty to defend

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE FORM

The following exclusion is added to COMMERCIAL GENERAL LIABILITY COVERAGE FORM, SECTION I - COVERAGES, COVERAGE A-BODILY INJURY AND PROPERTY DAMAGE LIABILITY, paragraph 2, Exclusions and COVERAGE C - MEDICAL PAYMENTS, paragraph 2, Exclusions, and to PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE FORM, SECTION I-COVERAGES, PRODUCTS/COMPLETED OPERATIONS BODILY INJURY AND PROPERTY DAMAGE, paragraph 2, Exclusions:

It is understood and agreed that this policy does not apply to, and we will have no duty to defend or indemnify you against any claim or ‘suit’ alleging ‘bodily injury’ or ‘property damage’ for which any insured may be held liable by reason of causing or contributing to the mental or physical impairment of any person by means of that person’s use, inhalation, ingestion, application of, contact with, or exposure to ‘cannabis’ or ‘cannabis products.’

All other terms and conditions of the policy remain unchanged.
The Intersection of Weed and Work
Product Liability
Cannabis Infused Edibles
Universal Warning Signs

Contains Marijuana. Keep out of the reach of children.
Packaging and Warnings
Pesticides
Third Party Standards

ASTM INTERNATIONAL
Standards Worldwide

NATIONAL ASSOCIATION CANNABIS BUSINESSES
Consumer Class Actions
Unfair Competition
Industry Groups / News

- National Cannabis Industry Association
- California Cannabis Industry Association
- NCBA (National Cannabis Bar Association)
- Leafly
- Marijuana Business Daily