

## So, You Don't Think You Need Insurance Yet? Think Again.

### *New Cannabis Industry Licensees Should Promptly Consider Insurance Needs*

By: Michael H. Sampson

Many states are issuing new licenses for businesses to operate in the medical and/or adult-use cannabis industry. With a license comes not just opportunity, but also responsibility and potential liability for any new business. Therefore, whether operating as a dispensary, grower, processor, delivery service, or other cannabis business, every new licensee should promptly assess and address its insurance needs and obligations.

While a licensee may be able to wait until its business is operating, or at least close to operational, before addressing certain coverage considerations, there are still a number of insurance issues a new licensee should consider and address immediately upon receiving a license, including:



1

#### **Review state laws and regulations to identify any required coverage.**

Some states require cannabis-related businesses to maintain certain insurance. A new licensee should determine what (if any) coverage, in what amounts, is required in its state(s).

2

#### **Review contracts, including, but not limited to, leases, to identify any required coverage.**

A licensee should determine whether it has any contractual obligation(s) to obtain and maintain any insurance and, if so, what coverage, in what amount, and when.

3

#### **Review application for licensure to identify any representations made about existing coverage.**

A new licensee should make sure that it, in fact, has in place whatever insurance it represented in its application that it maintains.

4

#### **Obtain any "missing" coverage.**

If, upon review, a new licensee identifies any coverage that it is required to maintain by law or contract, or that it said it had but actually still needs, it should obtain that coverage promptly.

5

#### **Consider obtaining property insurance and/or builder's risk insurance.**

If a licensee owns property and/or plans to do any work on the property, it should ensure it is protected against property damage/loss and liability relating to the property and any work performed on it.

6

#### **Consider obtaining directors and officers' insurance.**

A new licensee also should consider purchasing insurance to protect its directors and officers from potential liability, which can exist even before the business "opens its doors."

7

#### **Consider obtaining other insurance coverage.**

A new licensee should consider the early need for other coverage, including, but not limited to, commercial general liability and cyber insurance.

8

#### **Identify an experienced insurance broker and qualified coverage counsel.**

It is prudent for a licensee to identify and engage an insurance broker and coverage counsel who are knowledgeable about the cannabis industry and familiar with the relevant insurance market and challenges.

For assistance with a licensee's early, or any, insurance needs, contact [Michael H. Sampson](mailto:msampson@leechtishman.com) at [msampson@leechtishman.com](mailto:msampson@leechtishman.com) or 412.261.1600. Mike is a [Litigation](#) Partner with Leech Tishman and leads the [Insurance Coverage](#) Group, and co-leads the [Cannabis](#) Industry Group.

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