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Cannabis Insurance (C) Working Group
San Diego, CA
March 25, 2026

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met in San Diego, CA, March 25, 2026. The following Working Group members participated: Katey Piciucco, Chair (CA); TK Keen, Vice Chair (OR); Erick Wright (AL); Hank House (AR); Angela King (DC); Jennifer Welch (DE); C.J. Metcalf (IL); Ryan Blakeney (MS); Tedd Bidon (MT); Ursula Almada (NM); Gennady Stolyarov (NV); Brian Downs (OK); Sebastian Conforto and Kathryn McDermott Speaks (PA); Isabelle Turpin (VT). Also participating were: Michelle B. Santos (GU) and Tregenza A. Roach (VI).

1. <u>Adopted its Oct. 20, 2025, Minutes</u>

Keen made a motion, seconded by House, to adopt the Working Group's Oct. 20 minutes (*see NAIC Proceedings – Fall 2025, Property and Casualty Insurance (C) Committee, Attachment Three*). The motion passed unanimously.

2. <u>Heard a Presentation on Recent Federal Actions Regarding Cannabis and Hemp</u>

Joanne Caceres (Denton Law Firm) stated that cannabis remains a Schedule I substance under the federal Controlled Substances Act (CSA), despite widespread state legalization. She noted that cannabis contains multiple cannabinoids, including tetrahydrocannabinol (THC) and cannabidiol (CBD), and is sold in a wide range of consumer products, such as flower, concentrates, edibles, beverages, and topicals.

Caceres stated most states permit some form of cannabis use—either adult-use, medical, or low-THC programs—resulting in cannabis being legal and illegal simultaneously, depending on jurisdiction. She noted that more than three-quarters of the U.S. population lives in a state with some form of legal cannabis access and that public support remains strongest for medical cannabis. Hemp is a legal subcategory of cannabis, defined federally by a delta-9 THC concentration of no more than 0.3% on a dry-weight basis. Statutory language adopted through federal agriculture legislation enabled the emergence of intoxicating hemp-derived products, such as THC-infused beverages and gummies, which are sold nationwide. States have responded inconsistently, with some permitting these products, subject to regulation, while others impose strict potency limits, and some prohibit them entirely.

Recent federal law now limits THC in hemp-derived consumer products to 0.4 milligrams per container, effective Nov. 12, 2026, under the FY2026 Agriculture Appropriations Act (P.L. 119-37, Section 781). This change closes the "intoxicating hemp loophole" by reclassifying products exceeding this limit as marijuana, greatly impacting full-spectrum hemp products and much of the current market. However, the hemp industry is pursuing legislative or regulatory adjustments, so future outcomes are uncertain.

In May 2024, the Department of Justice proposed rescheduling marijuana from Schedule 1 to Schedule III. On Dec. 18, 2025, President Trump signed an executive order titled "Increasing Medical Marijuana and Cannabidiol Research," instructing the Attorney General to accelerate reclassification under the CSA. While rescheduling would not legalize state cannabis programs, it would remove Internal Revenue Code Section 280E tax restrictions, allowing cannabis businesses to take ordinary business deductions. The executive order also directed the administration to work with Congress to update the statutory definition of hemp and announced a potential federal pilot program to reimburse certain hemp-derived cannabinoid products for research purposes.

Caceres stated that providing insurance to state-legal cannabis businesses is permissible under state law but requires enhanced diligence due to ongoing federal illegality and varying state requirements. She identified limited historical loss data as a key underwriting challenge and suggested insurers look to analogous industries—such as indoor agriculture, chemical manufacturing, alcohol, and consumer packaged goods—for pricing insights. She also highlighted emerging risks, including climate impacts, plant pathogens, employee health issues, product liability concerns, workforce protections, and increased use of alternative risk mechanisms such as captives and self-insurance. She emphasized the need for insurers and regulators to closely monitor the evolving legal, political, and cultural environment surrounding cannabis and hemp.

3. Heard a Presentation from Golden Bear Insurance on its Journey, Keys to Success, and Insights on Recent Federal Actions

Michael Brown (Golden Bear Insurance) said the company began offering cannabis insurance on Jan. 1, 2018, after California legalized adult-use cannabis. Initially, Golden Bear had no plans to enter the market, but state regulations required insurers to cover licensed cannabis businesses. With encouragement from state officials and a focus on state-compliant operators, Golden Bear became the first admitted cannabis insurance program in the U.S. He credited the California Department of Insurance for its cooperation and expedited review of early filings, which allowed Golden Bear to launch coverage on a compressed timeline.

Golden Bear initially confined its operations to California due to early concerns regarding interstate commerce and federal intervention. Over time, the company recognized that premiums, reinsurance, brokerage services, and premium financing often involved out-of-state entities, underscoring the interconnected nature of the insurance market. He noted that the early cannabis insurance market required flexibility and adaptation due to limited data and rapidly evolving risks.

Brown explained that Golden Bear's initial rate filings relied on analogies to comparable industries, including alcohol, tobacco, and confectionery manufacturing, given the intoxicating nature of cannabis products and their various delivery methods. As the program matured, Golden Bear expanded into Arizona as that state legalized adult-use cannabis and currently writes nonadmitted business in other legalized states.

Discussing claims experience, Brown stated that early assumptions about premises liability risk proved overstated. Over eight years, Golden Bear experienced only two notable premises liability claims, neither of which was directly related to cannabis products. He stated that theft losses were more significant in the early years, prompting the company to revise security requirements and endorsements as it gained a better understanding of criminal methods targeting cannabis operations.

Golden Bear's approach to product liability coverage evolved over time. Initially offered as optional coverage due to limited scientific research and the financial constraints of startup operators, product liability coverage later became standard as the industry matured and became more vertically integrated. He reported that Golden Bear has not experienced any paid product liability losses to date, though the company continues to view this line as a heightened concern due to the lack of long-term health studies.

Brown stated federal rescheduling of cannabis to Schedule III would have significant implications for insureds by allowing ordinary business deductions under federal tax law, potentially improving financial stability and increasing demand for insurance coverage. He also noted that rescheduling could facilitate medical research by enabling hospitals, universities, and pharmaceutical companies to conduct more comprehensive studies on cannabis-related health impacts.

Golden Bear's underwriting practices and policy exclusions have also been refined as the market has evolved. Golden Bear adjusted requirements related to fire risks, indoor grow operations, special events, onsite consumption, assault and battery coverage, and vape-related exposures as real-world loss data became available. Brown stated that many early concerns proved less severe than anticipated and that the cannabis industry has matured significantly, with fewer undercapitalized operators and greater reliance on well-organized, vertically integrated businesses. Canadian publicly listed cannabis firms have greatly shaped how U.S. cannabis operators are organized by providing capital, facilitating public listings, and encouraging a move toward more corporate, vertically integrated setups. Since cannabis is still federally illegal in the U.S., businesses have turned to Canadian exchanges like the CSE and TSX to raise capital, leading to complex cross-border company structures and specialized merger-and-acquisition groups. Brown stated that insurers must continue to adapt as the legal, scientific, and market landscape for cannabis continues to develop.

Stolyarov asked which peril has resulted in the most claims payments for Golden Bear's cannabis insureds. Brown responded that theft of property has been the most significant source of claims for cannabis clients. Stolyarov also asked why it has taken so long for the federal government to move cannabis from Schedule I to Schedule III, given broad public support, widespread state legalization, and the perception that rescheduling represents a moderate policy approach. Caceres explained that cannabis was placed in Schedule I by legislation rather than science and that its classification has been politically contested for decades. She noted that advocacy organizations and state officials have repeatedly urged reconsideration, including by submitting requests to federal agencies in the early 2010s. Prior federal reviews relied heavily on selective or limited studies and discounted international and non-federal research, reflecting political resistance rather than scientific consensus. Cannabis remains stigmatized in some policy circles, and that organized opposition continues to challenge state cannabis programs through litigation, ballot initiatives, and legislative efforts in several states. Although President Trump has directed federal agencies to pursue rescheduling, cannabis has not yet been formally rescheduled, and opposition groups continue to resist the change. While additional announcements are anticipated, the outcome and timing remain uncertain.

Tregenza asked how Golden Bear managed banking and premium transfers for cannabis insurance operations in Arizona and California without violating federal law. Brown explained that Golden Bear is domiciled in California, privately held, and conducts its banking through a local community bank that has not raised concerns about accepting premiums from state-legal cannabis operations. He noted that Golden Bear's status as a privately held insurer has allowed it to participate in a market that larger publicly traded insurers may avoid due to reporting and regulatory sensitivities.

Tregenza also asked about the movement of funds across state lines, particularly when brokers are located outside California. Brown stated that interstate transactions can occur when brokers or service providers are based in other states, such as cannabis specialty brokers operating from offices outside California. He stated that while this initially raised concerns about interstate commerce, Golden Bear relies on the McCarran-Ferguson Act, which affirms state authority to regulate insurance, and on approval from the California Department of Insurance to support its activities. He added that, to date, there has been limited federal interest in insurance and other ancillary services supporting state-legal cannabis programs.

Caceres added that federal appropriations provisions restrict the use of federal funds to interfere with state medical cannabis programs and that courts—particularly in California—have interpreted these provisions broadly. She stated this limitation has been applied to entities that support state cannabis programs, including ancillary services, on the grounds that enforcement actions against those entities would interfere with state-authorized programs. Although these protections are formally tied to medical cannabis, Caceres noted that in practice they have extended to adult-use programs, as most adult-use states also maintain medical cannabis systems and the two are closely interconnected.

Having no other business, the Cannabis Insurance (C) Working Group adjourned.

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