



CANNABIS INSURANCE & *Risk Management*

Speakers

Patrick McManamon

Founder & Managing Director



John L. Balian, CPCU, ARM

Director – Cannabis Industry Practice



Ian Stewart

Attorney at Law



Hunt C. Turner

Co-Managing Director of Employee Benefits





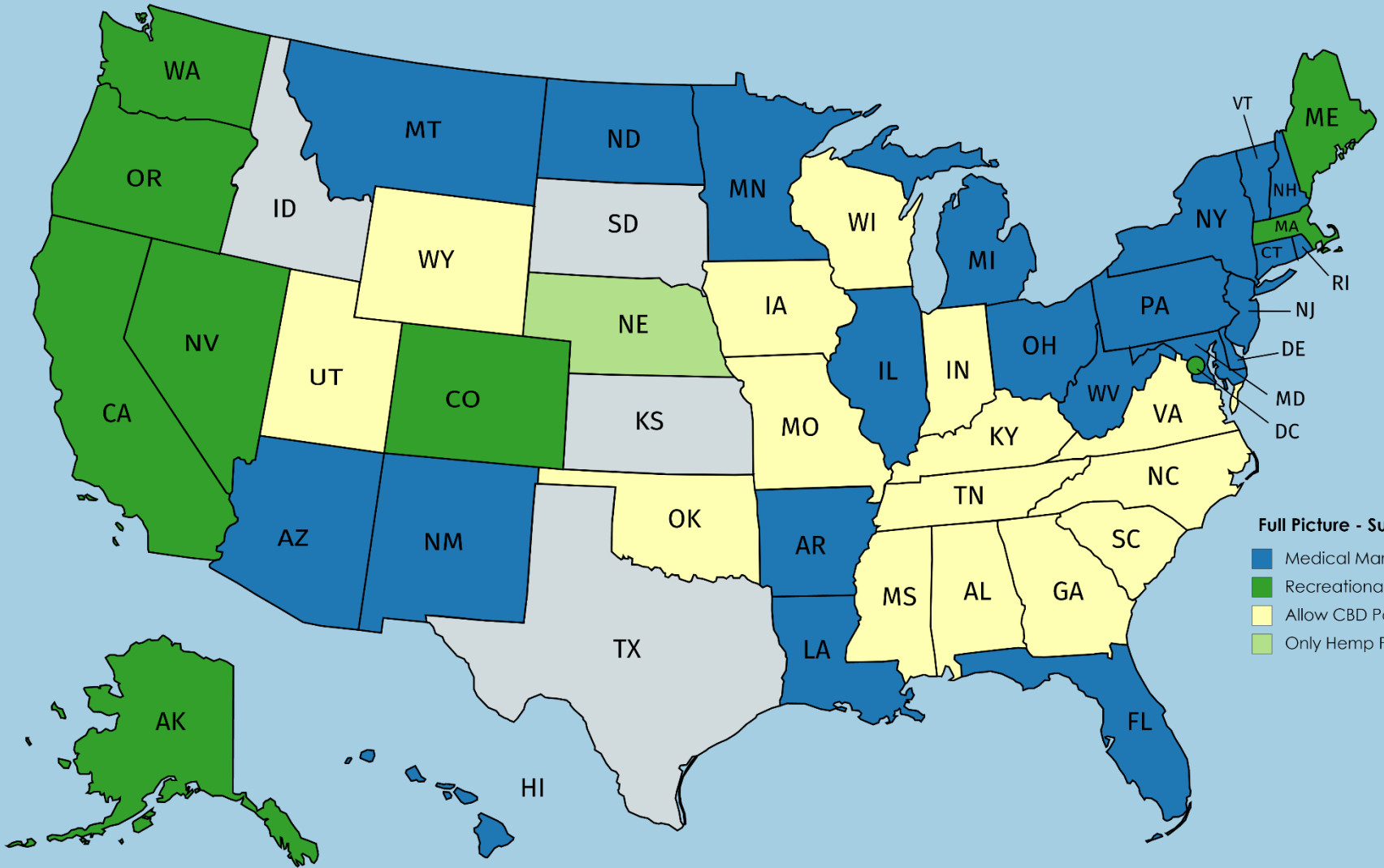
Anderson
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GONE TO POT: CANNABIS TOURS CASH IN



An Issue of States' Rights?





Full Picture - Summer 2017

- Medical Marijuana
- Recreational Marijuana
- Allow CBD Possession and Use
- Only Hemp Programs

Primary Risk Classifications

Medicinal & Recreational

Cultivators
Indoor & Outdoor



Processor/Harvester



Dispensary Stores

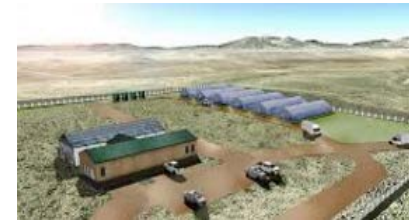


Manufacturers



Secondary Risk Classifications

- Landlord's "LRO"
- Laboratory Services
- Wholesalers / Distributors
- Security Guard Services
- Transport Services "owned and contracted"
- Tobacco / Smoke Shops
- Hydroponics / Garden Stores



Coverages

Risk Management





Coverages



Coverages

- Property
 - Real and Personal Property
 - Stock Throughput (Seed to Sale)
 - Crop
 - Crime
 - Equipment Breakdown
 - Inland Marine



Coverages

- Casualty
 - General Liability
 - Product Liability
 - Product Recall
 - Directors & Officers
 - Employment Practices Liability
 - Kidnap & Ransom
 - Professional Liability
 - Automobile
 - Umbrella/Excess
 - Workers' Compensation



Risk Management



Strategic Risk Management

- Must be integrated into all business management functions including:
 - change management
 - product or service diversification
 - human resource management
 - customer service
 - supplier/distributor management
 - statutory and regulatory planning and compliance



Strategic Risk Management

- **Benefits Include:**
 - Identifying and quantifying risks and exposures to the business
 - Quantifies resources and appetite for risk
 - Reduces and mitigates costs associated with losses
 - Spreads the risk financially to minimize impact
 - Integrates risk control and safety into daily operations
 - Improves the ability to budget and plan
 - Reduces the incidence of the unknown/unexpected

A close-up photograph of a cannabis plant with green serrated leaves and a developing flower bud covered in trichomes, serving as the background for the title.

Risk Management in the Cannabis Industry

- **Crime and Security**
 - Manage parking lot traffic to minimize congestion and discourage product use on the premises
 - Hire off-duty police to patrol during opening, closing, off hours and cash transfer times
 - Engage police to advise on physical security options and communicate crime statistics for the area
 - Screen windows where view of high risk activities exist (such as deliveries, sorting cash, processing products)
 - Train all employees in security measures both on and off the job
 - Separate high risk responsibilities and caution employees to refrain from discussing operations outside the workplace

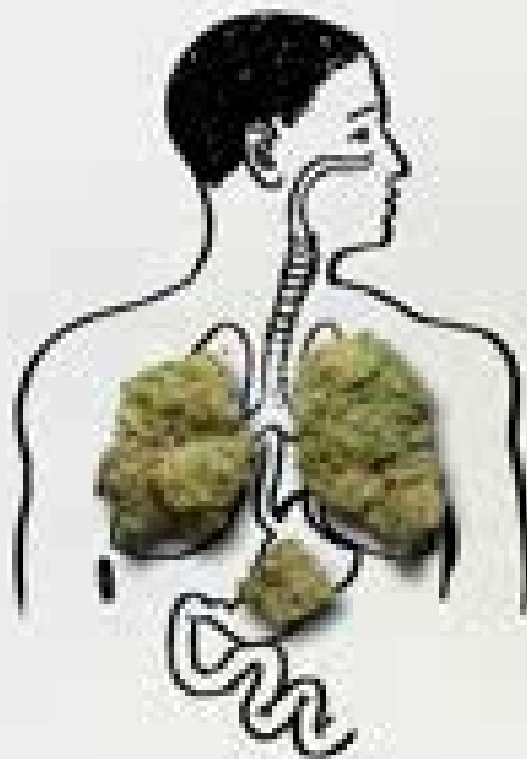
A close-up photograph of a cannabis plant with green serrated leaves and a developing bud covered in trichomes, serving as the background for the title.

Risk Management in the Cannabis Industry

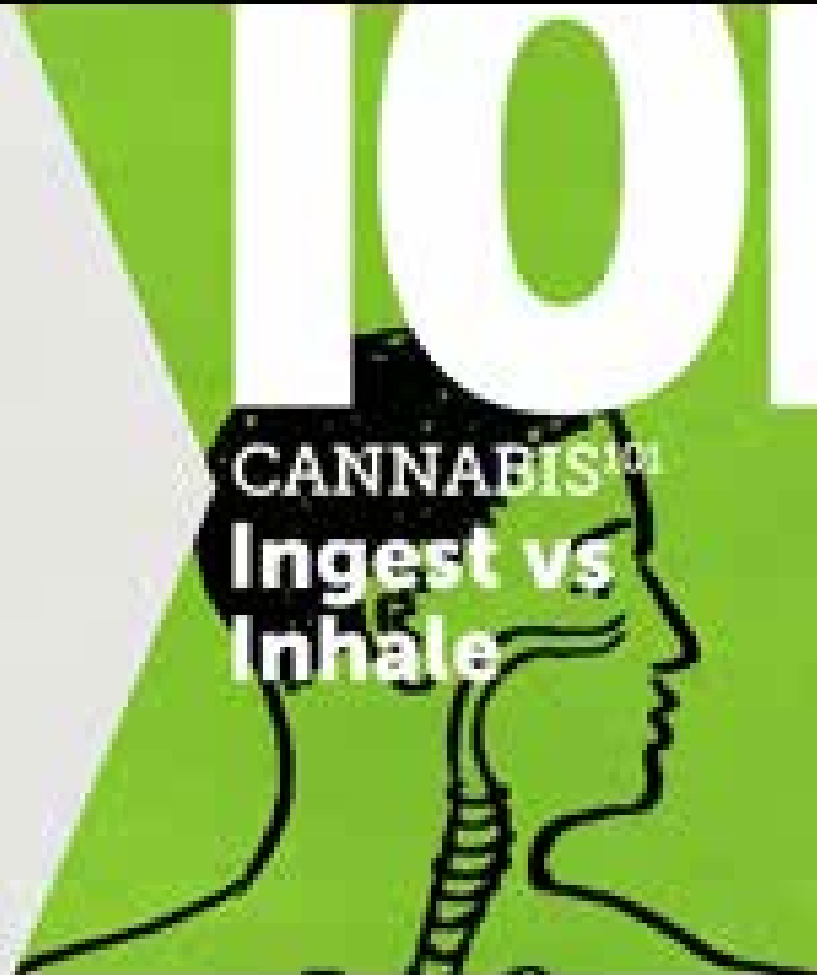
- **Crime and Security**
 - Use separate vaults for storage of cash and product inventory
 - Minimize amount of cash and product on the floor
 - Limit authorized access
 - Use an interior escape locking system
 - Use panic call and intercom systems
 - Conduct background/criminal checks for employees
 - Transportation of product and cash poses heightened risk
 - Use armored car service, if possible
 - Use unmarked vehicles and transport with driver and escort
 - Use different vehicles and variable schedules, destinations

Product Liability





CANNABIS™
Ingest vs
Inhale



Cannabis Infused Edibles



Packaging and Warnings



Product Recall



Pesticides



Consumer Class Actions



A close-up photograph of a cannabis plant with green serrated leaves and a developing bud covered in trichomes, serving as the background for the title.

Risk Management in the Cannabis Industry

- **Product Liability**

- Use 3rd party testing of product to certify quality, free from mold, pesticide or other contaminants
- Use packaging that discourages tampering, unauthorized use and preserves freshness
- Label products in much the same way that pharmacies label prescriptions:
 - Content description and date of issue
 - Strength and potency data
 - Directions for use, storage, expiration date
 - Warnings such as topicals not to be ingested, avoid eye contact, keep away from children, do not use equipment or drive a vehicle during use, etc.

A close-up photograph of a cannabis plant, showing green serrated leaves and a developing flower bud covered in trichomes. The image is slightly blurred, creating a soft background for the text.

Risk Management in the Cannabis Industry

- **Product Liability**
 - Keep small samples of “batch” for 90 days to test in case of issues requiring a “controlled” sample
 - Use product tracking system to easily identify the source lot if product needs to be recalled
 - Design an effective recall process including patient notifications, product capture and testing, sample retrieval and testing
 - Consider investing in digital microscopes to photo ID each batch
 - Where possible, require vendors to show proof of liability insurance and obtain certificates



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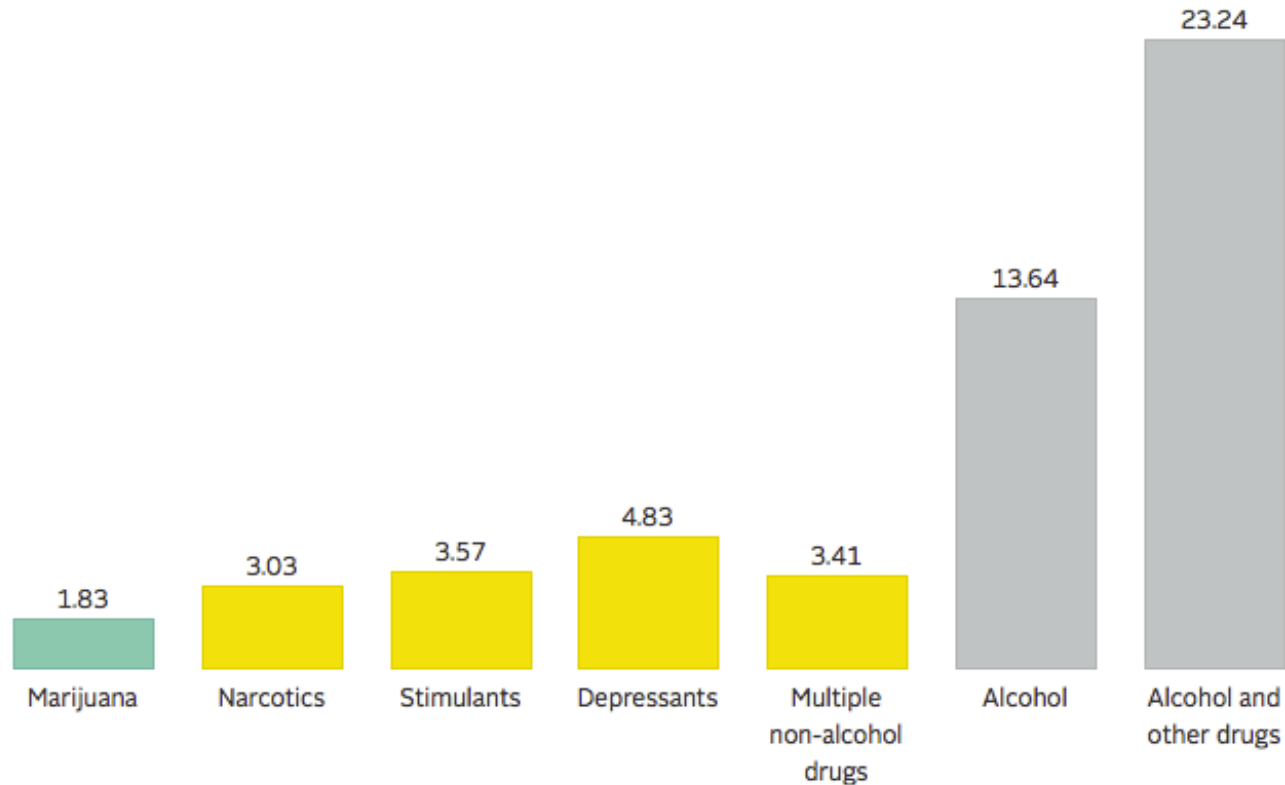
Risk Management in the Cannabis Industry

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

Risk Management in the Cannabis Industry

Multiplied risk of a fatal traffic accident while under the influence



A close-up photograph of a cannabis plant with green serrated leaves and a developing bud covered in trichomes, serving as the background for the title.

Risk Management in the Cannabis Industry

- **Cash Management**
 - Keep minimal cash on site
 - Use armored car service to transport cash
 - Use time drop box for storage of cash on site
 - Keep safe locked at all times and under camera coverage
 - Use safety deposit boxes if necessary to store cash
 - Groom multiple banking relationships in case one fails
 - Consider insurance riders to provide adequate coverage for cash on-site



Common Risks in the Marijuana Industry

- Workers harvesting marijuana outdoors face risks:
 - Heat illness
 - Exposure to pesticides
 - Field sanitation issues
- Workers harvesting marijuana indoors face risks:
 - Overexposure to carbon dioxide
 - Overexposure to carbon monoxide
 - Injuries caused by improperly wired equipment
 - Injuries caused by damaged electrical plugs and outlets.



Risk for Indoor and Outdoors Workers

- Both indoor and outdoor harvesting workers face:
 - Ergonomic issues
 - Due to the repetitive motions made while trimming marijuana plants.
- Manufacturing workers face:
 - Exposure to flammable and chemical hazards
 - Burning
 - Trips
 - Falls
 - Machinery injuries
- Customer service and retail employees risk violence due to the prevalence of cash transactions.



Existing Regulations

- **Marijuana industry employers**
 - Must protect outdoor harvesting employees by complying with OSHA's Heat Illness Prevention Standard
 - Providing employees with sufficient water and shade.
 - Employers are also required to implement and maintain a hazard communication program
 - To protect indoor harvesting employees from chemical hazards.
- **Workplace violent prevention**
 - Incidents due to cash transactions customary within the marijuana industry
 - Employers must comply with OSHA guidelines for workplace security as part of their IIPP

Risk Management in the Cannabis Industry



- **Business Continuity and Interruption**
 - Document your inventory, average cash on-site, sales history and average wholesale value
 - Growers need to document a timeline for response to critical events in the growth cycle
 - Develop a disaster recovery plan for loss of power, water and other vital business operations
 - Consider a computer managed lighting and cooling system for growing operations
 - Require fire response systems such as sprinklers and fire/smoke detectors in all buildings housing cash and inventory
 - Develop a plan for interruption of supplier networks



Human Resources



What are the Human Resources risks?

- Precedence exists
- New Risks – New Territory
- Impairment and Injury concerns
- Conflicting laws
- Colorado Experience
- Booming economy



Precedence

- What is the foundation to build upon?
 - Alcohol – since 1933
 - Medications
 - Smoking
 - Existing policies
 - Hiring & Firing practices
 - Drug testing
 - Training
 - Communication
 - Education



New Risks – New Territory

- Create new policies
 - Positive test results up in CO
- Be prepared for new questions
 - Create FAQ
- Be prepared for new and changing laws
 - Be prepared to enforce the law and modify practices
- Be prepared for alternatives
 - Edibles instead of smoking
- Zero tolerance?



Impairment & Injury

- New Jobs, similar hazards
 - Mold
 - High humidity
 - Indoors
 - Use of Respirator
 - Long term risk?
 - Electrical shock
 - Use of Cash
 - Use of chemicals
 - Noise



Conflicting Laws?

- Massachusetts Supreme Court
 - *Barbuto v Advantage Sales and Marketing LLC, July 2017*
- Colorado Supreme Court
 - *Coats v Dish Network, June 2015*
- Action Plan:
 - Avoid complacency
 - Remain vigorous
 - Review policies
 - Document, document, document



Colorado Experience

- Testing:
 - Northern CO: 70% of businesses still test
 - Denver/Boulder: 57% of businesses still test
 - Down from 77%
 - Pueblo: 89% of businesses still test (highest)
 - Resorts: 9% of businesses test (lowest)
 - Construction/Mining/Utilities among the highest firms to test
 - Insurance/Financial/Real Estate among the lowest to test
 - Most testing is during pre-employment
 - Low unemployment a key factor for changing policies



Booming Economy

- **Biggest risk to growth?**
 - Talent Management
- **Attract and Retain talent**
 - Low unemployment
 - Rising wages
 - Increasing Benefits Costs
 - Communicate
 - Educate



For more information

Patrick McManamon

Founder & Managing Director

Cannasure

800.420.5757

John L. Balian, CPCU, ARM

Director – Cannabis Industry Practice

Wood Gutmann & Bogart

818.266.6739

Ian Stewart

Attorney at Law

Wilson Elser Moskowitz Edelman &
Dicker LLP

213.330.8830

Hunt C. Turner

*Co-Managing Director of Employee
Benefits*

WGB Benefits

626.394.4095



Thank You