

# CANNABIS INSURANCE FAQs

## Are There Requirements for Insurance Coverage?

Yes. Cannabis establishments must obtain and maintain commercially reasonable levels of insurance to protect the business owner and the general public.

## What are Admitted vs Non-Admitted Insurance Carriers?

### Admitted Company

An admitted insurance company is defined in 8 V.S.A. § 5022(b)(1) as ...”an insurer licensed to transact business in this State. For purposes of this chapter, “admitted insurer” shall not include a domestic surplus lines insurer.”

Currently there are no admitted insurance companies providing Cannabis Insurance. However, this can change over time and check back for updates.

### Non-Admitted and Surplus Lines Insurer

A non-admitted insurer is an insurer not licensed with the state. As defined in 8 V.S.A. § 5022(b)(11), a surplus lines insurer is “...a non-admitted insurer with which insurance coverage may be placed under this chapter.” Please refer to [Title 8, Chapter 138: Non-admitted Insurers and Surplus Lines Insurance](#) for additional information.

## What coverage is commercially reasonable?

Coverage is commercially reasonable if it matches what a reasonable business in the insured’s situation would elect when making a good faith effort to anticipate its liabilities. It is important to discuss with your insurance agent or broker all the details pertaining to your specific cannabis business. As with any business venture, it is imperative to ensure you have the appropriate coverage to protect you and your business against losses.

The Cannabis Control Board retains regulatory discretion to determine whether coverage is commercially reasonable relative to each cannabis establishment’s particular circumstances.

## Insurance Coverage Terminology (Insurance Dictionary, 2023), (NAIC, 2023)

- **Business Auto Policy (BAP)** “A standardized contract for writing liability and property coverage on commercial autos.”
- **Business Owners Policy (BOP)** “A package of property and liability insurance for small and medium size businesses.”
- **Cargo coverage** “An inland marine or ocean marine policy covering cargo in the care, custody, or control of the carrier.”
- **Commercial General Liability (CGL)** “The CGL policy is a standard form, widely used to provide commercial enterprises with premises and operations liability coverage, products and completed operations insurance and personal injury coverage. Premises medical payments coverage is often included as well.”

- **Commercial Property Policy** “An alternative title for the Building and Personal Property Coverage Form.”
- **Crime Insurance** “A broad category covering loss of property through criminal activity — from employee dishonesty to burglary and robbery, computer fraud, and forgery.”
- **Crop Insurance** “Insurance covering growing crops against hail, wind, and fire. Protection against a broader range of perils can often be arranged as well.”
- **Directors & Officers Liability** “Liability coverage protecting directors or officers of a corporation from liability arising out of the performance of their professional duties on behalf of the corporation.”
- **Equipment Breakdown Insurance** “Covers breakdown to covered equipment due to electrical or mechanical failure or failure of pressure or vacuum equipment. See Boiler and machinery insurance.”
- **Errors and Omissions Coverage (E&O)** “A type of professional liability insurance protecting the insured against claims alleging bodily injury or property damage caused by the professional or technical incompetence of the insured.”
- **Premises Liability and Operations** “Policies covering the liability of an insured to persons who have incurred bodily injury or property damage on an insured's premises during normal operations or routine maintenance, or from an insured's business operations either on or off of the insured's premises.”
- **Products Liability** “The liability for bodily injury or property damage incurred by a merchant or manufacturer as a consequence of some defect in the product sold or manufactured or the liability incurred by a contractor after he has completed a job as a result of improperly performed work. The latter described part of products liability is called completed operations.”
- **Products and Completed Operations Liability** “The liability exposure of the manufacturer whose malfunctioning products may cause injury or property damage or of the contractor whose failed structures or projects may do the same. Coverage of the exposure is a feature of the commercial general liability policy. The insurance does not in any way constitute a guarantee of either the insured's product or work. Contrast with Premises and operations liability.”
- **Professional Errors and Omissions Liability** “Coverage available to pay for liability arising out of the performance of professional or business-related duties, with coverage being tailored to the needs of the specific profession.”
- **Umbrella Liability Insurance** “A liability contract with high limits covering over top of primary liability coverages and, subject to a self-insured retention (deductible), covering exposures otherwise uninsured. Generally called an umbrella policy.”
- **Workers Compensation Insurance** “Coverage that conforms to the workers compensation laws of the states in which it written.”

## Types of Insurance to Consider for a Cannabis Business

Vermont indoor, outdoor and mixed cultivation cannabis establishments are defined by the Vermont Cannabis Control Board (CCB). Please refer to [Rule 2: Regulation of Cannabis Establishments - Definitions \(2.1.3\)](#) for additional information.

The cannabis industry is rapidly evolving. The Table below provides a sampling of the types of insurance a cannabis business may need.

### Table 1: Sample General Insurance Needs for Cannabis Industry (Product Liability) (Cannabis Insurance (C) Working Group, 2019)

- Business Owners Policy Programs
- Commercial General Liability
- Premises Liability
- Products/Completed Operations Coverage

### **Sample Specialized Coverage Needs by Business Segments**

<b>Cultivation</b>	<b>Processors/ Manufacturers</b>	<b>Testing Labs</b>	<b>Distribution</b>	<b>Retail</b>
<ul style="list-style-type: none"> <li>• Crop Insurance</li> <li>• Equipment Breakdown</li> <li>• Earthquake / Volcanic Eruption / Sprinkler Leakage</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment Breakdown</li> <li>• Errors and Omissions</li> <li>• Directors and Officers Liability</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment Breakdown</li> <li>• Errors and Omissions</li> <li>• Directors and Officers Liability</li> </ul>	<ul style="list-style-type: none"> <li>• Automobile Liability</li> <li>• Cargo</li> </ul>	<ul style="list-style-type: none"> <li>• Employment Practices</li> <li>• Directors and Officers Liability</li> <li>• Employee Theft</li> <li>• Crime Insurance</li> </ul>

### **What if I Cannot Obtain Commercially Reasonable Levels of Insurance Coverage?**

If you are unable to obtain commercially reasonable levels of insurance coverage, you must place funds in escrow for coverage of liabilities:

- Tier 1 cultivators: no less than \$10,000 in liabilities coverage escrow.
- Tier 2 and 3 manufacturers and Tier 2 and 3 cultivators of any type: no less than \$50,000 in liabilities coverage escrow.
- Retailers, wholesalers, integrated licensees, testing laboratories, Tier 1 manufacturers, and Tier 4, 5, and 6 cultivators of any type: no less than \$250,000 in liabilities coverage escrow.

Each of these establishments have its own business needs, and it is best to discuss with your insurance agent or broker the type of insurance best suited to protect you and your business against losses.

### **Where Can I Find Insurance for My Cannabis Business?**

Several agencies are willing to work with cannabis establishments to find insurance coverage. Contact information for these agencies may be found below.

- Kovalev Insurance: Jessica Coons, Account Executive: [jessica@kovalevinsurance.com](mailto:jessica@kovalevinsurance.com) or [617-562-6060](tel:617-562-6060).
- NFP: Scott Foster, Vice President of Risk Management: [scott.foster@nfp.com](mailto:scott.foster@nfp.com) or [408-792-5453](tel:408-792-5453)
- Purple Risk Insurance Services: David Kennedy, CEO: [david@purplerisk.com](mailto:david@purplerisk.com) or [475-459-1557](tel:475-459-1557)

The Cannabis Control Board has not vetted nor endorsed any of the available insurance plans from any of the above businesses.

If an agency would like to be added to this list, please contact [ccb.info@vermont.gov](mailto:ccb.info@vermont.gov) and provide the name and contact information for the producer that has an active Vermont Insurance Producer License for Property and Casualty Insurance. Information about Business Entity Producers can be found at <https://dfr.vermont.gov/industry/insurance/producer-and-individual-licensing/apply-and-renew-your-license/business-entity-producer>