

Date: 5/7/24

Virtual Interim Meeting

CANNABIS INSURANCE (C) WORKING GROUP

Wednesday, May 8, 2024

2– 3:30 p.m. ET / 1 – 2:30 p.m. CT / 12– 1:30 p.m. MT / 11 a.m. – 12:30 p.m. PT

ROLL CALL

Ricardo Lara/Katey Piciucco, Chair	California	Melissa Robertson/	New Mexico
Andrew R. Stolfi/TK Keen, Vice Chair	Oregon	Ursula Almada	
Nathan Hall	Alaska	Glen Mulready	Oklahoma
Jimmy Harris	Arkansas	Michael Humphreys/	Pennsylvania
Catherine Reaves	Delaware	Sebastian Conforto	
Angela King	District of Columbia	Carlos Vallés	Puerto Rico
C.J. Metcalf	Illinois	Beth Vollucci	Rhode Island
Ryan Blakeney	Mississippi	Karla Nuissl	Vermont
Gennady Stolyarov	Nevada	Michael Walker	Washington
Justin Zimmerman	New Jersey		

NAIC Support Staff: Anne Obersteadt/Aaron Brandenburg

1. Consider Adoption of its Dec. 19, 2024, Meeting Minutes — *Tyler McKinney (CA)* Attachment 1
2. Hear an Update on Federal Legislative Activities — *Alex Swindle (NAIC)*
3. Hear a Presentation on Trends and Emerging Issues in the Cannabis Space, Recap of 2023 and Outlook for 2024 — *Roy Bingham (BDSA)* Attachment 2
4. Hear a Presentation on Insurance Availability, Coverage Trends, and New Risks in the Cannabis Space — *Erich Schutz (Jencap Specialty Insurance Services)* Attachment 3
5. Hear a Presentation on the Work of the Insurance Institute for Highway Safety (IIHS) and Highway Loss Data Institute (HLDI) on the Legalization of Marijuana for Recreational Use — *Matt Moore (Highway Loss Data Institute)* Attachment 4
6. Any Other Matters — *Tyler McKinney (CA)*

Draft: 12/20/23

Cannabis Insurance (C) Working Group
Virtual Meeting
December 19, 2023

The Cannabis Insurance (C) Working Group of the Property and Casualty Insurance (C) Committee met Dec. 19, 2023. The following Working Group members participated: Katey Piciuccio, Chair (CA); Michael Conway, Vice Chair, represented by Bobbie Baca (CO); Austin Childs (AK); Christina Miller (DE); Ryan Blakeney (MS); Randall Currier (NJ); Ravin Collins, Michael Drummonds, and Jan Vitus (OR); Sebastian Conforto (PA); Carlos Vallés (PR); Beth Vollucci (RI); Karla Nuisl (VT); and Michael Walker (WA).

1. Adopted its Nov. 14 Minutes

Currier made a motion, seconded by Walker, to adopt the Working Group's Nov. 14 minutes (Attachment **TBD**). The motion passed unanimously.

2. Heard an Update on Cannabis-Related Legislative Activities

Shanna Oppenheim (NAIC) stated that earlier this year, the U.S. Senate (Senate) Committee on Banking, Housing, and Urban Affairs pushed through an amended version of the federal Secure and Fair Enforcement Regulation (SAFER) Banking Act, a bipartisan legislative bill. The SAFER Banking Act would create federal safe harbors for financial institutions to accept deposits from state-sanctioned marijuana business operators, potentially mitigating some dangers of running a cash-only business and giving cannabis businesses access to insurance. The NAIC issued a letter in support of this legislation. However, the bill seems dead for 2023, as Montana Sen. Steve Daines, a key Republican backer of the long-stalled legislation, publicly admitted recently. Bipartisan bicameral negotiations continue, with staff meeting as recently as last week.

Key holdups include that the U.S. House of Representatives (House) Republicans are frustrated with how the Senate changed a bill the lower chamber had already passed seven times. Section 10 has been in the House bill since 2019 when it was added as a sweetener for Republicans. It was originally the text of Rep. Blaine Luetkemeyer (R-MO)'s Financial Institution Customer Protection Act, which was introduced in response to the Obama-era initiative Operation Choke Point, which the Republican Party lawmakers said unfairly targeted gun retailers and payday lenders. The latest version of Section 10 gives the federal banking regulator discretion to discuss with the depository institution issues such as financial condition, governance, consumer protection, internal controls, unsafe or unsound conditions, anti-money laundering, or countering the financing of terrorism, which some Republican members see as giving the regulator too much discretion.

In late November, Luetkemeyer said, "I'm very disappointed in the Senate's actions to date." Luetkemeyer is a member of the House Financial Services Committee and the author of language in the bill designed to ensure banks do not refuse the business of industries they dislike, such as gun shops. His approval of language changes is likely key to getting Financial Services Chairman Patrick McHenry (R-NC) and House Speaker Mike Johnson (R-LA) on board.

The fact that the Senate did not loop in the House Republicans on its changes has also exacerbated tensions between the chambers on this bill. Additionally, the replacement of former House Speaker Kevin McCarthy (R-CA), who voted for the Cannabis Banking bill twice, with Speaker Johnson, who has consistently opposed cannabis banking bills further complicates the legislative dynamics.

Lawmakers are still expressing optimism about the bill's prospects. Majority Leader Chuck Schumer (D-NY) has not

yet put it on the Senate floor and likely will not do so until spring—barring another international crisis. The Senate is currently mired in immigration talks and funding for Ukraine and Israel, leaving little bandwidth for cannabis banking. Sen. Kyrsten Sinema (D-AZ), a critical negotiator in SAFER, is also a key negotiator in the immigration talks.

Sen. Schumer needs roughly two weeks on the Senate floor to get it passed. However, because cannabis reform is still controversial in the Senate, it is unlikely the minority would agree to expedited consideration of the bill on the floor. Because the Senate would not be able to conduct other business while considering the bill, the majority leader needs a window of time in which other immediate must-do items like government funding or a defense supplemental are not at the top of the agenda. There are two huge funding deadlines in January and February to keep the government running. After those, there could optimistically be space to take up cannabis banking in March or April.

On the regulatory front, in late August, the U.S. Department of Health and Human Services (HHS) recommended rescheduling marijuana from a Schedule I substance to a Schedule III substance under the Controlled Substances Act (CSA). If marijuana is rescheduled as a Schedule III drug, businesses that “manufacture, distribute, dispense, and possess medical marijuana” would be able to do so legally under the CSA, subject to state and federal licensing and manufacturer registration schemes. Further, such rescheduling would render certain manufacturers subject to increased U.S. Food and Drug Administration (FDA) oversight, including requiring manufacturer registration and compliance with current good manufacturing practices. The FDA likely would release additional regulations regarding composition, labeling, and advertising. Research limitations also may decrease, which could further encourage innovation in the industry. The recommendation comes seven years after the U.S. Drug Enforcement Agency (DEA) declined to initiate rulemaking to reschedule marijuana.

At the executive level, as of December 2023, the governors of six states (Colorado, Illinois, Louisiana, Maryland, New Jersey, and New York) have jointly written a letter to President Biden urging him to reschedule marijuana by the end of the year. Election-year politics may make this move more likely.

Currier asked for clarification on which agency proposed the rescheduling. Oppenheim stated HHS recommended rescheduling marijuana from a Schedule I substance to a Schedule III substance under the CSA. The DEA declined to initiate rulemaking to reschedule marijuana.

Walker asked if rescheduling marijuana would make it more palatable to the U.S. Congress. Oppenheim stated it would not necessarily be more palatable because the rescheduling pertains to medical marijuana. Additionally, Speaker Jonson remains a staunch opponent of cannabis.

3. Heard a Presentation on ALM’s Cannabis Insurance Coverage Specialist Designation

Steve Hallo (Property/Casualty 360—PC360) stated the Cannabis Insurance Coverage Specialist (CICS) is a designation tailored for insurance producers, agents, risk managers, and professionals within the cannabis industry, including growers, suppliers, manufacturers, and dispensary operators. It was developed by ALM staff, including the team at PC360 and subject matter experts (SMEs), a number of whom have spoken to the Working Group before. The program aspires to foster a forward-thinking mindset among professionals, ultimately contributing to the growth and resilience of the cannabis business ecosystem. To date, there are 24 CICS holders from across the insurance ecosystem, from agents to folks at carriers.

The designation is broken down into six courses, which cover workers’ comp issues, banking and financial services, real estate, claims handling, and risk management. The Legal and Regulatory Issues lesson delves into variations in state-by-state legislation concerning legalization and regulation, examines key legislative acts responding to legalization, and explores court cases influenced by or impacting the progression of legalization. The Cannabis and

Insurance lesson explores the impact of cannabis on the insurance industry, specifically focusing on workers' compensation and product liability insurance, examining exclusions related to insurance and cannabis, and identifying risks for insurers in this context. The Workers' Compensation course section includes an overview of the workers' compensation system as well as a deep dive into the workers' compensation system as it pertains to cannabis. It also touches on challenges around the National Council on Compensation Insurance (NCCI) classification systems. Workers' compensation premiums are determined by unique 4-digit class codes, each associated with a specific description and rate, tailored to the nature of the work performed. The NCCI manages nearly 800 such classification codes. Historically, the absence of adequate classification codes for diverse employee roles within the cannabis sector posed a challenge, and although progress has been made, there remains room for improvement.

NCCI organizes classifications into five overarching industry categories: Manufacturing, Contracting, Office and Clerical, Goods and Services, and Miscellaneous. Common classifications encompass retail stores, outside salespersons, clerical office employees, clubs, and various educational institutions. Notably, NCCI lacks dedicated classifications for the cannabis industry; however, in legalized states, some existing classifications have been enhanced, and insurers may opt for industry classifications resembling cannabis operations. This section also covers the impact of cannabis legalization on workers' compensation exposures. The Real Estate and Cannabis Insurance lesson discusses various types of cannabis-related properties and their aspects, as well as articulates different zoning regulations pertaining to cannabis, with specific examples from Michigan and Oklahoma. Other portions of this section review cannabis lease contracts, address insurance aspects regarding real estate and cannabis, and aim to help users understand the products and completed operations policy.

The Claims Handling module encompasses claims on specific insurance topics, details the claims handling process for various types of insurance in the context of cannabis, and explores issues of fraud and ethics in insurance claims related to cannabis. The Real Claim 1 lesson involves the common issue of dispensaries struggling to secure bank accounts due to federal cannabis illegality and money laundering regulations. Despite adhering to good-faith claims practices and confirming coverage, a bank refused to honor an insurance settlement check, putting the adjuster and insurer in an ethical dilemma. To resolve this, the money was wired to the insured's account, highlighting the absurdity of the bank accepting a wire transfer but rejecting a paper check. The insurer and adjuster found relief despite navigating obstacles posed by federal regulations.

The Real Claim 2 lesson involves a claim that involved a dispensary robbery, requiring standard procedures to determine the stolen amount. The insured initially failed to provide evidence, leading to the closure of the claim. Subsequently, suspicious receipts with red flags for fraud were submitted. Despite fears of government intervention, the insured's reluctance to disclose distributor information complicated the claim handling. Nevertheless, by adapting procedures and considering the insurer's fiduciary duty, the claim was managed in good faith, highlighting the distinctive challenges in handling cannabis claims.

The Delta-8 and Other Hemp-Derived Tetrahydrocannabinol (THC) module includes potential blind spots. The module discusses that Delta-8 is a THC isomer that results in a less intense experience than Delta-9 THC. Some studies suggest it can offer a clear-headed high, letting you enjoy the benefits of Cannabidiol (CBD) while staying focused. Delta-8 THC currently occupies a legal gray area, stemming from the regulatory framework established by the 2018 Farm Bill, which removed hemp and its byproducts from the list of controlled substances due to their low THC levels (less than 0.3%).

The Farm Bill makes no explicit mention of Delta-8 THC, but hemp and commercial entities advocates have strategically leveraged this gap to legally market Delta-8 products. Consequently, Delta-8 THC has emerged as the fastest-growing commodity within the hemp industry, highlighting the industry's adept navigation of legal nuances and exploitation of regulatory gaps. As of November, 17 states explicitly ban or severely restrict the sale of Delta-8 products.

Risks faced and coverage needs are also covered by the designation. The Property Risks Faced by Retailers, Growers, and Manufacturers section of the course also breaks down the biggest property risks cannabis businesses face based on where they are in the supply chain.

The Retail: Theft and Vandalism lesson discusses that, when reviewing the submission and application, the carrier wants to know what has been implemented to reduce the ability of anyone to damage the building. Any deterrents are considered for pricing; conversely, a lack of proper deterrents may affect pricing or the ability to get coverage. For example, for a jewelry store, cultivation risks include heat, fire, vandalism, pollution, and mold. Pollution and mold are excluded perils under the property form (pollution coverage is discussed later in this course). Heat and fire are a risk from the bulbs used for cultivation, the generators used, or the sheer amount of electricity used in these facilities. Extractors' and manufacturers' risks include explosion and fire. The carrier wants to know the differentiators that will keep the extractor's or manufacturer's operations from starting a fire or having an explosion.

While commercial lines get most of the attention when it comes to discussions about cannabis and insurance, there are implications for personal lines. From a homeowner's standpoint, growing cannabis at home introduces potential issues, particularly if it involves large indoor operations. Improper ventilation can lead to mold or mildew problems, while the use of elaborate high-voltage grow lights increases the risk of fire hazards. The handling of losses depends on factors such as the legality of cannabis growing in the state, the nature of the damage (accidental, deliberate, or due to neglect), and whether the grow operation is for personal use or sale. Homeowners insurance is designed to cover personal risks, but it may not extend to commercial operations, especially if the homeowner is growing cannabis for sale. Growing an illegal plant could lead to policy exclusions for losses related to criminal activities, and intentionally setting a fire would not be covered. Assuming the loss was accidental, the grow was for personal use, and it was legal in the state, the homeowner's insurance should provide coverage. For outdoor grow operations, coverage for damaged or stolen plants is likely, but specific liability limits apply, usually set at 5% of the home value and contingent on the loss occurring during a covered peril.

Case law varies on covering losses related to destroyed or stolen marijuana plants, with some courts granting damages while others cite federal illegality to deny coverage. To ensure proper coverage, homeowners with extensive grow operations are encouraged to consult with an insurance agent. Additionally, considering liability, homeowners in states with strict liability laws should be aware that serving cannabis to guests could hold them accountable for accidents, emphasizing the importance of understanding state laws.

The intersection of cannabis use and auto insurance presents a significant challenge, primarily when a driver faces arrest for driving under the influence (DUI). Regardless of whether the impairment is caused by alcohol, cannabis, or prescription medication, from an insurance standpoint, a DUI can wreak havoc on the driver's auto premiums. However, the complexity deepens when it comes to cannabis-related DUI cases due to the absence of a reliable roadside intoxication test.

Unlike alcohol, where a breathalyzer can quickly determine intoxication levels, cannabis lacks a similarly straightforward testing method. Bloodwork, often a go-to solution, falls short as cannabis remains detectable in the blood long after the intoxicating effects have subsided. The mere presence of THC in the bloodstream does not definitively prove impairment during driving. In the absence of foolproof roadside toxicology tests, law enforcement officers often resort to field sobriety tests to assess impairment, underscoring the pressing need for more effective methods.

A less obvious way cannabis usage can impact auto insurance premiums is through one's occupation, particularly if the individual works in the cannabis industry. In several states, a driver's employment industry serves as a valid

criterion for assessing risk. If an insurance company discovers that an insured individual is employed by a cannabis-related business, it might leverage this information to justify higher premium rates. This dual challenge—the lack of a reliable roadside test and the influence of occupation on premium rates—underscores the intricate relationship between cannabis use and the realm of auto insurance.

There is a THC breathalyzer technology emerging as a potential solution. Presented at last year's Risk World conference by Hound Labs, Inc., the breathalyzer can detect marijuana within a three-hour window after use, offering a more precise timeframe. After this period, THC becomes nearly undetectable on the breath. This advancement could be instrumental in determining not just whether an employee used cannabis but also when, which provides valuable insights for employers.

While breathalyzers can indicate if a person has consumed a THC-containing product during the past three hours, the ability to prove intoxication persists. Unlike alcohol intoxication, which can be determined based on established scientific methods, the case is not so cut and dry from marijuana, as there is an established spectrum of THC intoxication. Many sources believe that THC breathalyzers could serve more as a tool to prevent accidents on the job as opposed to being used in defense. For example, roofers could blow before getting on a ladder.

In recent years, there has been a growing interest in exploring psychedelic drugs as a potential alternative for treating both injury recovery and mental health issues. This momentum is fueled by the legalization of certain psychedelics, including psilocybin, the main psychoactive compound in "magic" mushrooms. Similar to cannabis, research on the potential applications of psychedelic drugs is limited and not very current. However, this was not always the case. Extensive research took place starting in the 1950s, but as psychedelics became embraced by the counterculture, concerns about substance abuse led to federal prohibition in the late 1960s. The shift in legal status resulted in a swift halt to research on these substances.

The limited available information primarily focuses on a few mental health disorders, including treatment-resistant depression, anxiety, addiction, post-traumatic stress disorder (PTSD), and potential applications for pain. While most studies related to pain management focus on cluster headaches, there is growing interest in whether psychedelics can effectively address chronic pain. The Psychedelics and Health Research Initiative (PHRI) at the University of California San Diego is actively conducting research in this area. Preliminary findings from the initiative suggest that psychedelics may lead to "significant, meaningful, and lasting reductions" in chronic pain conditions, ranging from complex regional pain to phantom limb pain, according to researchers at PHRI.

Some researchers have posited that psychedelics, which have been shown to promote neuroplasticity, are in a way rewiring the brain to better manage and demote pain. Virtual reality (VR) is also showing promise as a drug-free pain management tool in much the same way. Other researchers suggest that psychedelics might be working further down, and in some way hitting an internal reset button that helps modulate how the user experiences pain. As with any emerging therapy, the full suite of risks associated with using psychedelics remains unknown. Many experts posit most risks in psychedelic therapy are short-term, including issues such as headaches, elevated heart rates, nausea, and vomiting. However, there is some evidence that suggests hallucinogens could lead to permanent heart damage. Despite the need for extensive research on the potential benefits and risks of psychedelic therapies, certain aspects are established. Psychedelics exhibit low toxicity levels, and there is limited potential for abuse. Nevertheless, ongoing investigation is crucial to fully understand the effects and potential risks.

One less risky way to help injured workers recover is using VR technology, which has shown an ability to reduce dependence on prescription painkillers, alleviate anxiety, and depression, enhance sleep quality, and expedite the recovery process. Much like psychedelics, VR uses neuroplasticity to address maladaptive signals like pain, depression, anxiety, and PTSD obstructing the path to recovery. By establishing neural pathways around these impediments, VR therapy enables the brain to relegate such signals to a lower priority, facilitating a more effective

recovery process. In a study conducted by one of the companies providing VR therapy, patients experienced a pain reduction of approximately 40%, and this relief persisted for hours afterward. Significantly, 69% of the study participants successfully reduced or eliminated their reliance on painkillers, showcasing the potential of VR therapy in curbing opioid utilization among patients undergoing rehabilitation.

Currier asked if industry was past the issue of coverage availability. Hallo stated it is getting better but there are still some policies with unexpected exclusions for cannabis.

Walker asked if there were any trends on who was taking the designation. Hallo stated it was mostly risk managers followed by agents.

Summer Jenkins (One General Agency—OGA) stated OGA, as an insurance provider of emerging products, is seeing an increasing number of businesses using psychedelic therapy.

Beau Whitney (Whitney Economics) stated his company has done a lot of work on data with North American Industry Classification System (NAICS) classifications. The Bureau of Labor Statistics (BLS), Bureau of Economic Analysis (BEA), and Census Bureau have demonstrated little interest in deploying more granular NAICS codes, despite the many federal requirements on data gathering. States will have to gather data independently, and it will not be uniform from state to state. Updates to NAICS occur every four years, so we will not see improvements in data-gathering systems for another 3.5 years at a minimum. Whitney said he has published extensively on the economics of hemp-derived cannabinoids and can be reached at beau@whitneyeconomics.com for more information. He also stated data from the National Institutes of Health (NIH) and HHS show a decrease in healthcare expenditures with cannabis use because it is a more proactive treatment. The use of psychedelics is showing much less of a decrease in healthcare expenditures. A comprehensive nationwide survey Whitney Economics performed showed cannabis operators' delinquent accounts receivables are significantly impacting their ability to service debt. Additionally, cannabis users are increasingly from an older demographic because they are seeking an alternative to opioids for pain management. Further, data shows Delta-8 is a high percentage of total cannabis industry sales because it requires no license and is readily available online and over-the-counter due to it not triggering interstate commerce restrictions. This raises safety and potency concerns because these products are untested and unregulated.

Hallo stated use of medical cannabis can be less expensive than opioids. In one workers' compensation insurance claim, a court ruled a plaintiff could use cannabis instead of opioids to control life-long pain. The cost of opioids for life was \$500,000 as compared to \$20,000 for cannabis. Older generations may prefer Delta-8 due to its milder cognitive effect than THC-derived products.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/C CMTE/2024_Spring/Cannabis/12-CannabisWG.docx



CANNABIS INDUSTRY TRENDS

Roy Bingham | CEO

May 8th, 2024

BDSA PROVIDES A COMPLETE VIEW OF THE GLOBAL CANNABIS MARKET OF TODAY AND TOMORROW



RETAIL SALES TRACKING

Know exactly what is selling where, when, and at what price point across 14 tracked markets



CONSUMER INSIGHTS

Understand consumer (and non-consumer) segments, sizing, behavior, consumption patterns, purchase habits, and more, trended over 5 years



MARKET FORECASTS

Gain a comprehensive understanding of market size and future opportunity across all states/provinces and at the category level



MENU ANALYTICS

Uncover menu listed pricing and availability of brands and products at a local and store-specific level to identify distribution gaps, optimize pricing, and plan assortment



PROFESSIONAL SERVICES

Leverage the power of our data by connecting with our team of analysts to solve granular business questions

THE CANNABIS INDUSTRY HAS ENTERED NEW ERA



Intoxicating Hemp



Prices Stabilizing

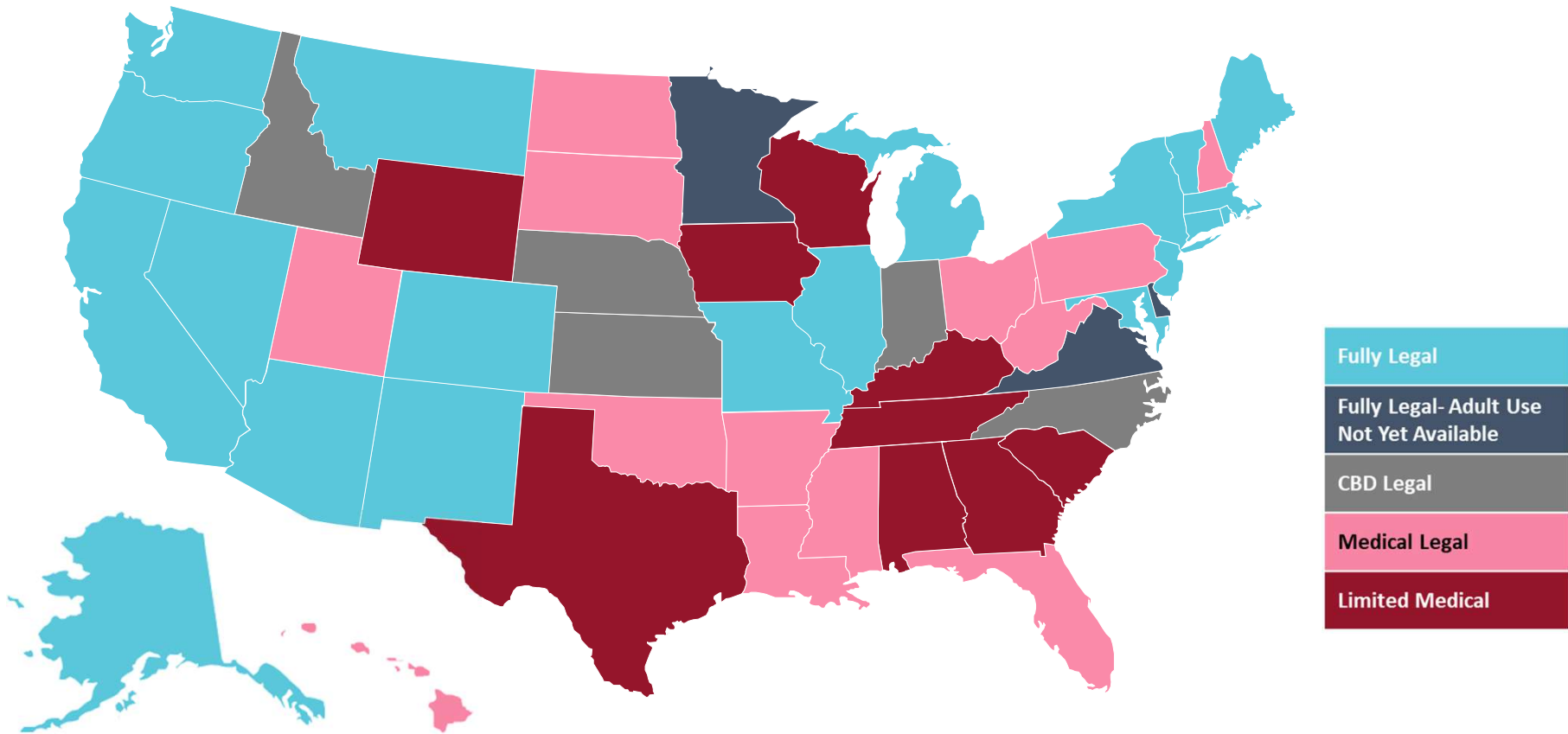
Federal Reform:
Rescheduling



New Market
Expansion

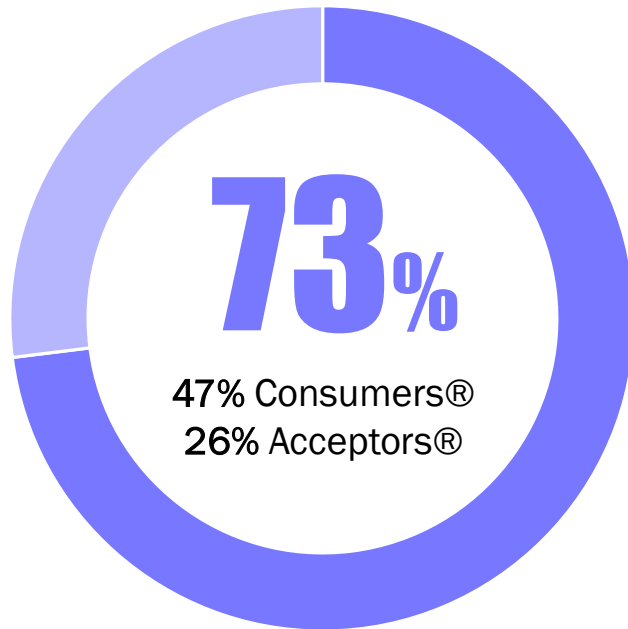


REGULATIONS EVOLVING ACROSS THE US (SEGMENTS AS OF APRIL 2024)



IN FULLY LEGAL STATES, 73% OF ADULTS ARE “BOUGHT IN” TO CONSUMING

Agg. Adult Use States

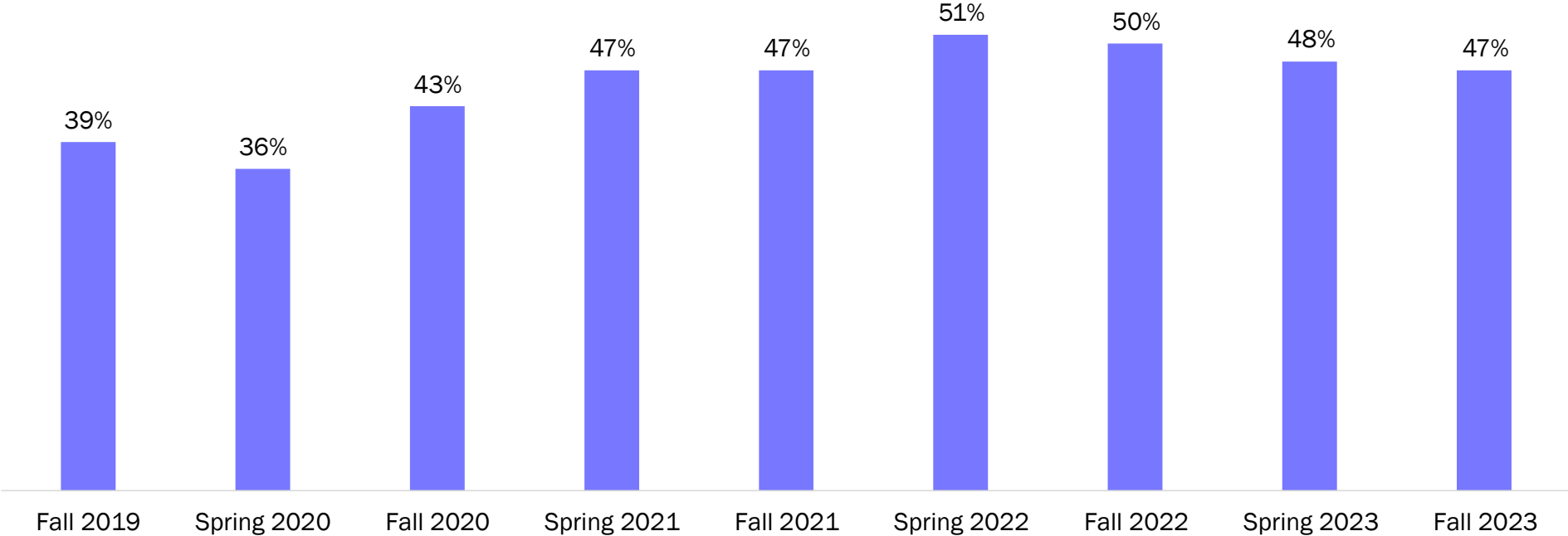


...of adults 21+ in fully legal U.S. states consumed cannabis in the past 6 months or are open to consuming cannabis

27% are **Rejecters®**
(would not consider in the future)

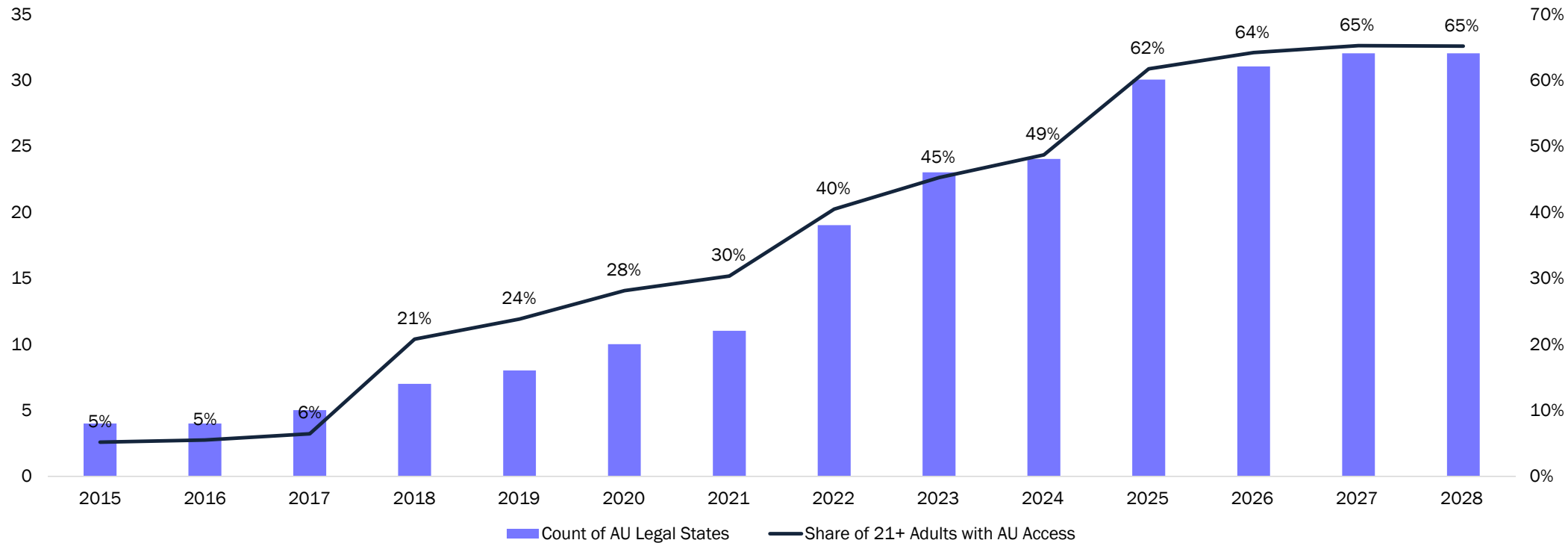
NEARLY HALF OF ADULTS IN ADULT-USE STATES HAVE CONSUMED CANNABIS IN THE PAST 6 MONTHS.

Trended – Adult Use State Cannabis P6M Consumer Penetration



BY 2025 MORE THAN HALF OF US ADULTS COULD HAVE ACCESS

US States and Territories with Adult-Use Cannabis Sales - over time



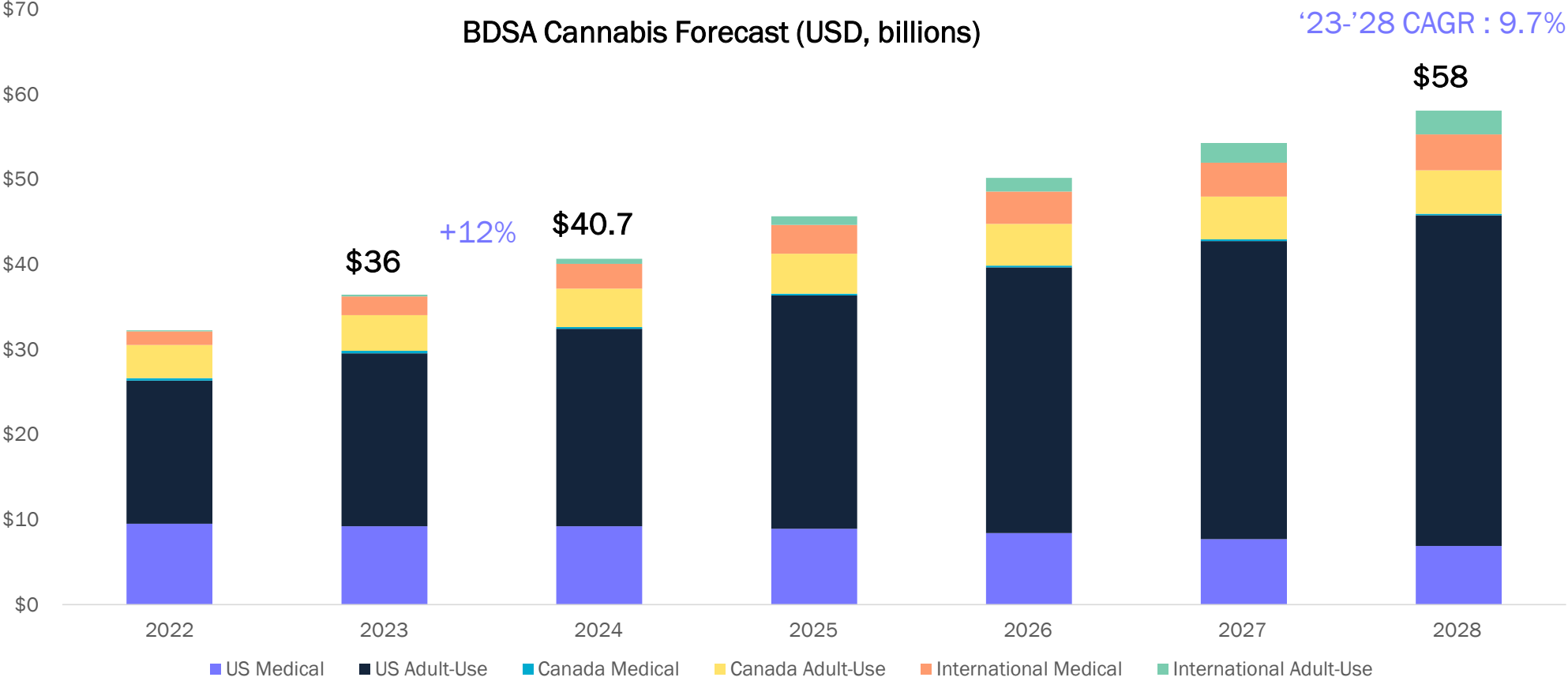
159+ million

21+ adults with access by 2026

Source: BDSA Market Forecast, March 2024

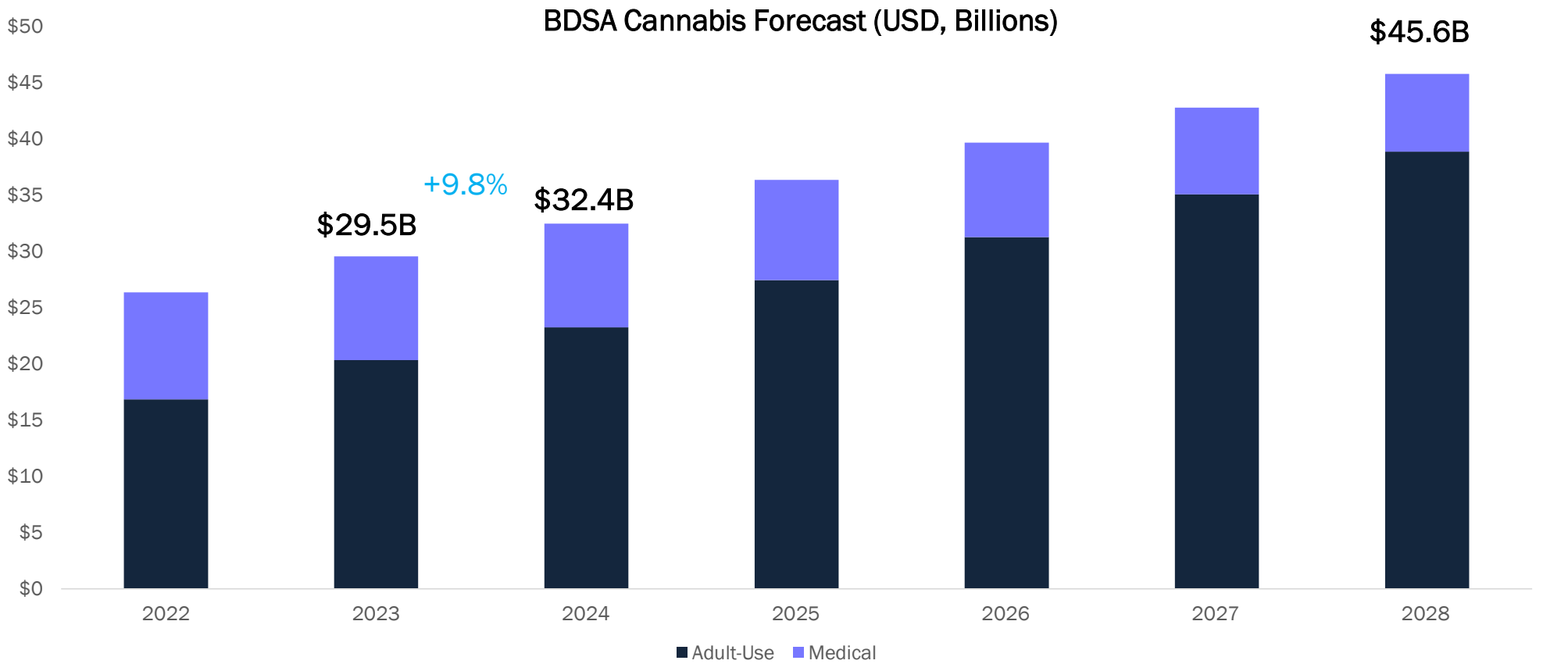


ADULT-USE WILL CONTINUE TO FUEL GLOBAL SPENDING GROWTH



Source: BDSA Market Forecast, March 2024

US LEGAL SPENDING WILL BE INCREASINGLY DRIVEN BY ADULT-USE

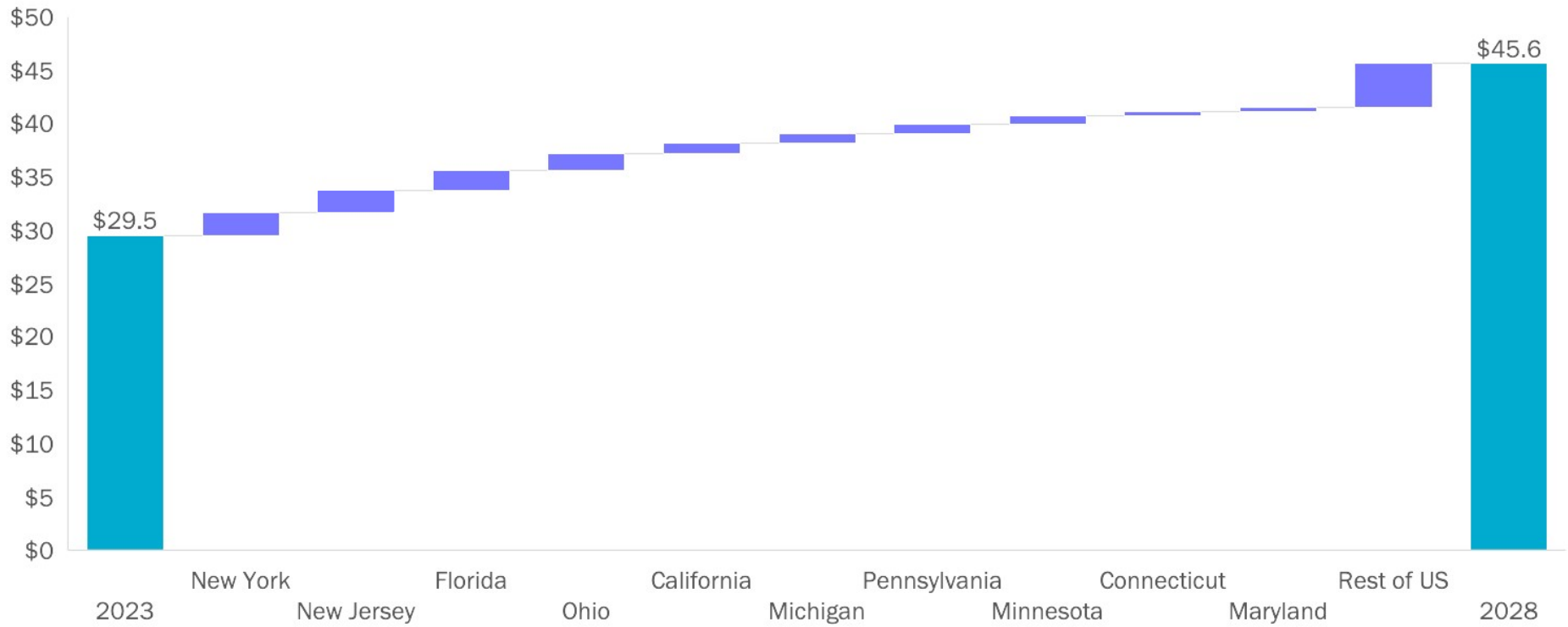


Source: BDSA Market Forecast, March 2024



EMERGING AU MARKETS WILL DRIVE GROWTH AS MATURE MARKETS SLOW DOWN

BDSA Cannabis Forecast (USD, Billions)

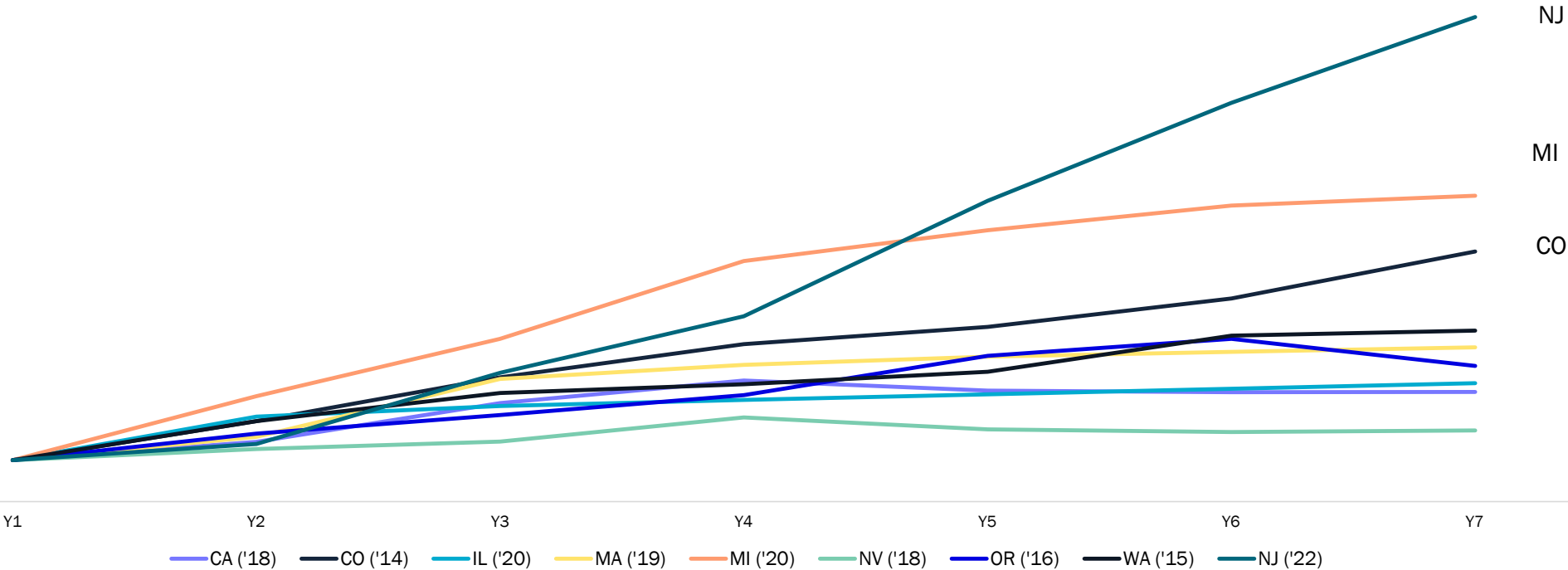


Source: BDSA Market Forecast, March 2024



TYPICAL EMERGING MARKET GROWTH TRAJECTORY

Total Sales Indexed to 100 From First Year of Adult-Use Sales

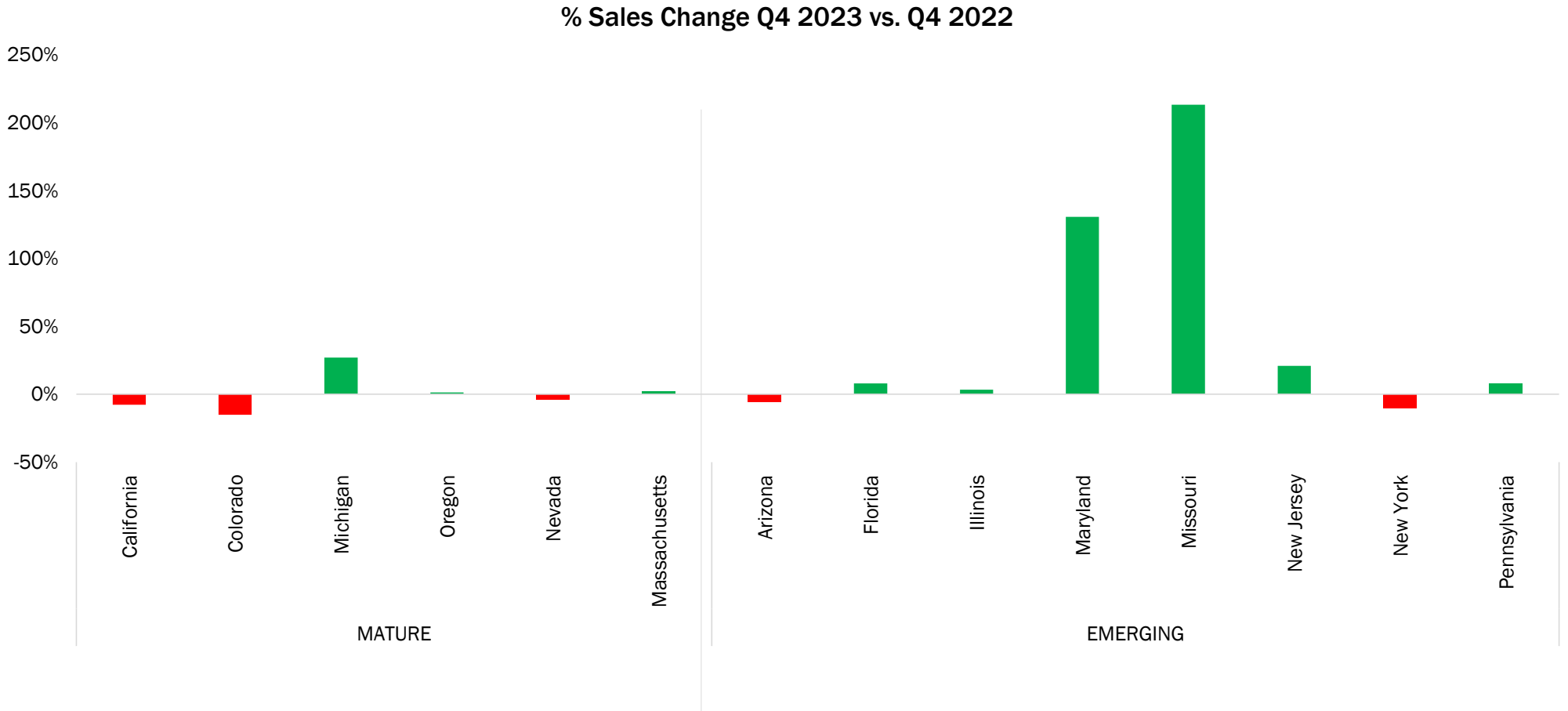


Source: BDSA Market Forecast, March 2024

Note: Total sales indexed from first full year of adult-use sales. Contains actual sales and forecast data.

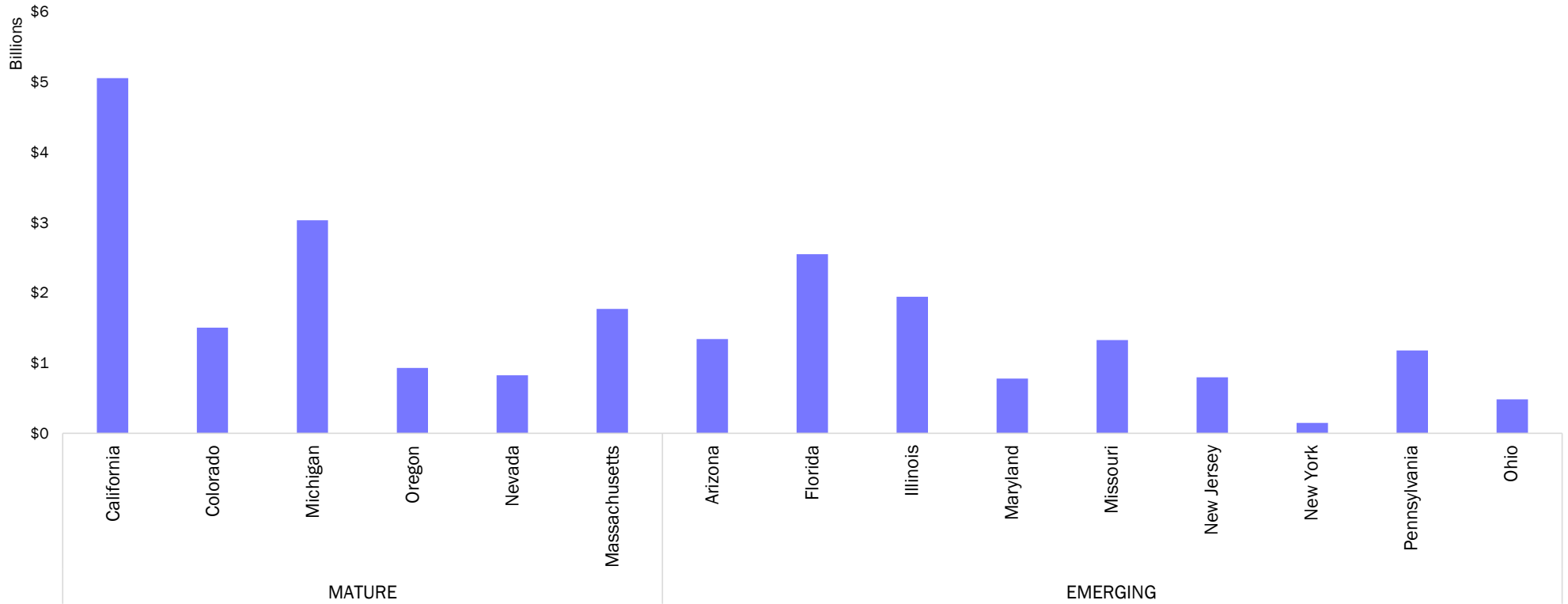


WESTERN MARKETS DECLINE, WHILE NORTHEAST AND MIDWEST MARKETS GAIN



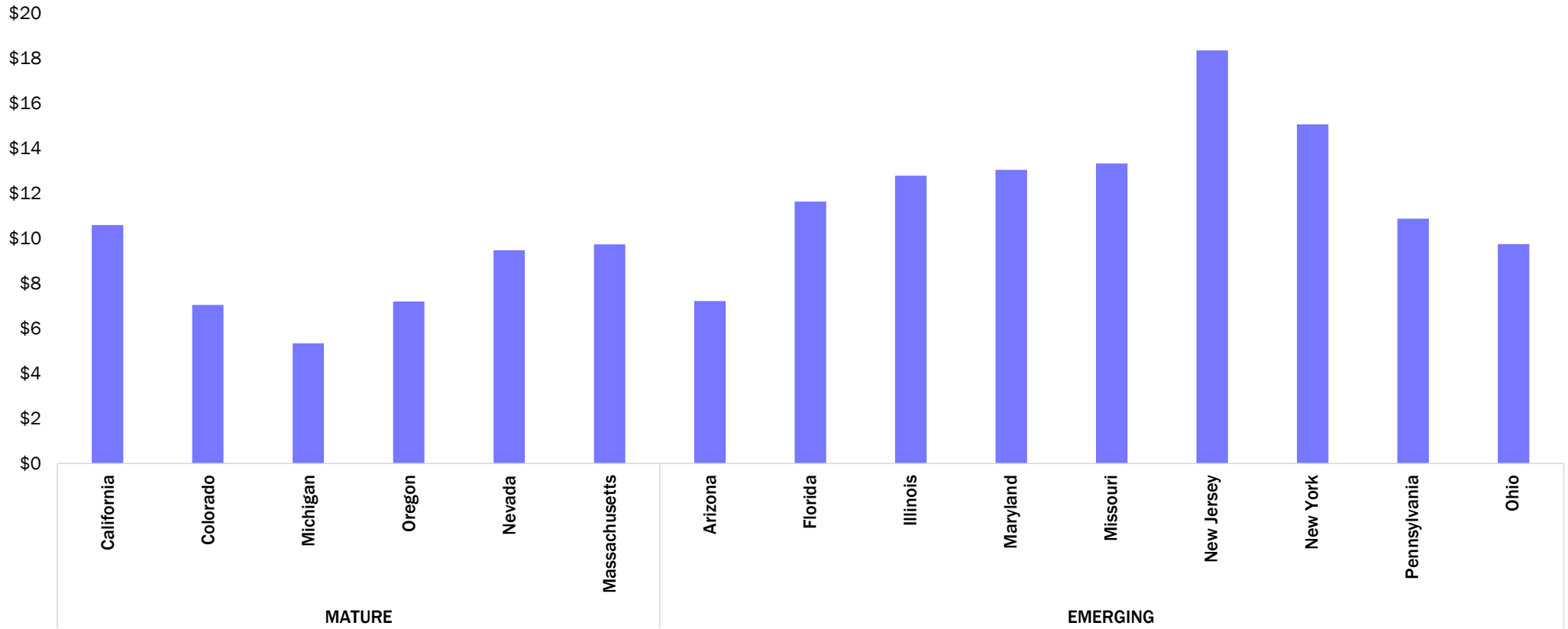
CA AND MI LARGEST MARKETS IN 2023, EMERGING MARKETS CLOSE BEHIND

2023 Full Year Retail Sales

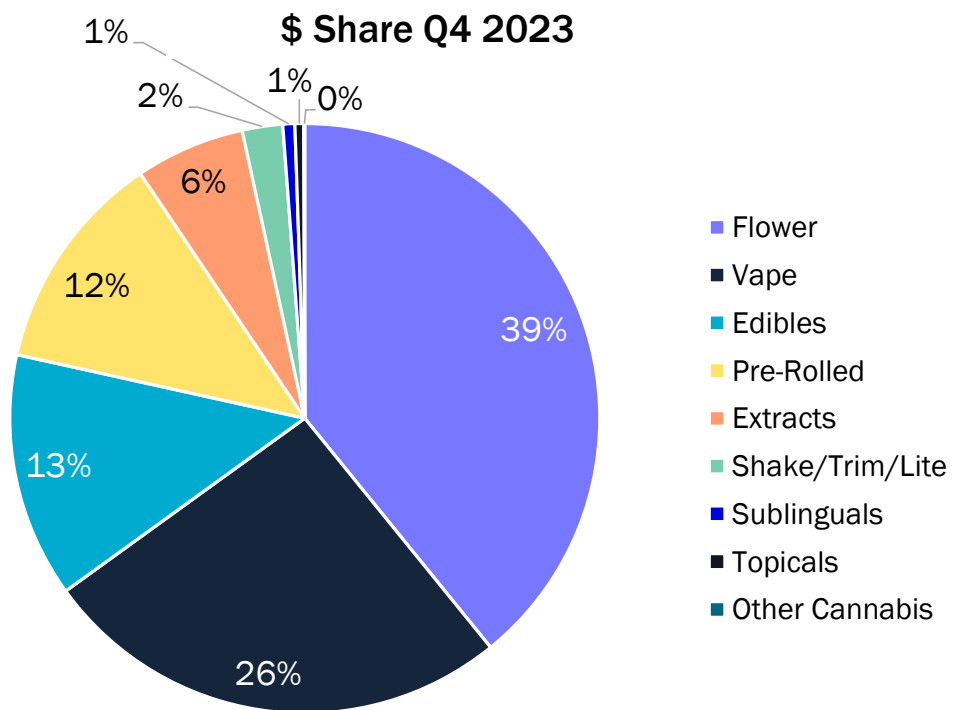


HUGE PRICE VARIABILITY BY STATE

Q4 2023 Overall ARP (\$/unit) by State



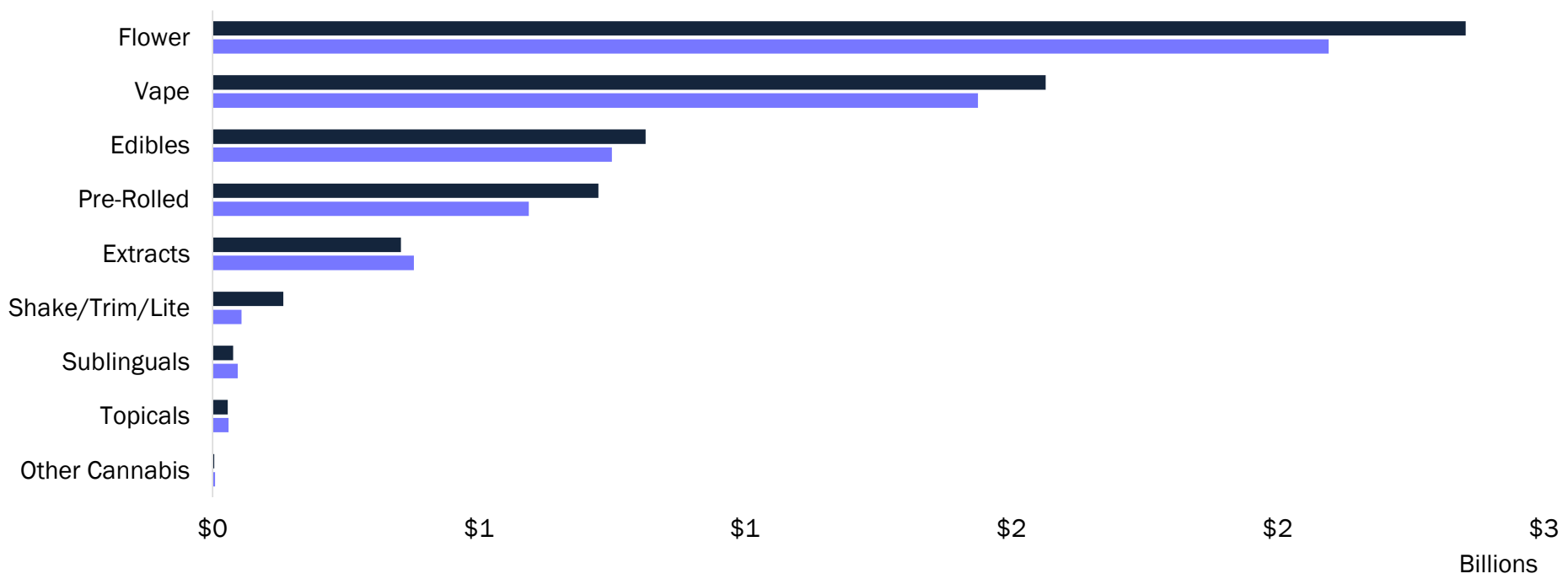
COMPOSITION OF SALES BY MAJOR CATEGORY



RECENT GROWTH BY CATEGORY SHOWS A REBOUND FOR FLOWER

All Markets \$ Sales Q4 2023 vs. Q4 2022

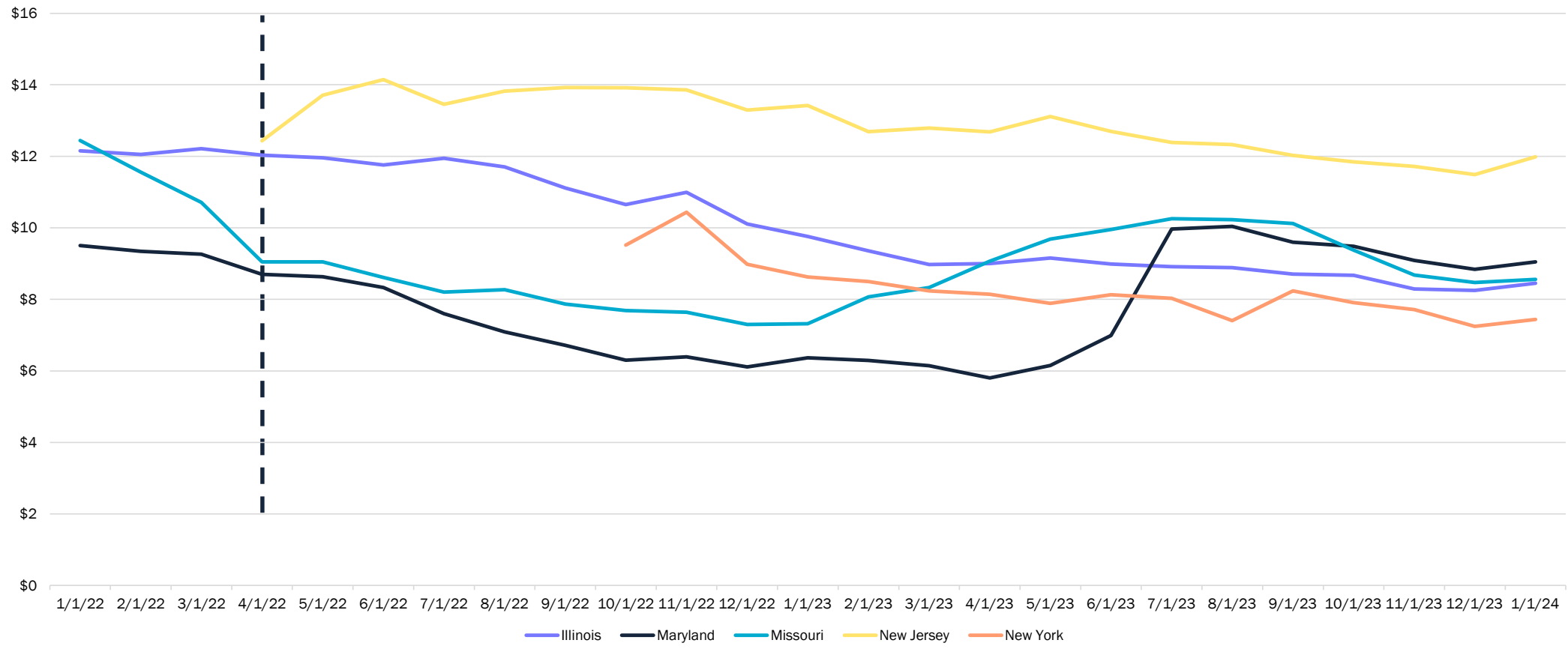
■ Q4 2023 ■ Q4 2022



Source: BDSA RST Michigan – Jan – July 2022 & Jan – July 2023
*Note: "Other" includes accessories, apparel, devices, grow supplies, non-infused foods, other cannabis

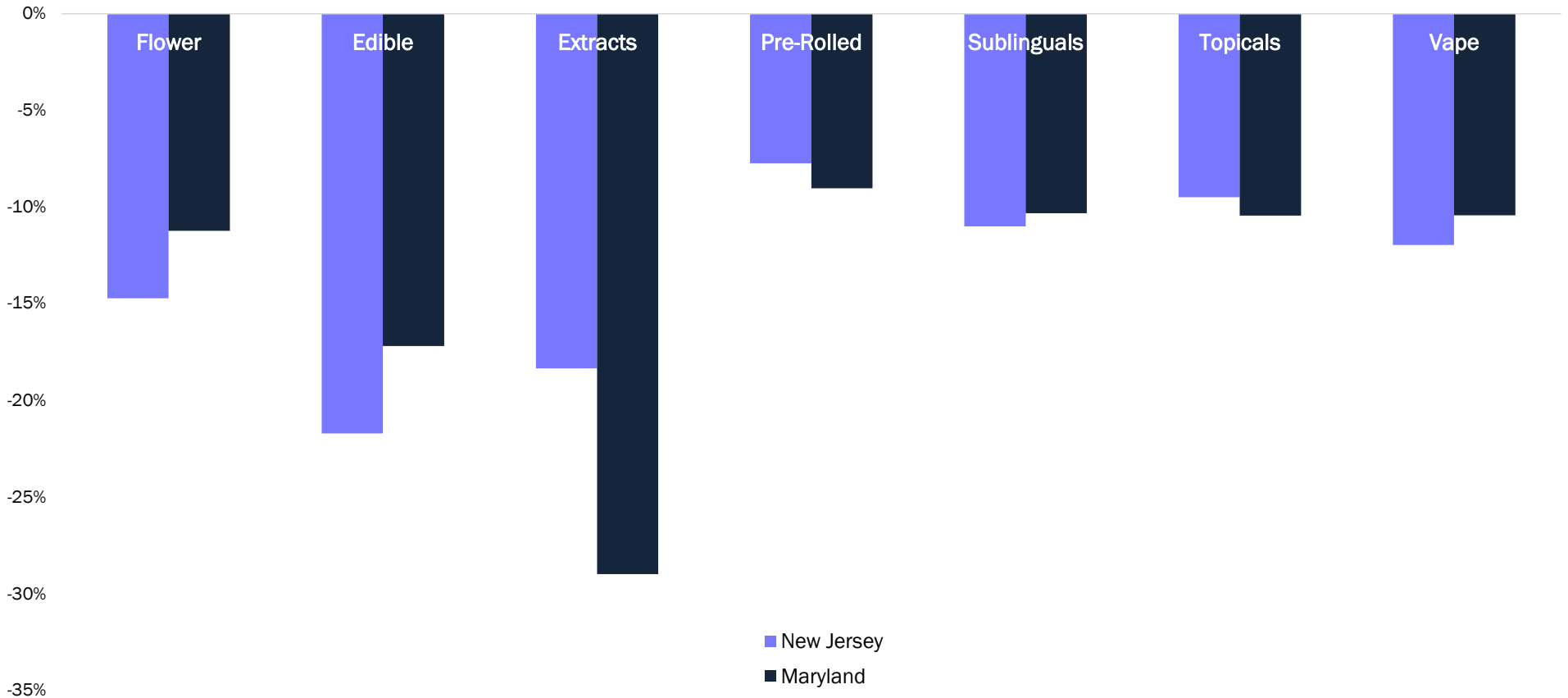
PRICE TRENDS REFLECT SUPPLY CONSTRAINTS IN EMERGING MARKETS

Monthly Flower ARP (\$/g) by State



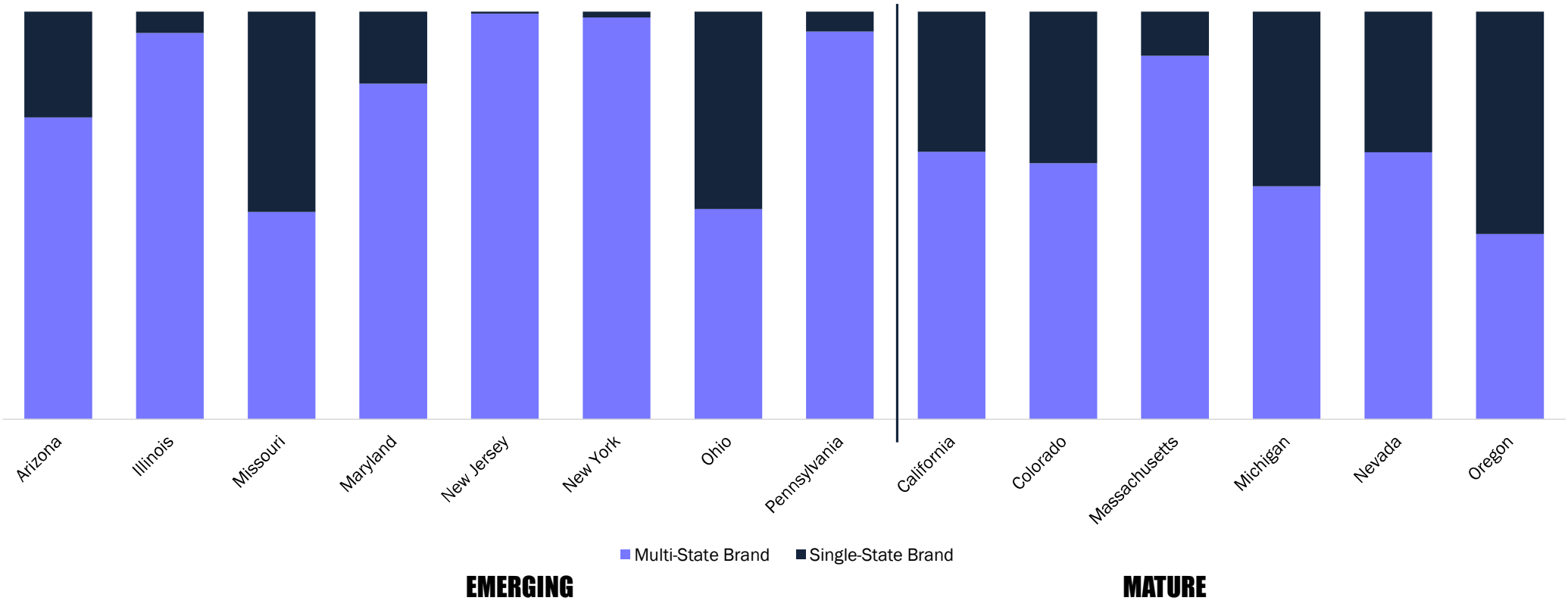
DISCOUNTING IS WIDESPREAD

Avg. Adult-Use List Price vs. Purchase Price % Difference by Category: New Jersey vs. Maryland



MULTI-STATE BRANDS ARE THE MAJORITY OF SALES IN MAJOR MARKETS

Q4 2023 \$ Share: Multi-state vs. Single-state Brands



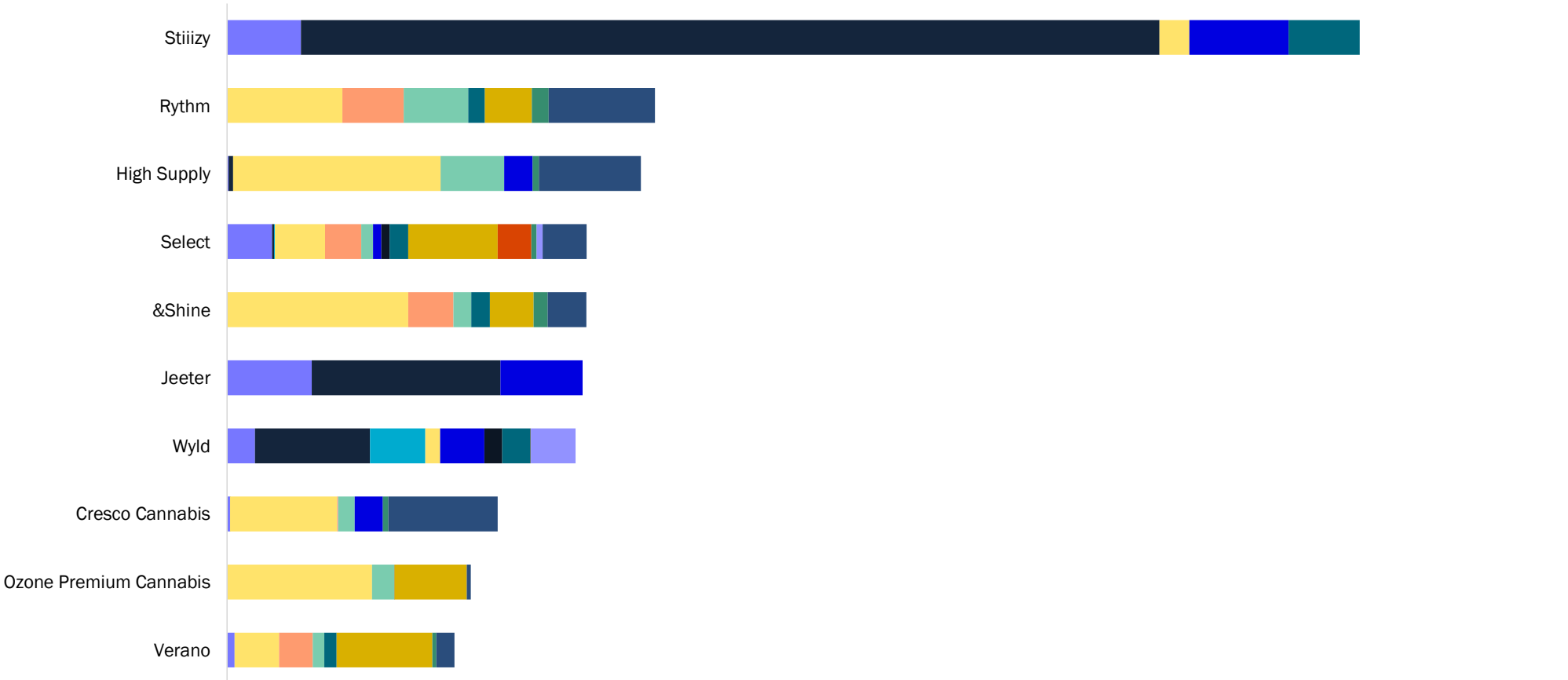
■ Multi-State Brand ■ Single-State Brand

EMERGING

MATURE

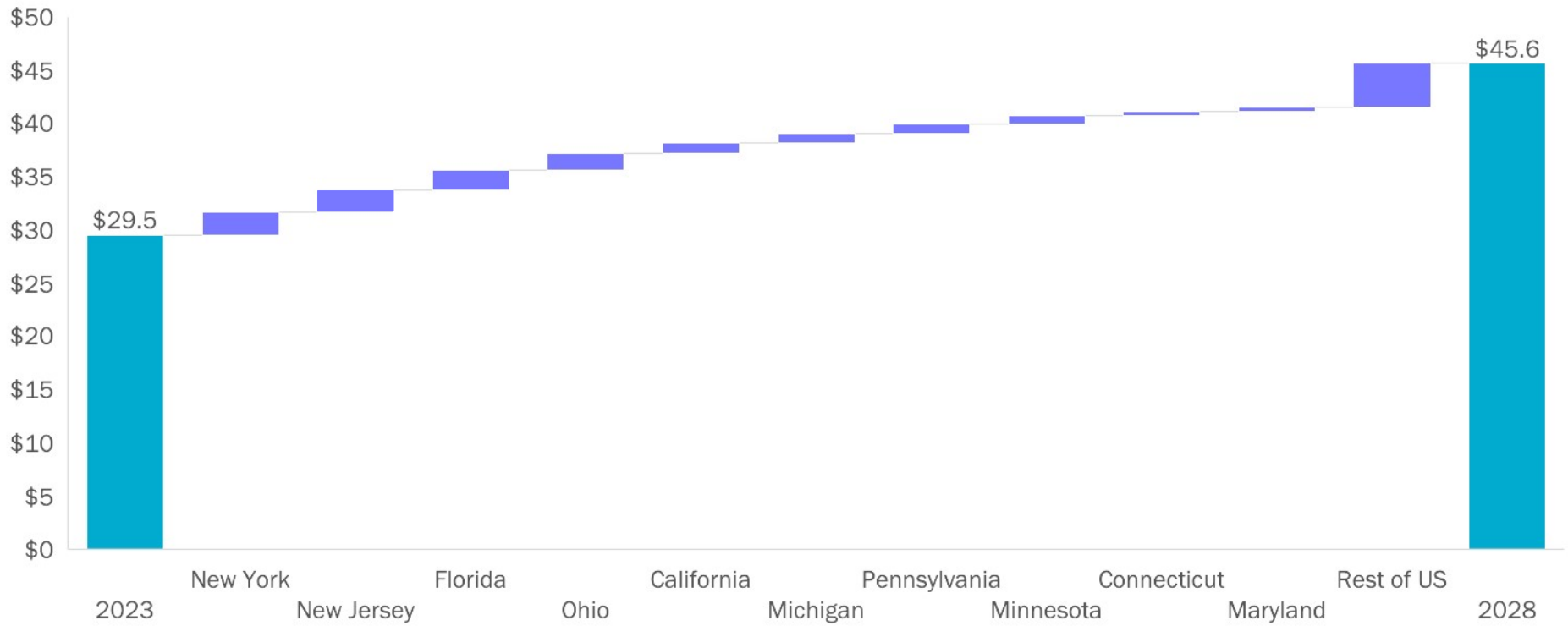
Q4 2023 TOP 10 BRAND SALES BY STATE

Arizona California Colorado Illinois Maryland Massachusetts Michigan Missouri Nevada New Jersey New York Ohio Oregon Pennsylvania



\$46B MARKET BY 2028

BDSA Cannabis Forecast (USD, Billions)



Source: BDSA Market Forecast, March 2024





CANNABIS INSURANCE WORKING GROUP VIRTUAL MEETING

May 8, 2024



MARCH 24, 2024 FOLLOW UP'S

- Named storm and wind coverage more available & affordable
- D&O pricing & coverage changes (public & private)
- Outdoor crop/parametric coverage
- Reinsurance



COVERAGE MATTERS

- What is the market coverage insureds are seeking but not able to find?
- What insurance coverages are most sought after?
- What coverage is still difficult to find?
- What new coverages are out there?



ADMITTED MARKET

- What coverage is available in the admitted market?
- What states have markets mature enough to support admitted carriers?
- Michigan, California & more

- De-schedule, reschedule, decriminalize, or legalize?
- Impact of rescheduling marijuana?
- Georgia
- Where can insurance regulators help?



QUESTIONS?

Erich Schutz

Vice President

National Practice Leader for Cannabis
Jencap Specialty Insurance Services

Erich.Schutz@jencapgroup.com

413.800.8121



JencapGroup.com



Thank you NAIC!



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Dive Deeper with BDSA's full suite of services:



Retail Sales Tracking

- + Track and evaluate category, brand, and product sales
- + Identify trends and innovate



Menu Analytics

- + Uncover store-specific pricing and assortment
- + Identify intel on brand markup, velocity, distribution, and price



Consumer Insights

- + Track evolution of consumer segments
- + Know the how and why of consumer behavior



Market Forecasts

Where are global markets today and where are they going tomorrow



Professional Services

Assess market dynamics, trends, and expectations of changing regulations



Marijuana and crash risk

May 8, 2024



Matt Moore
Senior Vice President



Saving lives. Preventing harm.

IIHS-HLDI mission:

To reduce deaths, injuries and property damage from motor vehicle crashes through **research and evaluation** and through **education** of consumers, policymakers and safety professionals.

Member groups

IIHS and HLDI are wholly supported by these auto insurers and insurance associations

Acceptance Insurance
Acuity Insurance
Allstate Insurance Group
American Family Insurance
American National
AmericanAg
Amica Mutual Insurance
AmShield Insurance
AssuranceAmerica
Auto Club Enterprises
Auto Club Group
Auto-Owners Insurance
Celina Insurance Group
CHUBB
The Cincinnati Insurance Companies
Clearcover Insurance Company
Colorado Farm Bureau Insurance Company
Commonwealth Casualty Company
Concord Group Insurance
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COUNTRY Financial
CSAA Insurance Group
CSE Insurance Group

Desjardins Insurance
Donegal Insurance Group
DTRIC Insurance
ECM Insurance Group
Elephant Insurance Company
EMC Insurance Companies
Encova Insurance
Erie Insurance Group
Farm Bureau Financial Services
Farm Bureau Insurance Company of Michigan
Farm Bureau Insurance of Tennessee
Farm Bureau Mutual Insurance Company of Idaho
Farmers Insurance Group
Farmers Mutual of Nebraska
FBAlliance Insurance Company
Florida Farm Bureau Insurance Companies
Frankenmuth Insurance
Gainsco Insurance
GEICO Corporation
The General Insurance
Georgia Farm Bureau Mutual Insurance Company
Goodville Mutual Casualty Company

Gore Mutual
Grange Insurance
Hallmark Financial Services, Inc.
The Hanover Insurance Group
The Hartford
Haulers Insurance Company, Inc.
Horace Mann Insurance Companies
Indiana Farm Bureau Insurance
Indiana Farmers Insurance
Just Auto Insurance
Kemper Corporation
Kentucky Farm Bureau Mutual Insurance Companies
Lemonade, Inc.
Liberty Mutual Insurance
Louisiana Farm Bureau Insurance Company
Main Street America Insurance
MAPFRE Insurance Group
Mercury Insurance Group
Mississippi Farm Bureau Casualty Insurance Company
MMG Insurance
Munich Reinsurance America, Inc.
Mutual Benefit Group®
Mutual of Enumclaw Insurance Company

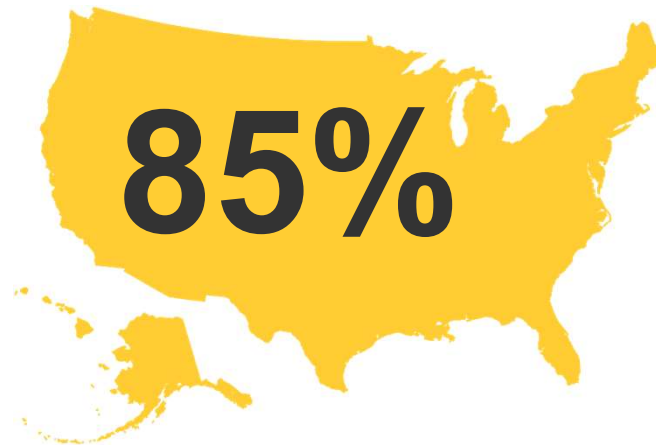
National General Insurance
Nationwide
NJM Insurance Group
Nodak Insurance Company
North Carolina Farm Bureau Mutual Insurance Company
North Star Mutual Insurance Company
Northern Neck Insurance Company
NYCM Insurance
Ohio Mutual Insurance Group
PEMCO Mutual Insurance Company
Plymouth Rock Assurance
Progressive Insurance
Redpoint County Mutual Insurance Company
The Responsive Auto Insurance Company
Rider Insurance
Rockingham Insurance
Root Insurance Co
Safe Auto Insurance Company
Safeco Insurance®
Samsung Fire & Marine Insurance Company
SECURA Insurance
Selective Insurance
Sentry Insurance

Shelter Insurance®
Sompo International
South Carolina Farm Bureau Mutual Insurance Company®
Southern Farm Bureau Casualty Insurance Company
State Auto Insurance Companies
State Farm Insurance Companies
Stillwater Insurance Group
Swiss Reinsurance Company Ltd
Texas Farm Bureau Insurance
The Travelers Companies, Inc.
United Auto
USAA
Virginia Farm Bureau Mutual Insurance
West Bend Mutual Insurance Company
Westfield
Zurich North America

Funding associations

American Property Casualty Insurance Association
National Association of Mutual Insurance Companies

**HLDI data providers
represent**



**of the U.S.
private passenger
auto market**

21st Century Insurance
Allstate Insurance Group
American Family Insurance
American National
Amica Mutual Insurance
Company
Auto Club Group
Automobile Insurers Bureau
of Massachusetts
CHUBB
COUNTRY Financial

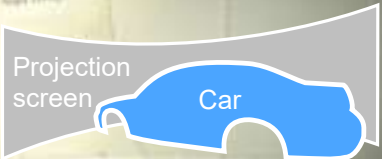
CSAA Insurance Group
Erie Insurance Group
Esurance
Farm Bureau Financial Services
Farm Bureau Insurance of
Tennessee
Farmers Insurance Group
Florida Farm Bureau Insurance
Companies
Foremost
GEICO Corporation

The Hanover Insurance Group
The Hartford
Kemper Corporation
Kentucky Farm Bureau Mutual
Insurance Companies
Liberty Mutual Insurance
MetLife
National General Insurance
Nationwide
NJM Insurance Group
PEMCO Mutual Insurance
Company

Plymouth Rock Assurance
Progressive Insurance
Rockingham Insurance
Safeco Insurance®
SECURA Insurance
Sentry Insurance
Shelter Insurance
State Farm Insurance
Companies
Texas Farm Bureau Insurance
The Travelers Companies, Inc.
USAA

Marijuana impairment





National Advanced Driving Simulator



**National Advanced
Driving Simulator**

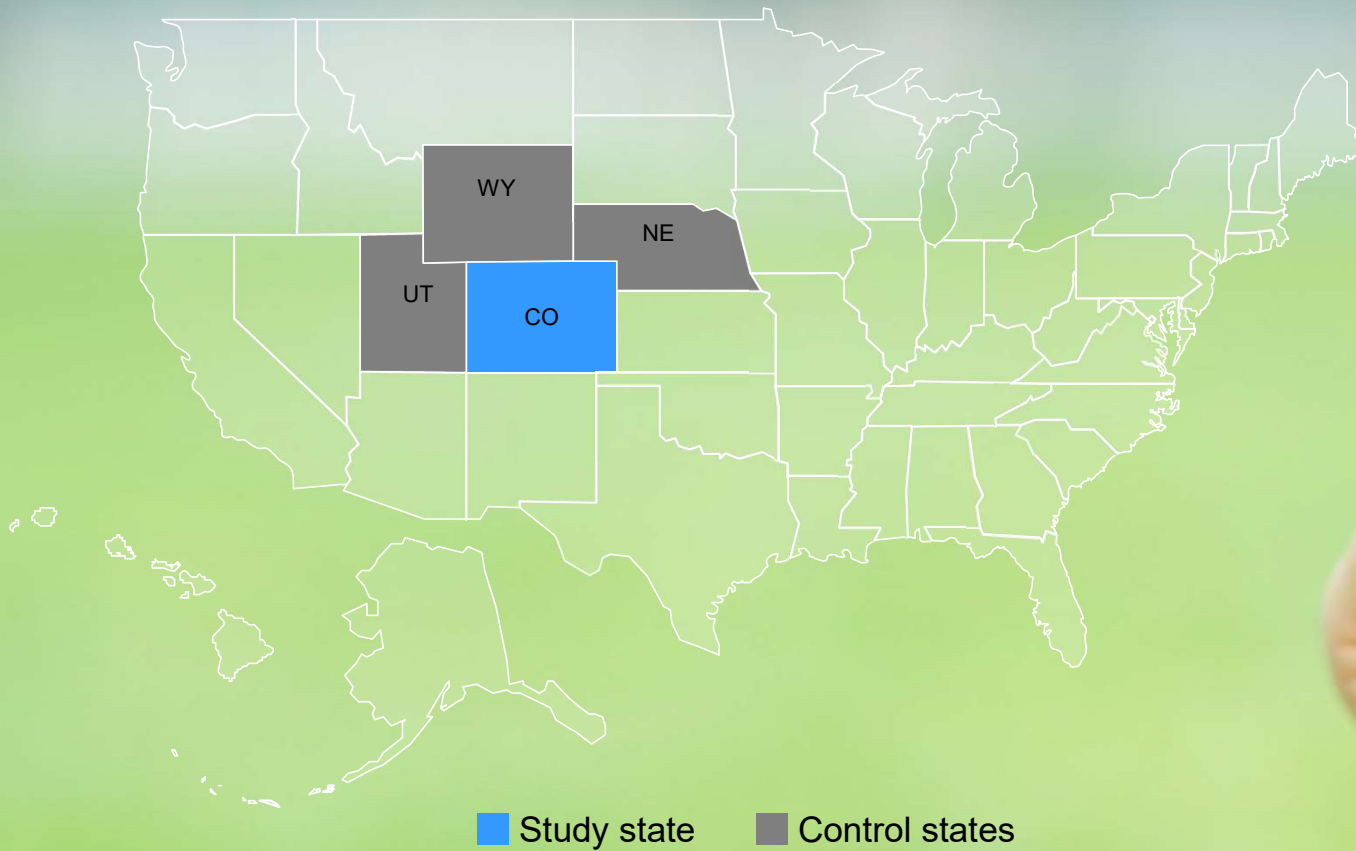
Changes in driving performance relative to placebo condition

measure	alcohol only (BAC = 0.05%)	marijuana only (THC = 5 ng/mL)	both
lane weaving	+7%	+4%	+11%
lane departures	+35%	no change	+35%
lateral acceleration	+10%	no change	+10%
speeding	+171%	no change	+104%
below speed limit	no change	+40%	+40%
speed variation	+8%	no change	+8%
following distance	no change	+4%	+4%

Effects of marijuana legalization on collision claims



Colorado evaluation



Monthly collision claim frequency over time, Jan. 2012–Dec. 2019

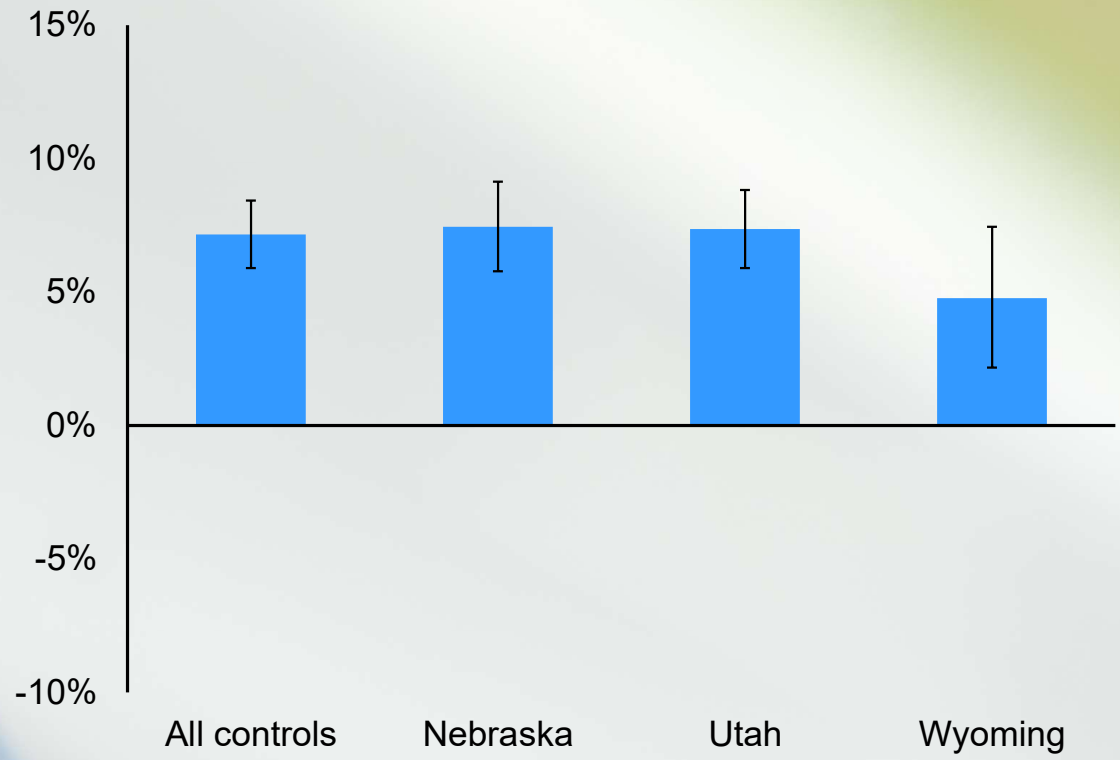
Colorado vs. control states (NE, UT, WY), for vehicles up to 33 years old





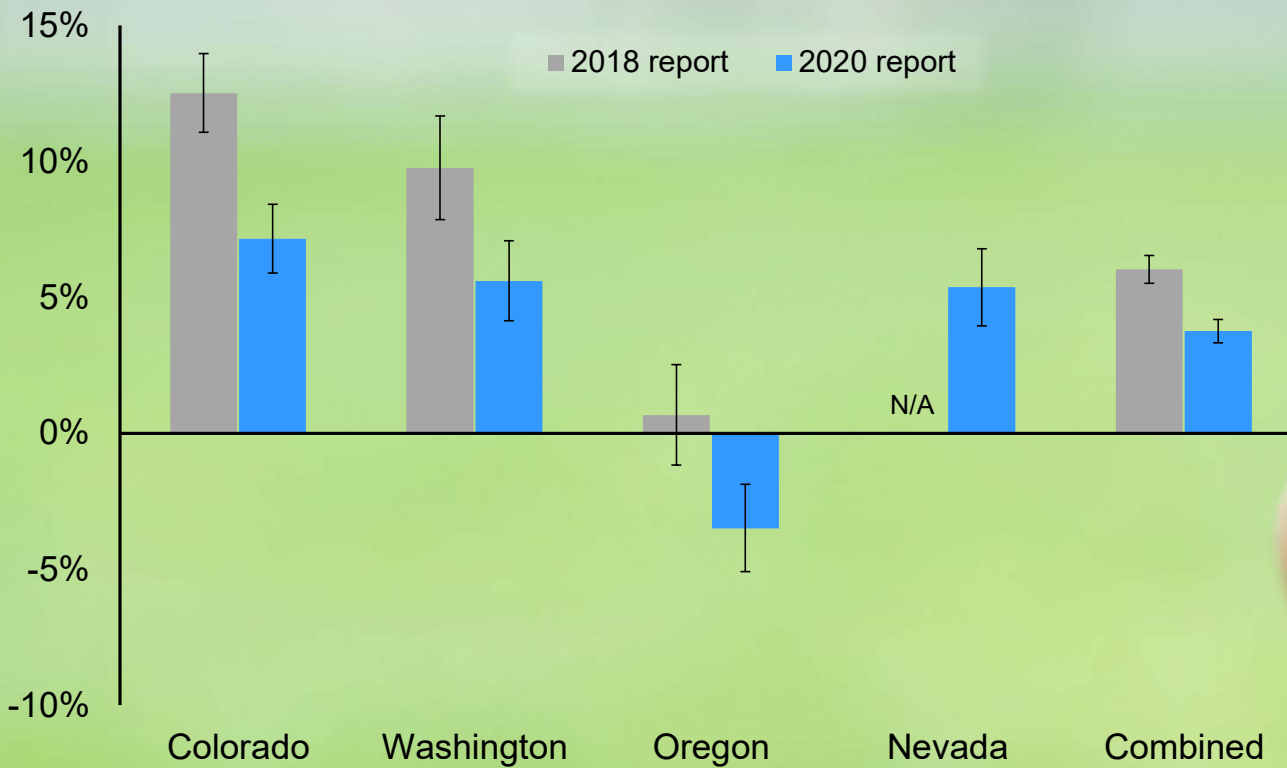
Changes in collision claim frequency associated with marijuana sales

Colorado vs. control states



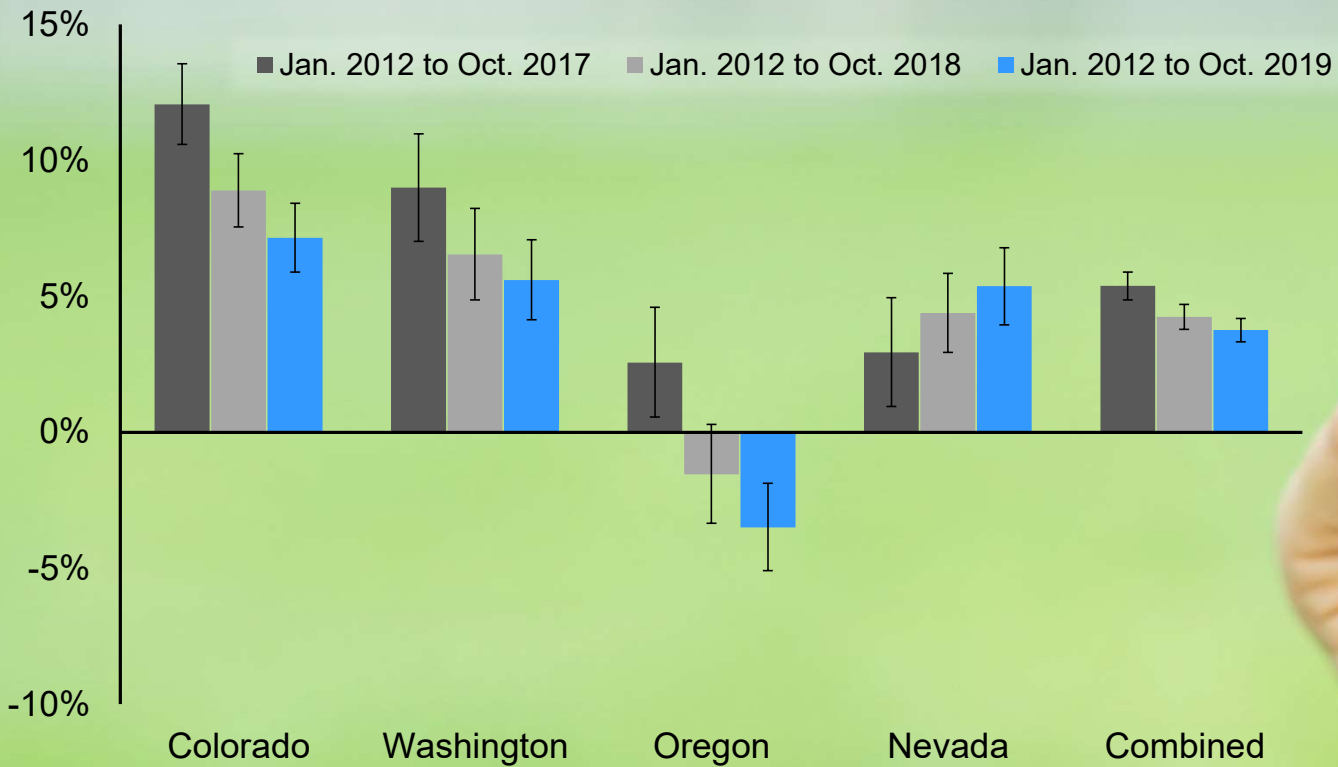
Changes in collision claim frequency associated with marijuana sales

2018 report and 2020 report



Changes in collision claim frequency associated with marijuana sales

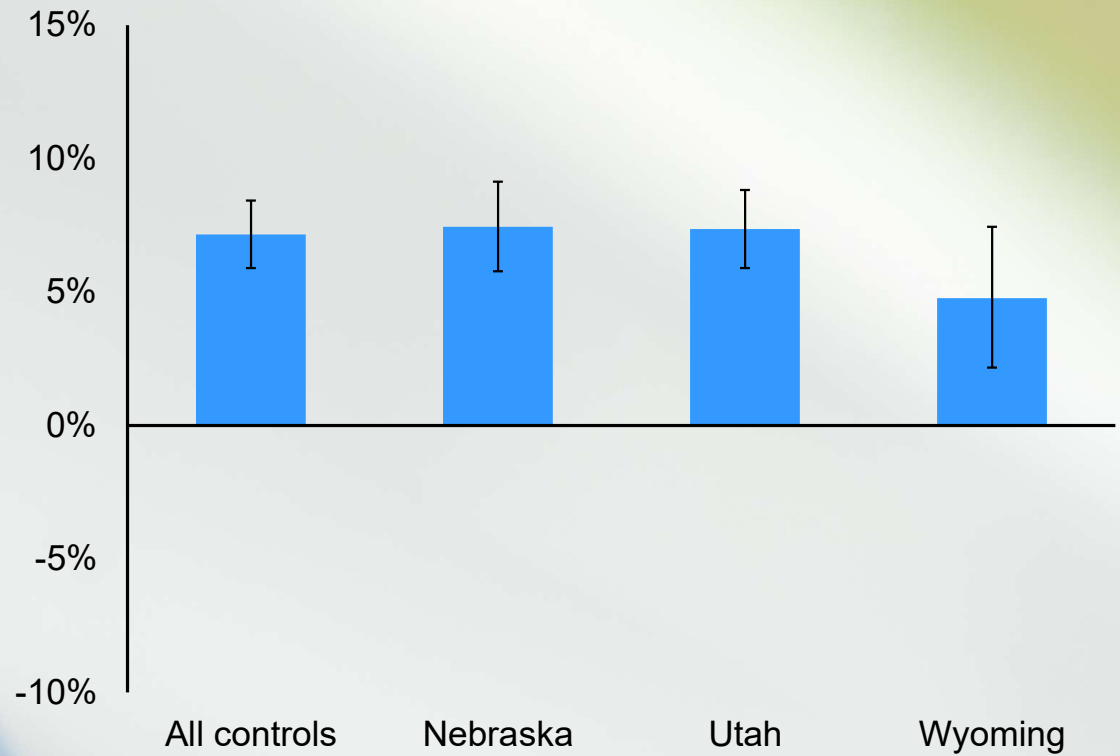
By time range





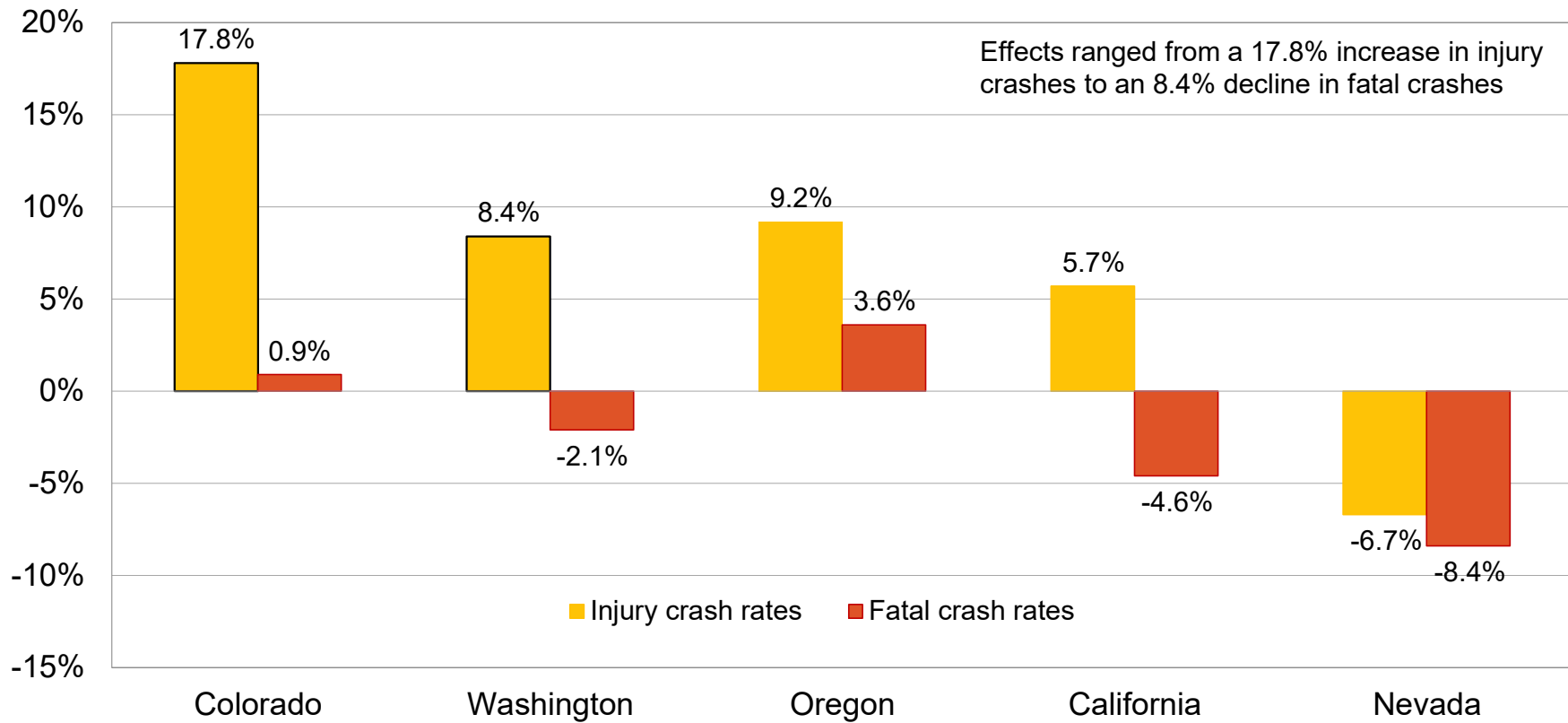
Changes in collision claim frequency associated with marijuana sales

Colorado vs. control states



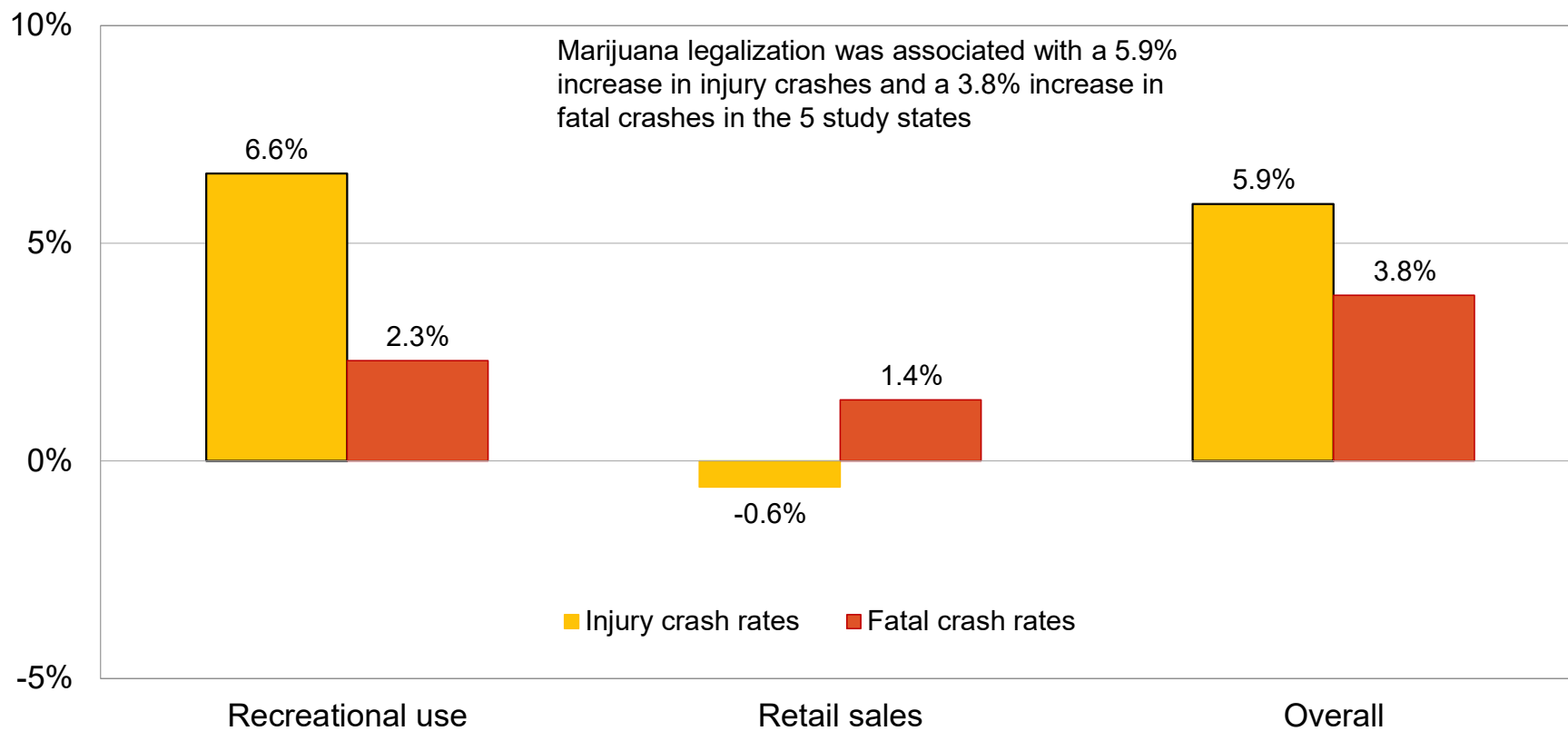
Changes in crash rates after legalized marijuana use and sales

By state



Changes in crash rates

Study states vs. comparison states

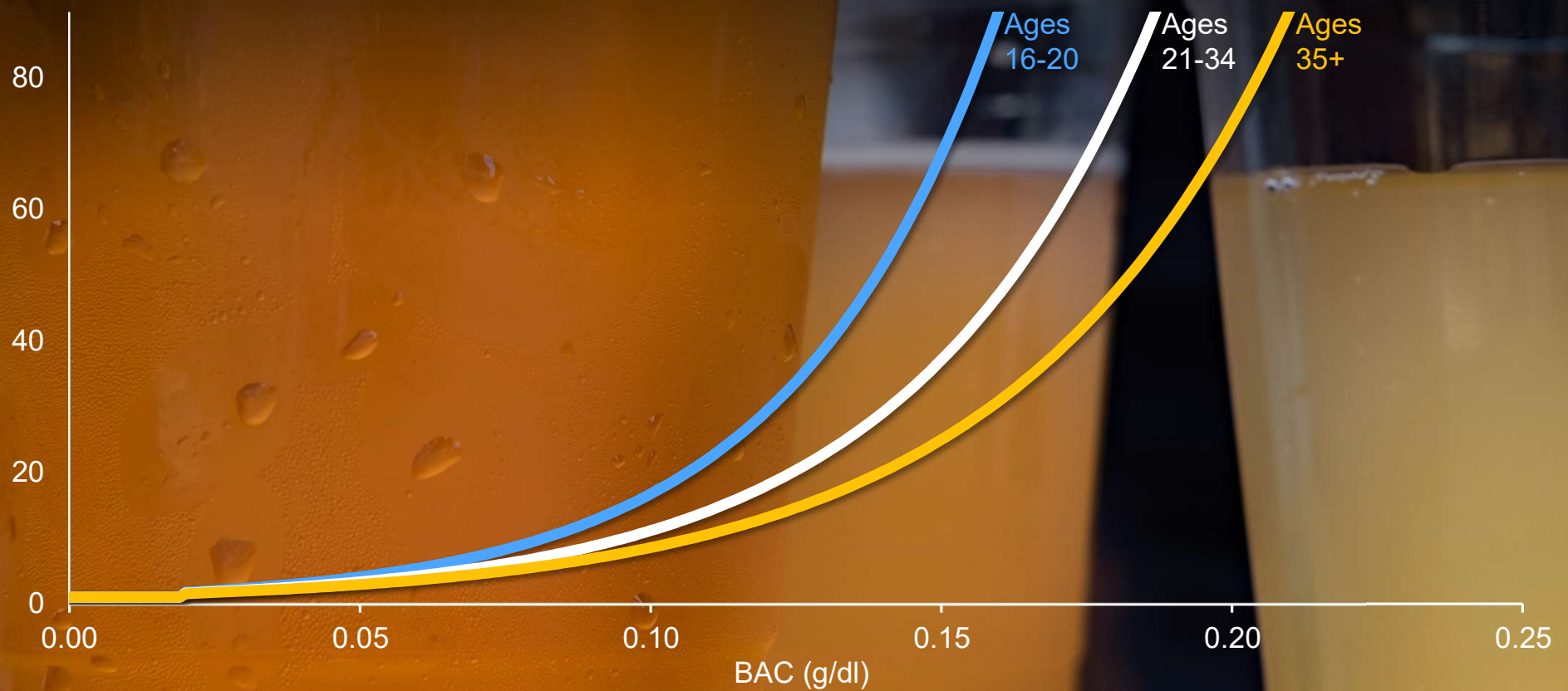


Marijuana and crash risk



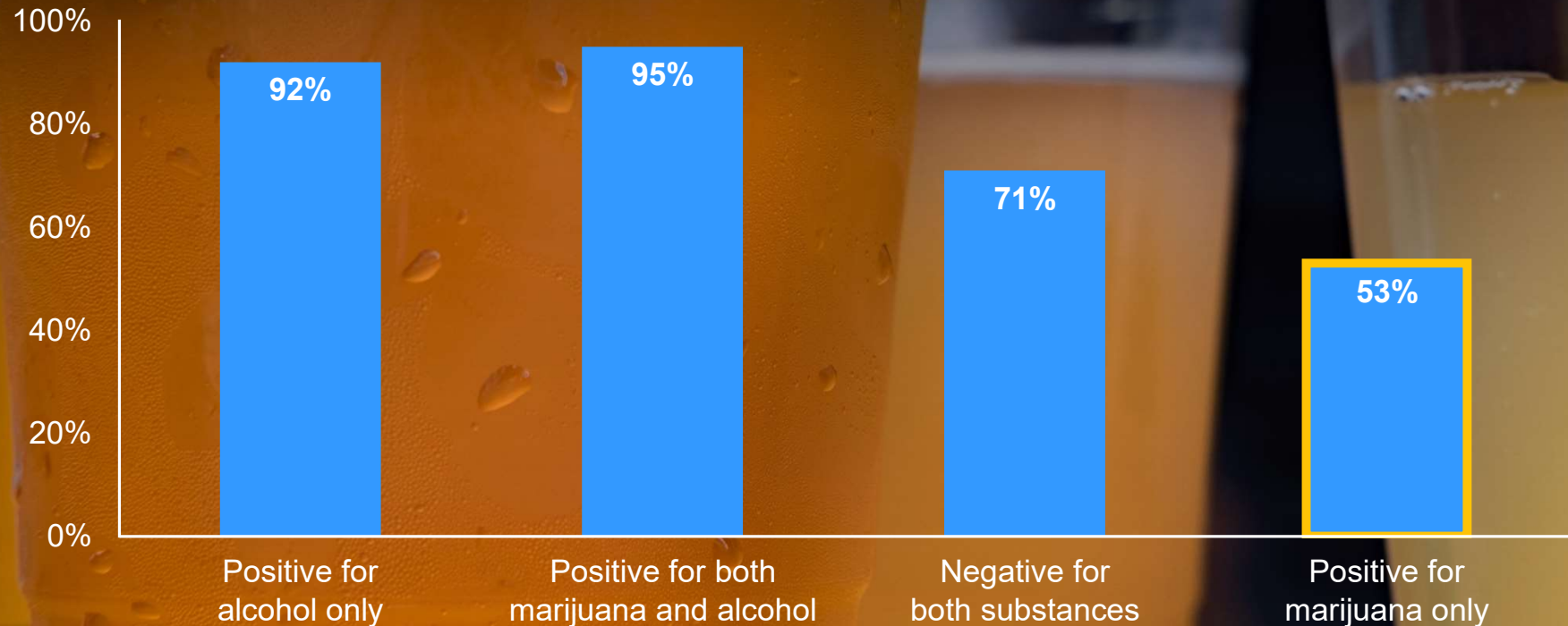
Relative risk of fatal crash involvement at various BACs compared to zero BAC

Passenger vehicle drivers by age (Voas et al., 2012)



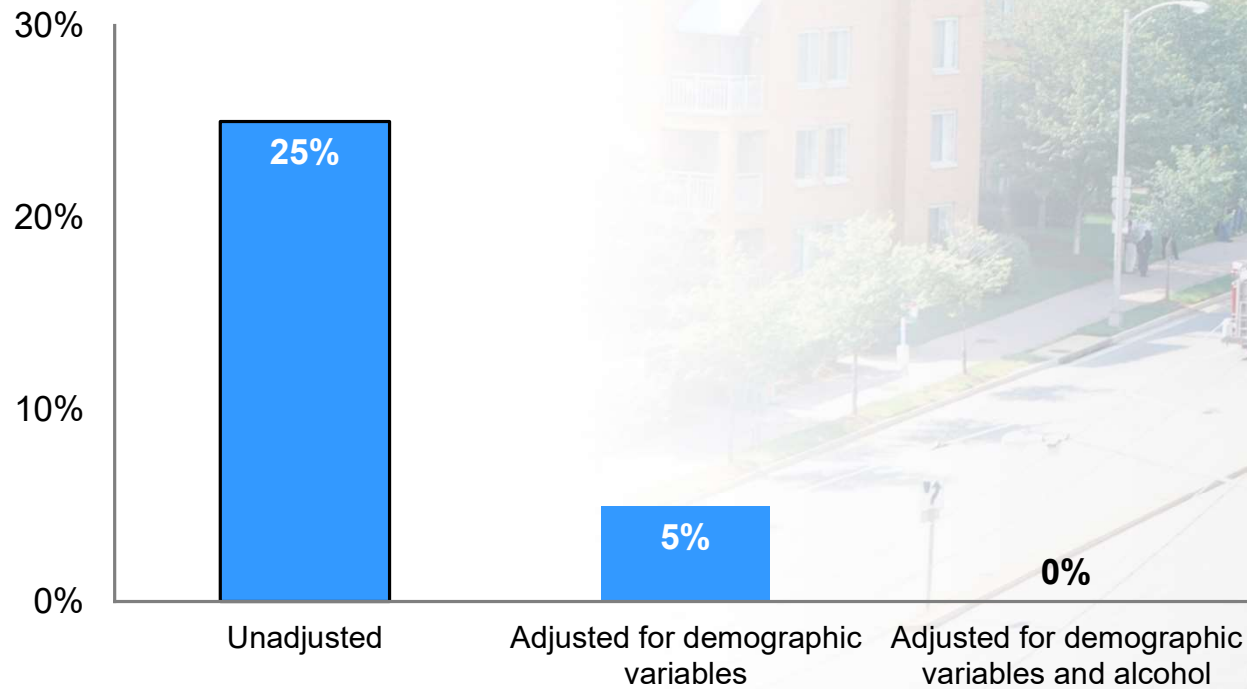
1985 study: Drivers killed in crashes were more likely to be responsible if they used alcohol, **but not marijuana alone**

Drivers who were responsible for their crashes



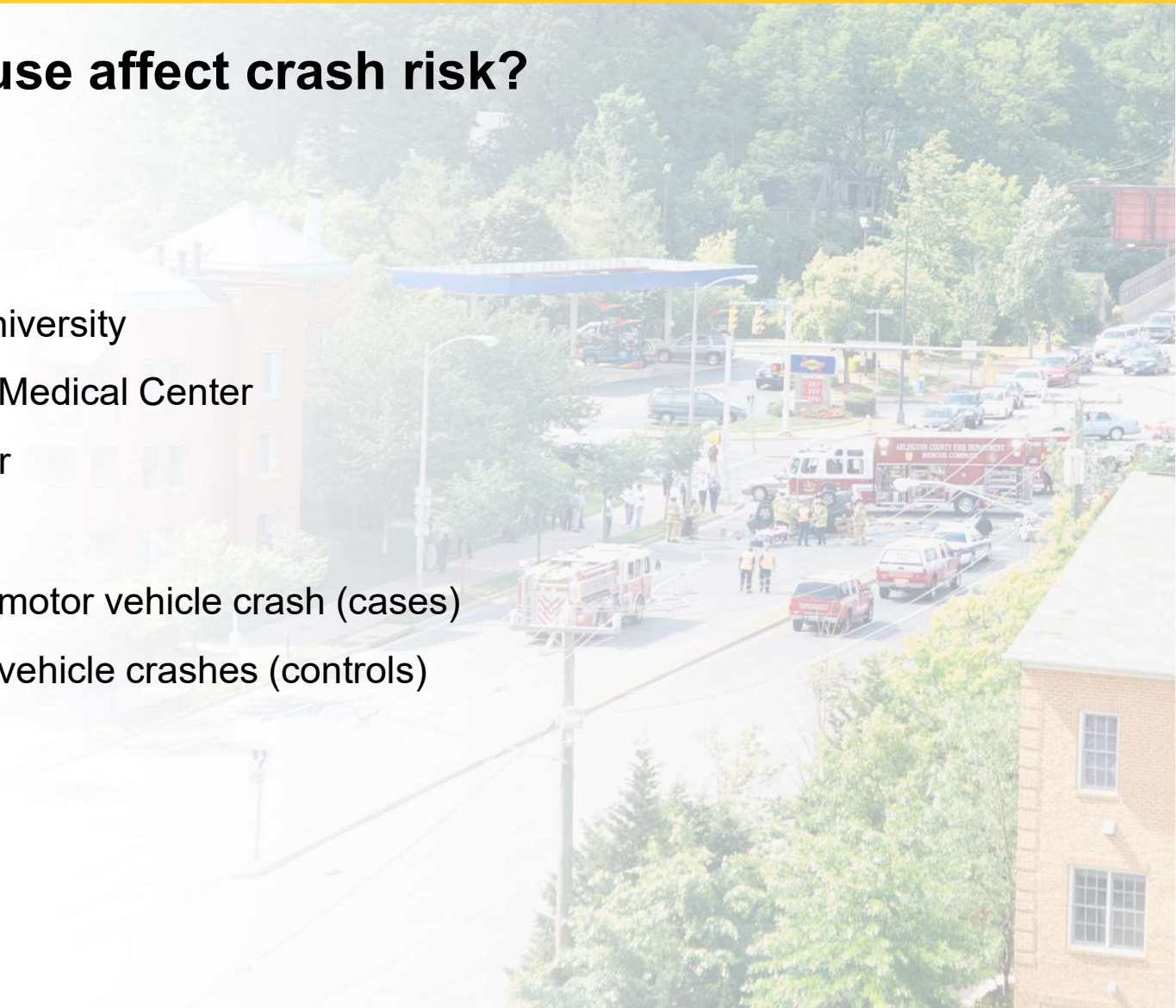
Federal study published in 2015 found no increase in crash risk associated with marijuana use

Increase in crash risk



How does marijuana use affect crash risk?

- ▶ Data collection sites
 - Oregon Health & Sciences University
 - University of California Davis Medical Center
 - Denver Health Medical Center
- ▶ Study participants
 - Injured drivers who were in a motor vehicle crash (cases)
 - Medical patients not in motor vehicle crashes (controls)
- ▶ Data collection
 - Blood and breath samples
 - Self-reported substance use

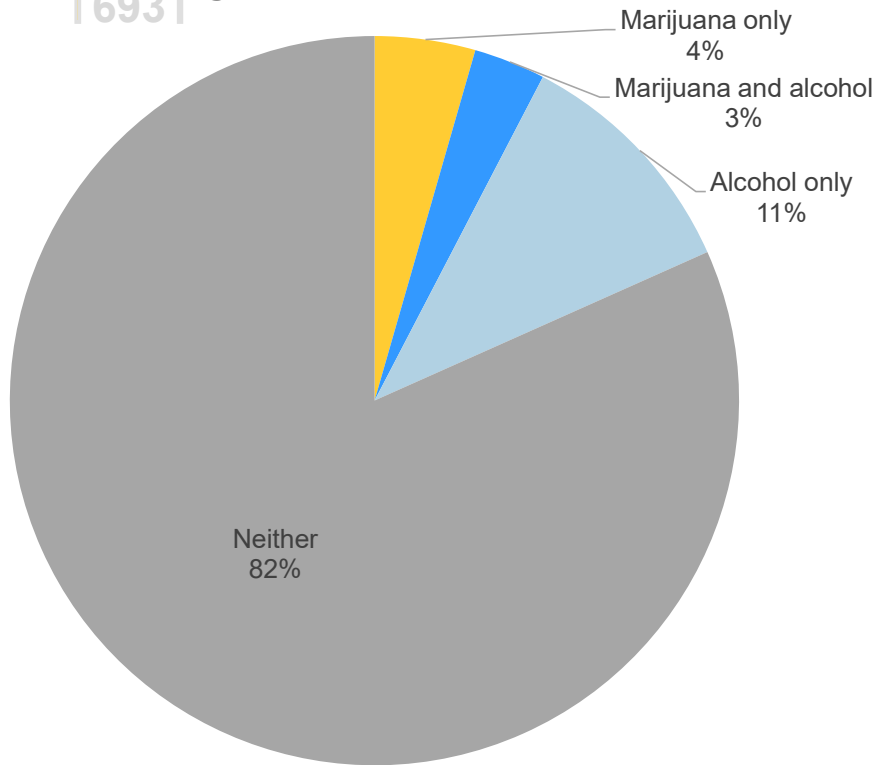


Self-reported substance use within 8 hours

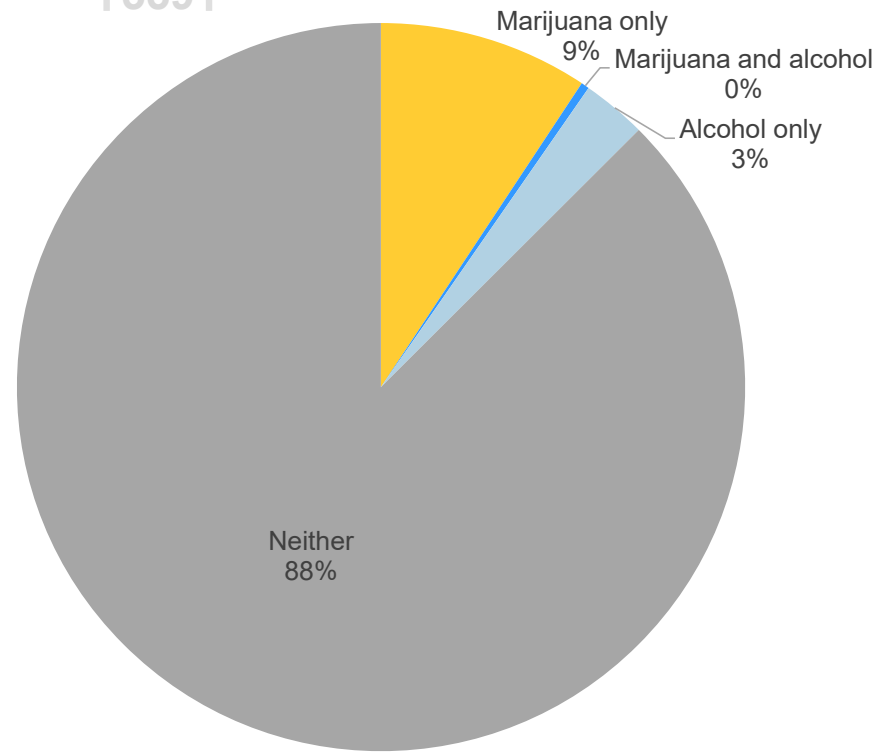
Crash cases vs. medical controls



Crashed drivers



Control drivers

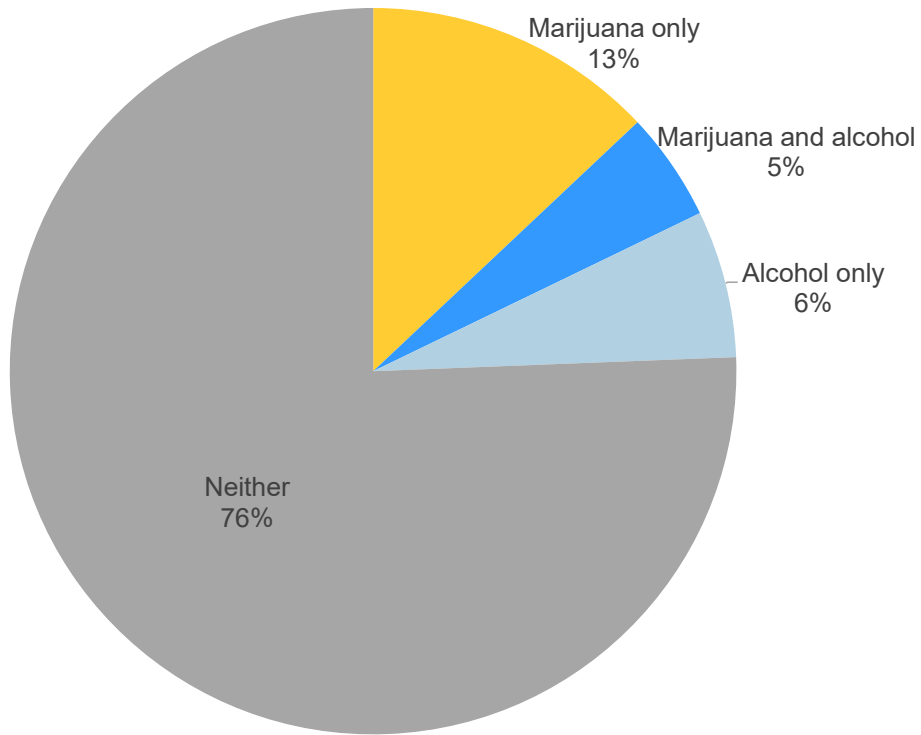


Lab results

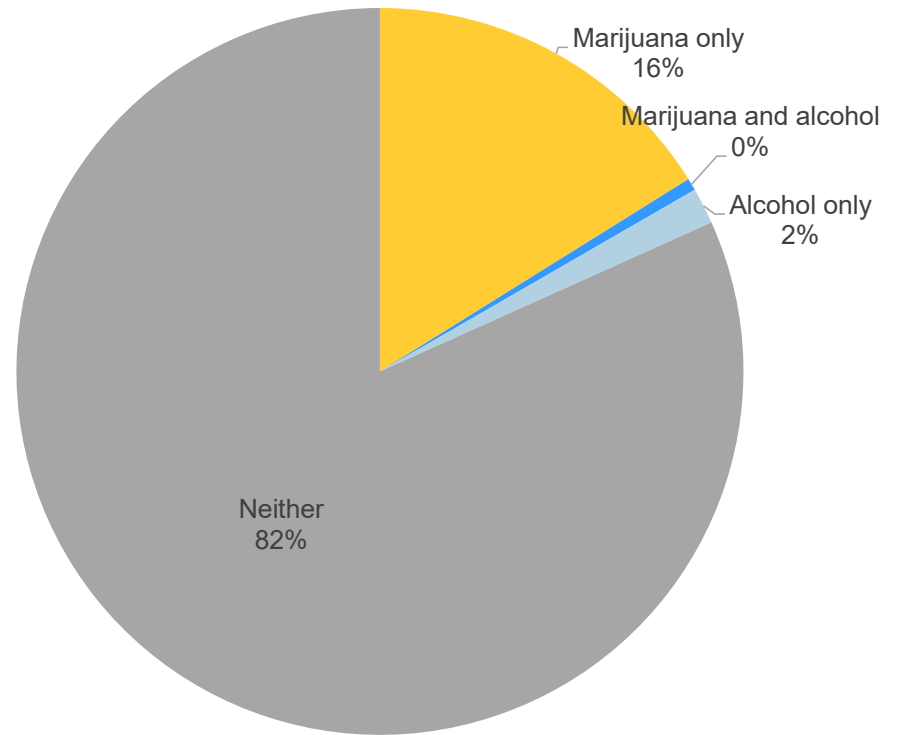
Crash cases vs. medical controls



Crashed drivers



Control drivers





Measuring marijuana impairment remains a challenge

Marijuana impairment

- ▶ Not defined by the amount of marijuana in the body
- ▶ No validated test of functional impairment
- ▶ Portable roadside devices for drug testing vary widely in their reliability and validity

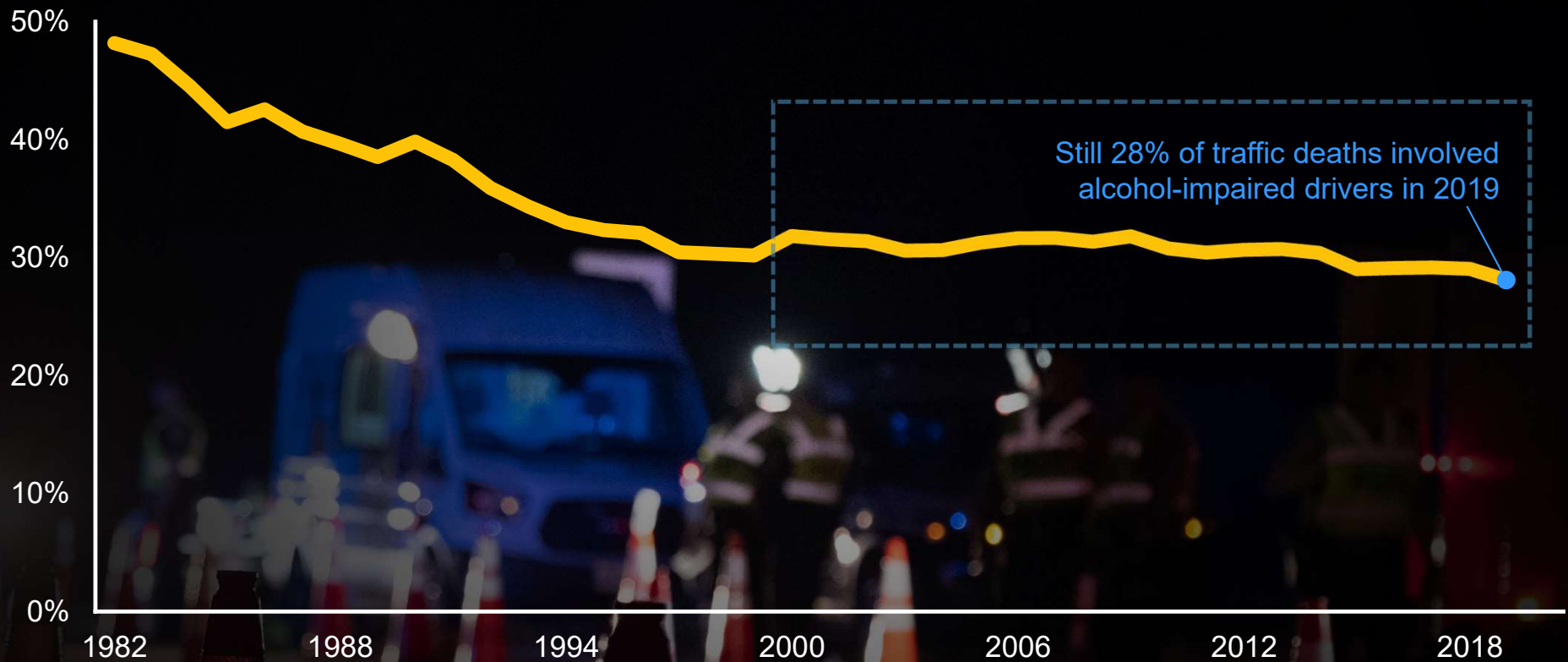
Alcohol impairment

- ▶ Predictable relationship between alcohol in the body and impairment
- ▶ Well-validated field sobriety test
- ▶ Federal government has established model specifications for portable and evidentiary breath testing devices

Percent of traffic deaths involving alcohol-impaired drivers, 1982–2019



Percent of traffic deaths involving alcohol-impaired drivers, 1982–2019



All passenger vehicle driver fatalities, 2015-19

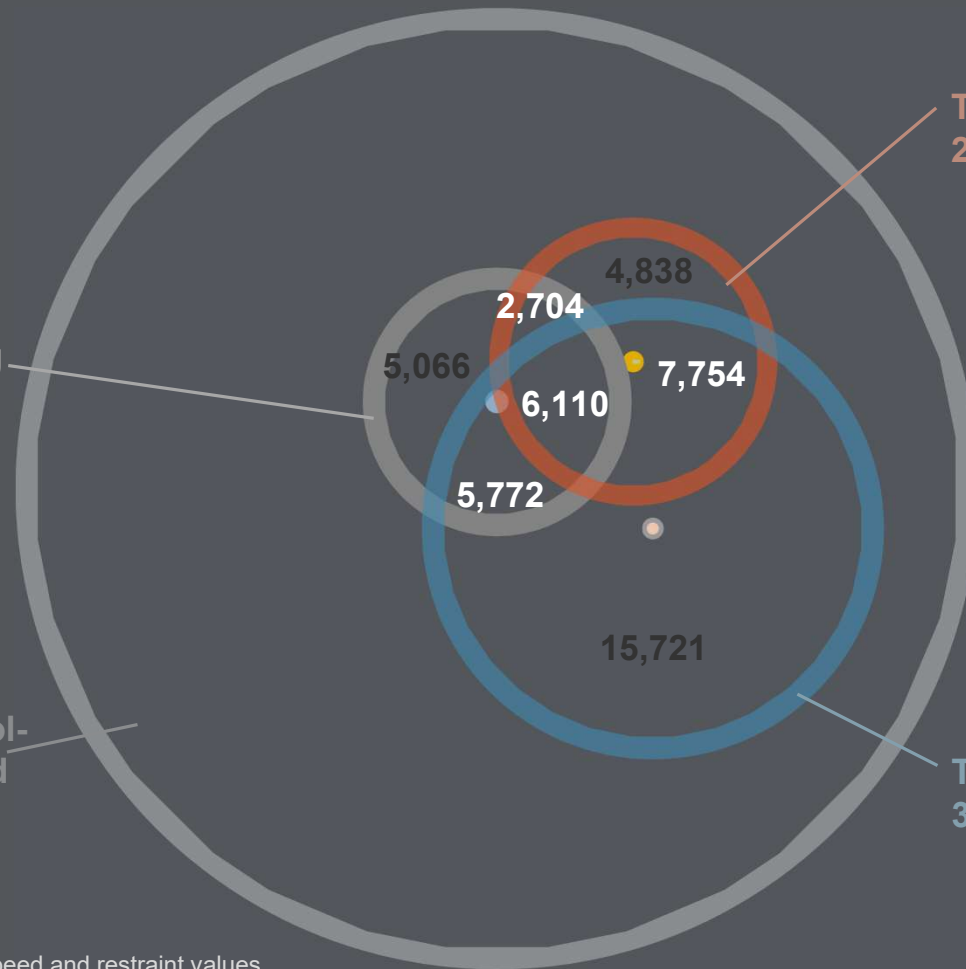
Total passenger vehicle driver fatalities
75,677

Total alcohol-impaired
21,406

Total speeding
19,652

Not speeding, alcohol-impaired, or unbelted
27,712

Total unbelted
35,357




*with known speed and restraint values

Insurance Institute for Highway Safety
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THANK YOU



Matt Moore
Senior Vice President
mmoore@hldi.org





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info@bdsa.com