



**Hemp, It's Cannabis, But It's NOT! Understanding the Differences and the Challenges**



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**We'll Talk About**

- Hemp v. Cannabis
- A history lesson
- Impact of the 2014 Farm Bill and subsequent bills
- Overview of Crop Insurance for Hemp
- Some uses for Hemp
- Insurance challenges
- That's a Wrap!



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**Hemp V. Cannabis  
The Differences**



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### Cannabis

- Cannabis is a genus of flowering plants in the cannabaceae family
- There are three primary species
- Cannabis sativa
- Cannabis indica
- Cannabis ruderalis



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### Three Species of Cannabis



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### Cannabis Ruderalis

- Thick foliage, but short in stature
- About 20 to 24 inches tall
- Not highly psychotropic
- Used because it thrives in more Northerly climates and has a faster growth pattern
- Primary use is as a source of Genetic material for breeders and cultivators



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### Primary Uses - Ruderalis

- It is not used for chemical, textile, or typical industrial uses or products
- The true value of Cannabis ruderalis lies in its abilities to autoflower and to grow quickly
- Breeders have crossed common cannabis strains with C. ruderalis to improve growing time and flowering without decreasing cannabinoid content
- Its main use—is as a breeding plant



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### Cannabis Indica

- Grows three-to-six-feet tall, a bushy plant with rounder leaves than sativa
- It is often grown indoors because of its stature
- It is the preferred plant of “stoners”
- It flowers faster than sativa - used for hashish due to its higher resin count



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### Primary Uses - Indica

- Most indicas have a higher CBD content than sativas (which tend to be more abundant in THC)
- Uses include:
  - The promotion of sleep
  - Stress and anxiety relief
  - Inflammation decrease and pain reduction



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### Cannabis Sativa



- Grows to 15 feet
- Flowers more slowly than  
• The other species
- Best grown in hot climates
- Relatively high in THC, but not as high as indica
- Normally grown outdoors because of its height



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### Primary Uses - Sativa

- The most versatile of all cannabis plants
- This is one of the oldest medicinal plants used by humans
- It is used as an additive for food products
- It is used in hempseed oil production
- Used in the manufacture of fiber, paper, rope, building materials



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### Hemp

- Varieties of cannabis that contain 0.3% (or less) of THC content (dry weight) are classed as hemp
- Generally used to describe non-intoxicating cannabis that is harvested for industrial uses
- Believed to be one of the first cultivated crops
- Used in food, rope, clothing, paper, housing materials



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### The Essential Difference

- **Hemp**, as commonly described, are cannabis sativa plants containing no more than 0.3% of THC when measured by dry weight.
- **Cannabis** is the term used to describe varieties of the cannabaceae family that contain greater than 0.3% when measured by dry weight



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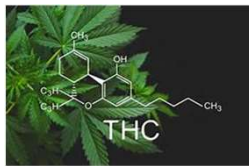
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### Tetrahydrocannabinol (THC)



- THC is the principal psychoactive constituent of cannabis
- Cannabis plants and derivatives that contain no more than 0.3 percent THC (dry weight) are no longer controlled substances under federal law
- This definition is the direct result of the 2018 Farm Bill



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### Why 0.3%

- The work of Canadian, Dr. Ernest Small, entitled The Species Problem With Cannabis, published in 1971—was written primarily to establish a biological taxonomy
- Set the dividing line at 0.3%
- Adopted as the US government standard
- European Union has adopted a 0.2% standard



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### Four Key Differences

- **Composition**
  - THC content is of paramount importance
- **Legality**
  - The line of 0.3% or less of THC content is critical
- **Cultivation**
  - Hemp is grown in extremely dense plantings—cannabis with greater plant separation does not allow for more flowers
- **Usage**
  - Cannabis is known for its hallucinogenic qualities
  - Hemp is valued for its industrial uses.



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### Cannabidiol - CBD



- It is the second most prevalent of the active ingredients of cannabis
- CBD is an essential component of medical marijuana
- It is derived directly from the hemp plant
- It is non-hallucinogenic



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### History Lesson Is Next !



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### Hemp Arrives In the Western Hemisphere

- In 1545, Spaniards brought it to Chile for use as a fiber
- In the colonies cultivation began around 1600 with the Jamestown settlers
- It's primary uses then:
  - Fiber
  - Cloth
  - Rope



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### Virginia Legislation In 1619

- Law passed that required every farmer to grow hemp
- This was at the behest of the King of England
- Hemp was needed by England because of its versatility and many uses
- Due to this sort of legislation, it is no wonder that both Washington and Jefferson grew hemp/cannabis



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### Continued Growth

- Grew abundantly in the US until after our Civil war
- Again, primarily because of its use as cloth, rope, fiber
- After the war, however, cheaper and more effective products came
- Iron cables replaced rope in many uses
- Cheaper alternatives – jute from India and hemp from the Phillipines
- Other Agricultural staples more profitable, ie. tobacco



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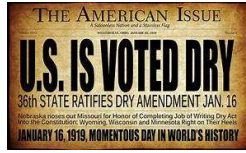
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### Other Considerations



- Used as a medicinal from the 1850s until 1937
- Minor recreational use occurred during this time - Mexican immigrants to the U.S. during the early 1900's brought marijuana with them as their primary intoxicant
- Volstead Act came into play in 1920
- Some then considered cannabis as an attractive alternative



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### 1937 Marijuana Tax Act

- Criminalized marijuana
- Placed all cannabis under the regulatory reach of the U.S. Treasury
- Taxing of such (all cannabis) made hemp cultivation problematic for farmers
- Harry Jacob Anslinger, first commissioner of the U.S. Treasury Department's Federal Bureau of Narcotics during Herbert Hoover, Franklin D. Roosevelt, Harry S. Truman, Dwight D. Eisenhower, and John F. Kennedy



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### Then WW II



- Access to Manila hemp fiber from the Philippines was shut down and jute from India also difficult to procure
- U.S. formed War Hemp Industries, Inc.
- 1942 farmers planted 36,000 acres of hemp
- After the end of the war, imports again increased
- Local production again dried up due to the reinstatement of pre-war legal restrictions



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### 2013/2014 Farm Bill

- Allowed universities and State Departments of Agriculture to grow hemp
- Only allowed if used for research purposes
- They had to register with their respective states
- Also required that they be subject to various state laws and regulations regarding the production of hemp



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### Next, the 2018 Farm Bill

- Prior to its passage, 41 states had passed industrial hemp-related legislation
- This was done primarily to differentiate it from marijuana
- Farm Bill altered the legal status of cannabis sativa L, as long as its THC levels were no more than 0.3% on a dry weight basis
- Amended the Controlled Substances Act (CSA) and Agricultural Marketing Act of 1946 (AMA)



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### More 2018 Farm Bill

- This redefined the definition and treatment of industrial hemp at the Federal level
- Prior to passage of the FB of 2018—ANY FORM of cannabis was treated as a controlled substance under the CSA
- Even with the FB passage—many items were still required to be met to legally grow hemp



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### More FB 2018

- With its passage, 90,000 acres of hemp were planted in 2018—the largest amount since 146,000 in 1943.
- By the end of 2019, hemp was allowed to be planted legally in all states, except...
- Idaho
- Mississippi
- South Dakota



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### What the 2018 Farm Bill Actually Did

- Effectively, the passage of the 2018 Farm Bill meant...
- Hemp is removed from being a scheduled 1 drug
- Hemp is removed from being treated as a controlled substance
- Individuals with felony convictions may not produce it
- States and tribes do retain a right to regulate its production
- States and tribes are therefore no longer allowed to prohibit:
  - Its transportation
  - Its shipment
  - The shipment of hemp products



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### Requirements to Grow

- Grower licensing is required
- Initial licenses issued by the USDA
- Crops to be tested w/in 15 days of expected harvest
- Testing of the crop must be provided by an FDA approved lab

If the tested crop is within the THC 0.3% limit (by dry weight) then it is considered hemp and thus legal



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### More Requirements

- If it is above the 0.3% limit, it is considered cannabis, and as such the hemp crop must be destroyed
- Farmer could potentially be considered negligent
- Three negligent findings in five years makes the farmer ineligible to grow hemp for the next five years
- Documentation of measurements and destruction of the crop is required and must be done by an approved company



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### Hemp & Crop Insurance



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### Initially in 2019

- USDA published a pilot program for hemp production.
- It provided APH (Actual Production History) coverage under the MPCI (Multi-Peril Crop Insurance).
- Certain counties were allowed to participate in the states of:
  - Alabama, California, Colorado, Illinois, Indiana, Kansas, Kentucky, Maine, Michigan, Minnesota, Montana, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Tennessee, Virginia, Wisconsin



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### Starting With the 2020 Crop Year

- Crop Insurance on a pilot basis is available
- Producer must be in compliance with all Federal, State, Tribal laws
- Have at least one year of prior hemp production
- Have a contract for the sale of their crop
- Licensed under the USDA Ag. Marketing Service interim rule
- Hemp does not qualify for replant or prevented plant payments
- Crop being too “hot” is not an insurable loss




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### 2021 Crop Insurance Revisions Included

- These clarified how the amount of insurable acreage is determined if the processor contract specifies both an acreage and a production amount.
- Updated rules included:
  - Licensing
  - Record keeping
  - Procedures for testing the THC levels of the crop
  - Procedures for disposition of non-complying plants
  - Procedures for handling violations




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### Hemp Uses Today




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### What You'll See

- Seeds & Hearts
- Flowers
- Extract & Oil
- Milk
- And so many more




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### Hemp Seeds & Hearts

- As an edible additive to cereals
- Also considered for use in Beer, Flour
- Highly nutritious – protein intense (similar to quinoa)




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### Hemp Flowers

- Contain CBD
- A mixture of male and female cannabis plants, and its flowers producing less than 0.3% THC
- Hemp flower is illegal in Kansas




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### Hemp Extract & Oil

- Hemp oil is primarily used in food products, cooking, and skincare or beauty products due to its rich nutrient profile, especially its essential fatty acids.
- Hemp seeds contain 0% THC, the psychoactive compound found in cannabis that results in a “high” feeling, and only contain trace amounts of CBD



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### Hemp Milk

- Alternative to dairy options
- High in proteins, healthy fats & minerals
- Reportedly tastes nutty, earthy & slightly sweet



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### Multiple Other Products

- Paper
- Hempcrete
- Rope
- Oakum
- Linens
- Painting oils
- Textiles & shoes
- Soaps
- Automotive & construction fiberglass
- Nutritional supplements



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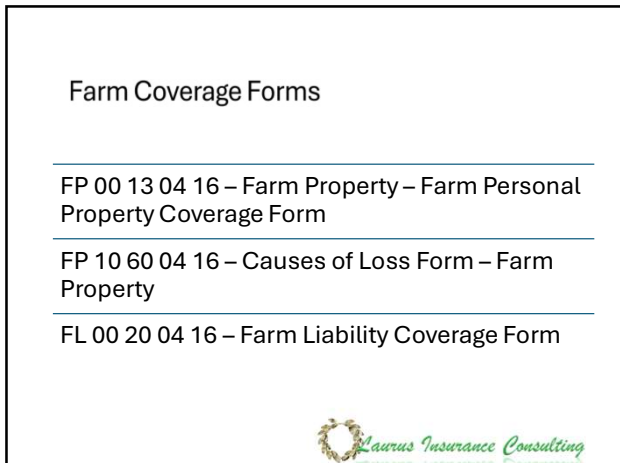
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FP 00 13—Farm Property – Farm Personal Property Coverage Form

- Allows the insured to select coverage for various types of Farm Personal Property, among those are:
  - Grain, threshed seeds and beans, ground feed, silage, "livestock" feed, fodder—
    - **Fodder**—is food, especially dried hay or feed, for cattle and other livestock.
    - **Silage**—is grass or other green fodder compacted and stored in airtight conditions, typically in a silo, without first being dried, and used as animal feed in the winter.



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FP 00 13—continued

- Hemp can be used as a feed and meets the definition of fodder.
- If it is stored in the open as fodder—then it would be subject to a potential stack limit of \$10,000 in value (unendorsed).
- If in a stack in the open, then the covered causes of loss would only include fire or lightning, windstorm or hail, vandalism, vehicles, and theft.



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FP 10 60—Causes Of Loss Form – Farm Property

- One form provides covered causes of loss including Basic, Broad, or Special.
- Hemp would only (at best) be covered for Basic or Broad.
  - Note: Basic includes loss by theft.
- There would be no coverage for growing crops.
- There is no coverage for intentional destruction of a crop due to higher than acceptable THC levels.



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### FL 00 20—Farm Liability Coverage Form

- The production of crops—including hemp—meets the definition of “farming,” and so liability coverage would apply.
- Exclusion 2.x would seem to apply if the THC levels were to exceed the 0.3% limitation of content measurement.
- Exclusion 2.x is the Controlled Substances exclusion – it deletes BI and PD coverage arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Section 811 and 812.



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### The CGL and Multiple Endorsements

- CG 00 01 04 13—Commercial General Liability Coverage Form
- Farm related endorsements—
  - FL 04 11 04 16 used in conjunction with CG 00 01 when insuring farms
  - FL 04 12 04 16 used in conjunction with CG 00 01 when insuring farms
  - FL 04 37 04 16 used in conjunction with CG 00 01 when insuring farms
- Multiple Cannabis endorsements and exclusions used with the CG 00 01



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### CG 00 01 04 13—Commercial General Liability

Unendorsed the CGL provides no obvious coverage issues with cannabis.

However, insurers utilize multiple exclusionary endorsements applicable to both cannabis and hemp when it comes to BI & PD.

When the CGL is used to insure farms and farming operations, then a number of farm related coverage forms come into play.



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### FL 04 12 04 16—Personal Liability

- Used with the CG 00 01—provides Personal Liability coverage for the farm owner/operator.
- Operates similarly to the Personal Liability language one would see in a Homeowners product.
- Contains the same exclusionary language that is seen in the FL 00 20.
- This is in exclusion **A. 2. r. Controlled Substances.**



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### FL 04 11 and FL 04 37



Basic Farm Premises Liability, FL 04 11 04 16



Broad Farm Premises Liability, FL 04 37 04 16



Both forms define "farming," and the uses as previously discussed would not preclude coverage.



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### CGL—Exclusionary Endorsements

- CG 40 14 12 20, Cannabis Exclusion
- CG 40 15 12 20, Cannabis Exclusion With Hemp Exception
- CG 40 16 12 20, Cannabis Exclusion With Hemp And Lessors Risk Exceptions
- **NOTE:** The initial endorsement issue dates of each of the preceding were 12/19. The **ONLY** difference between the 12/19 and 12/20 endorsement dates is the insertion of the preposition "of" in the portion of the language regarding wrongful eviction, etc., in lieu of "or."



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CG 40 14 12 20—Cannabis Exclusion  
Adds the Following Exclusion

- This insurance does not apply to:
- 1. "Bodily injury", "property damage" or "personal and advertising injury" arising out of:
  - a. The design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of "cannabis"; or
  - b. The actual, alleged, threatened or suspected inhalation, ingestion, absorption or consumption of, contact with, exposure to, existence of, or presence of "cannabis"; or
- 2. "Property damage" to "cannabis".



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CG 40 14 12 20—Cannabis Exclusion (cont.)

- This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage", or the offense which caused the "personal and advertising injury", involved that which is described in Paragraph A.1. or A.2. above.



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CG 40 14 12 20—Cannabis Exclusion (cont.)

- **B.** The exclusion in Paragraph **A.** does not apply to "personal and advertising injury" arising out of the following offenses:
  - 1. False arrest, detention or imprisonment; or
  - 2. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor.



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CG 40 14 12 20—Cannabis Exclusion (cont.)

- C. The following definition is added to the Definitions section:
- "Cannabis":
- 1. Means:
  - Any good or product that consists of or contains any amount of Tetrahydrocannabinol (THC) or any other cannabinoid, regardless of whether any such THC or cannabinoid is natural or synthetic.



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CG 40 14 12 20—Cannabis Exclusion (cont.)

- 2. Paragraph C.1. above includes, but is not limited to, any of the following containing such THC or cannabinoid:
  - a. Any plant of the genus Cannabis L., or any part thereof, such as seeds, stems, flowers, stalks and roots; or
  - b. Any compound, by-product, extract, derivative, mixture or combination, such as:
    - (1) Resin, oil or wax;
    - (2) Hash or hemp; or
    - (3) Infused liquid or edible cannabis; whether or not derived from any plant or part of any plant set forth in Paragraph C.2.a.



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CG 40 15 12 20—Cannabis Exclusion With Hemp Exception

Contains the exact same language regarding the following as seen in the Cannabis Exclusion CG 40 14:

BI/PD PI/AI exclusion

“Property Damage” to “cannabis”

Definition of “cannabis”

Personal and Advertising Injury language exception



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CG 40 15 12 20—Cannabis Exclusion With Hemp Exception (cont.) but Then Adds This Language

- **B.** The exclusion in Paragraph **A.** does not apply to:
  - **1.** "Bodily injury", "property damage" or "personal and advertising injury" arising out of goods or products containing or derived from hemp, including, but not limited to:
    - **a.** Seeds;
    - **b.** Food;
    - **c.** Clothing;
    - **d.** Lotions, oils or extracts;
    - **e.** Building materials; or
    - **f.** Paper.
  - **2.** "Property damage" to goods or products described in Paragraph **B.1.** above.



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CG 40 15 12 20—Cannabis Exclusion With Hemp Exception (cont.) but Then Adds This Language

- However, Paragraphs **B.1.** and **B.2.** above do not apply to the extent any such goods or products are prohibited under an applicable state or local statute, regulation or ordinance in the state wherein:
  - (1) The "bodily injury" or "property damage" occurs;
  - (2) The "occurrence" which caused the "bodily injury" or "property damage" takes place; or
  - (3) The offense which caused the "personal and advertising injury" was committed.



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CG 40 15 12 20—Cannabis Exclusion With Hemp Exception (cont.) but Then Adds This Language

- **3.** "Personal and advertising injury" arising out of the following offenses:
  - **a.** False arrest, detention or imprisonment; or
  - **b.** The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor.



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### CG 40 16—Cannabis Exclusion With Hemp And Lessors Risk Exceptions

- Same language as in the preceding CG 40 15—adds this language:
- **B.** The exclusion in Paragraph **A.** does not apply to:
- **3.** "Bodily injury", "property damage" or "personal and advertising injury" arising out of the ownership, maintenance or use of a premises leased to others by you; or
- The **OR** portion is simply the previous give back of coverage regarding PI & AI arising out of false arrest, detention, imprisonment, and the wrongful eviction from, wrongful entry into, etc.



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### Endorsements That Apply to Aggregate Limits

CG 23 04 12 20, Cannabis Activity Coverage Aggregate Limit

CG 23 05 12 20, Cannabis Exclusion With Hemp Exception Subject To Hemp Aggregate Limit

CG 23 06 12 20, Cannabis Exclusion With Designated Product or Work Exception Subject To Cannabis Products/Completed Operations Aggregate Limit



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### CG 23 04 12 20—Cannabis Activity Coverage Aggregate Limit

- Contains the same definition of "cannabis" as shown previously.
- Provides for a scheduled aggregate limit for injury or damage arising out of "cannabis activity" under coverages **A., B., C.**—limit will be shown in the Schedule or on the Decs.
- Two other exclusions are also added:
  - "Cannabis activity" that occurs when a required license is not in effect.
  - "Cannabis activity" that is not permissible under state or local law.



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CG 23 04 12 20—Cannabis Activity Coverage Aggregate Limit (continued)

- The exclusion regarding “Cannabis activity” that is not permissible under state or local law—does not apply to BI or PD for which an insured may be held liable by reason of an applicable state or local statute, regulation or ordinance imposing such liability for;
- **a.** Causing or contributing to the intoxication of any person; or
- **b.** The selling, serving or furnishing of "cannabis" to a person who is under:
  - (1) The legal age for "cannabis" consumption; or
  - (2) The influence of "cannabis".



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CG 23 04 12 20—Cannabis Activity Coverage Aggregate Limit (continued)

- **D.** For the purposes of the coverage provided under this endorsement, the following definitions are added to the **Definitions** section:
- **1.** "Cannabis activity" means the design, cultivation, manufacture, processing, packaging, handling, testing, storage, distribution, sale, serving, furnishing, use, possession or disposal of "cannabis".



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CG 23 05 12 20—Cannabis Exclusion With Hemp Exception Subject To Hemp Aggregate Limit

- With the same definitions as previously reviewed—
- Allows insurers to exclude cannabis related exposures while providing for an exception to BI, PD, PI, AI arising out of goods or products containing or derived from hemp.
- Subject again to the Schedule or Limits shown on the Decs.



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CG 23 06 12 20—Cannabis Exclusion With Designated Product or Work Exception Subject To Cannabis Products/Completed Operations Aggregate Limit

- Precludes coverage for BI or PD included in the products-completed operations-hazard arising out of a range of cannabis-related activities.
- Endorsement stipulates that the exclusion does not apply to specific products or work listed in the endorsement's schedule, subject to a "cannabis products/completed operations aggregate limit."
- Wording is same as shown in the CG 40 14 Cannabis Exclusion, IE:
  - Exclusion applies during the entire life cycle of cannabis.
  - Excludes situations involving contact with cannabis.
 Applies even if there are allegations of negligent supervision, hiring, etc.



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### Commercial Property Forms and Endorsements

CP 00 10 10 12, Building & Personal Property Coverage Form

CP 10 30 09 17, Causes Of Loss – Special Form

CP 99 03 12 19, Cannabis Exclusion

CP 99 04 12 19, Cannabis Exclusion With Hemp Exception

CP 10 34 10 12, Exclusion Of Loss Due To By-Products of Production Or Processing Operations (Rental Properties)

CP 99 06 10 21, Cannabis Coverage



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CP 00 10 10 12—Building & Personal Property  
CP 10 30 09 17—Causes Of Loss – Special Form

- Cannabis and/or Hemp would qualify as BPP or BPP of Others.
- Hemp is not considered to be contraband—so the **Property Not Covered** language of **A. 2. e.** would not apply.
- **Property Not Covered** language applies to grain, hay, straw, or other crops while outside of buildings.
- If the government were to seize/destroy it, then no coverage would apply (this is a Cause of Loss exclusion applicable in all COL forms).



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CP 99 03 12 19—Cannabis Exclusion

- Amends the **Property Not Covered** language to include “cannabis.”
- The definition of “cannabis” as reviewed previously is the same in this form.
- Also excludes any Business Income loss (with or without extra expense) under the CP 00 30, CP 00 32, and CP 00 50 (EE form).



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CP 99 04 12 19—Cannabis Exclusion With Hemp Exception

- “Cannabis” is added to **Property Not Covered**.
- Definition of “cannabis” remains as previously reviewed.
- Provides for the same exceptions applicable to Hemp as previously reviewed—if Hemp is not prohibited by state or local statute, regulation, or ordinance.



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CP 10 34 10 12—Exclusion Of Loss Due To By-Products Of Production Or Processing Operations (Rental Properties)

- Could be a problem for a tenant or landlord (lessor) if there were to be loss or damage to a rental building or unit in the building shown in the Decs.
- Applies to the whole building and BPP—not just the affected unit.
- Excludes coverage caused by or resulting from smoke, vapor, gas, or any substance released in the course of production operations or processing operations performed at the rental unit(s) described in the Schedule. This exclusion applies regardless of whether such operations are:
  - 1. Legally permitted or prohibited;
  - 2. Permitted or prohibited under the terms of the lease; or
  - 3. Usual to the intended occupancy of the premises.



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### CP 99 06 10 21 - Cannabis Coverage

This endorsement provides an opportunity for the insured to purchase coverage for four (4) distinct coverage areas:

1. Your Cannabis Stock
2. Cannabis Stock Of Others
3. Cannabis Business Income
4. Cannabis Extra Expense



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### CP 99 06 10 21 - Cannabis Coverage

- Endorsement starts with a “Cannabis” exclusion
- That definition follows verbatim the language we have already reviewed in the CG 40 14 12 20—Cannabis Exclusion
- Each of the endorsement’s four optional coverages then specifies that its provisions do not apply to goods or products containing or derived from hemp
- It then provides us with the same litany of items used previously in the description in regards to hemp
  - Seeds, food, clothing, lotions, oils, extracts, building materials or paper



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### CP 99 06 10 21 - Cannabis Coverage (continued)

- The schedule on the form requires us to indicate which of the four coverages is desired
- The Cause of Loss also needs to be selected and shown on the schedule – Basic, Broad, Special
- Endorsements that may restrict or supplement coverage provided by the endorsement are to be indicated on the schedule
- An optional deductible may be chosen for “cannabis stock” – be it the insured’s or others
- Cannabis Stock can also be subject to “Market Value” language as shown on the endorsement



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CP 99 06 10 21 - Cannabis Coverage (continued)

• Your Cannabis Stock

- Provides coverage for direct physical loss of or damage to as long as:
  - It is permitted under an applicable statute, regulation or ordinance
  - As long as its loss is by a covered cause of loss
- Deletes from Property Not Covered insured's "Cannabis Stock"
- Deletes from Property Not Covered the growing crops description
- If "cannabis" "stock" is being cultivated
  - Only applies to cannabis being grown in a greenhouse or other building designed for the indoor commercial cultivation of such




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CP 99 06 10 21 - Cannabis Coverage (continued)

• Cannabis Stock of Others

- Follows the same language as in the preceding slide regarding direct damage and causes of loss
- Same greenhouse or cultivation language applies as well as the removal of cannabis from Property Not Covered
- Payment for loss or damage will only be for the account of the owner of the stock
- Most that will be paid is the amount shown in the schedule
- Amount in the schedule is part of and not in addition to the limit of insurance shown I the Decs for Property Of Others




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CP 99 06 10 21 - Cannabis Coverage (continued)

- Valuation of Stock is at Replacement Cost without deduction for depreciation EXCEPT WHEN:
  1. Cannabis Stock Of Others is subject to a written contract governing the insured's liability for loss – not to exceed the lesser of the Replacement Cost or the applicable Limit Of Insurance
  2. That which has been sold but not delivered is at the selling price less discounts and expenses insured otherwise would not have had
  3. That which is subject to "market value" is valued at such "market value" less unpaid taxes and paid or determined taxes that are refundable pursuant to applicable law




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CP 99 06 10 21 - Cannabis Coverage  
(continued)

- “Market Value”, as used in this endorsement, means the price which the property might be expected to realize if offered for sale in a fair market at the time of loss or damage.



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CP 99 06 10 21 - Cannabis Coverage  
(continued)

- **Cannabis Business Income**
- If a limit is shown on the schedule, that limit applies to the insured’s loss of income due to a slowdown or cessation of their business which is attributable to “cannabis activity”
- Activities must be allowed by appropriate state or local law
- “Cannabis activity” means the design, cultivation, manufacture, processing, packaging, handling, testing, storage, distribution, sale, serving, furnishing, use, possession or disposal of “cannabis”
- Most that will be paid is the amount shown on the schedule and DOES NOT increase the applicable Business Income limit



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CP 99 06 10 21 - Cannabis Coverage  
(continued)

- **Cannabis Extra Expense**
- Pays the necessary Extra Expense incurred during the “period of restoration” that would not have been incurred had there been no direct physical loss or damage at the premises described
- Must be by a covered cause of loss and to loss of “your cannabis stock” or “cannabis stock of others”
- Applies ONLY to expense incurred to avoid or minimize the “suspension” of business and to continue “operations”, or to minimize “suspension” if the insured cannot continue such “operations” as long as those operations are permitted under law
- Most paid will be the amount shown in the schedule which is also part of the existing limit of insurance for Business Income shown in the Decs



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### Businessowners Policy and Endorsements

- BP 00 03 07 13, Businessowners Coverage Form
- BP 15 30 09 19, Cannabis Property Exclusion
- BP 15 31 09 19, Cannabis Property Exclusion with Hemp Exception
- BP 15 32 09 19, Cannabis Liability Exclusion
- BP 15 33 09 19, Cannabis Liability Exclusion With Hemp Exception
- BP 15 34 09 19, Cannabis Liability Exclusion With Hemp and Lessors Risk Exceptions

Suffice it to say—if you understood the preceding exclusionary endorsements and their exceptions—then you understand these.



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## Thank You



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