



# The Marijuana Legalization Trend in the United States

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Potential Impact on Claims

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# Proprietary Notice



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# Importance of Changing Public Perceptions – 1930's



# Importance of Changing Public Perceptions – 1970's



# Importance of Changing Public Perceptions – 1980's



# “When I was a kid, I inhaled. Frequently. That was the point.” #44

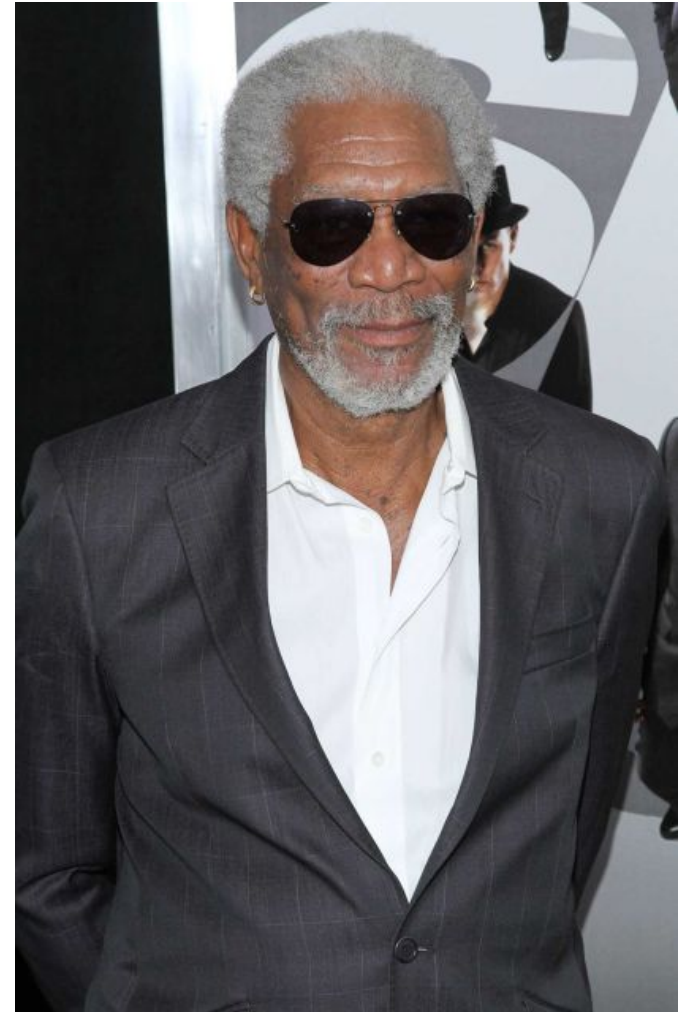


# Entertainers



Open about smoking while a student at Harvard

Proponent of legalizing and taxing marijuana



# Elite Athletes



Admitted to smoking in high school

Admitted to smoking in college







Supported legalization for recreational use in Washington

Admitted to smoking when he was younger





## Admitted to marijuana use



# Republicans



Admitted to smoking in graduate school

"Legalizing weed is no big deal."



# And a few more surprises...



Smoked marijuana in college

Rick Steves – “I have used cannabis all over the world”



# 10 diseases where medical marijuana may alleviate problematic symptoms



- AIDS/HIV (eating, sleeping, pain)
- Alzheimer's (weight gain, agitation)
- Arthritis (pain, sleep, inflammation)
- Asthma (studies are contradictory)
- Cancer (nausea prevention)
- Chronic pain (analgesic effect)
- Crohn's (pain relief, weight gain)
- Epilepsy (seizure reduction)
- Glaucoma (lower eye pressure)
- Multiple Sclerosis (spasms, pain)



- Canada will introduce a law to legalize recreational pot in 2017
- Health Minister said that Canadian law will ensure pot is kept away from children and keep criminals from profiting from its sale.

# You may not need to hold your breath much longer ...for the DEA



- Drug Enforcement Administration plans to decide whether marijuana should be reclassified under federal law in the first half of 2016



- 23 states plus DC
- Still in its infancy. 2014 \$2.7b in sales. WA = \$216M
- WA received 1,700 business applications to grow, process or sell (2013-2014)
- \$1.4b Industry expected to grow 10x in the next 4 years.
- Federal v State legality remains unresolved
- Industry needs banking and insurance services
- Tremendous potential upside
- **Identifying Potential Concerns with Unintended Coverage**





- Tracy v USAA
  - Affirmed federal prohibition and lack of insurability. Established precedent, now being challenged.
- \$150 - \$400/ounce
- Bodily Injury or property damage, policy language exclusions
  - ISO HO3, Section II, Exclusion #8:
    - “Bodily injury” or “property damage” arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. section 811 and 812. Controlled substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the lawful orders of a licensed physician.”
- Recommendations



- Increase in hash oil fires in CO
- Similar to meth lab explosions
- Increased property and liability exposures
- Covered?
  - Criminal act: no coverage
  - Like a DUI, it was an accident: covered



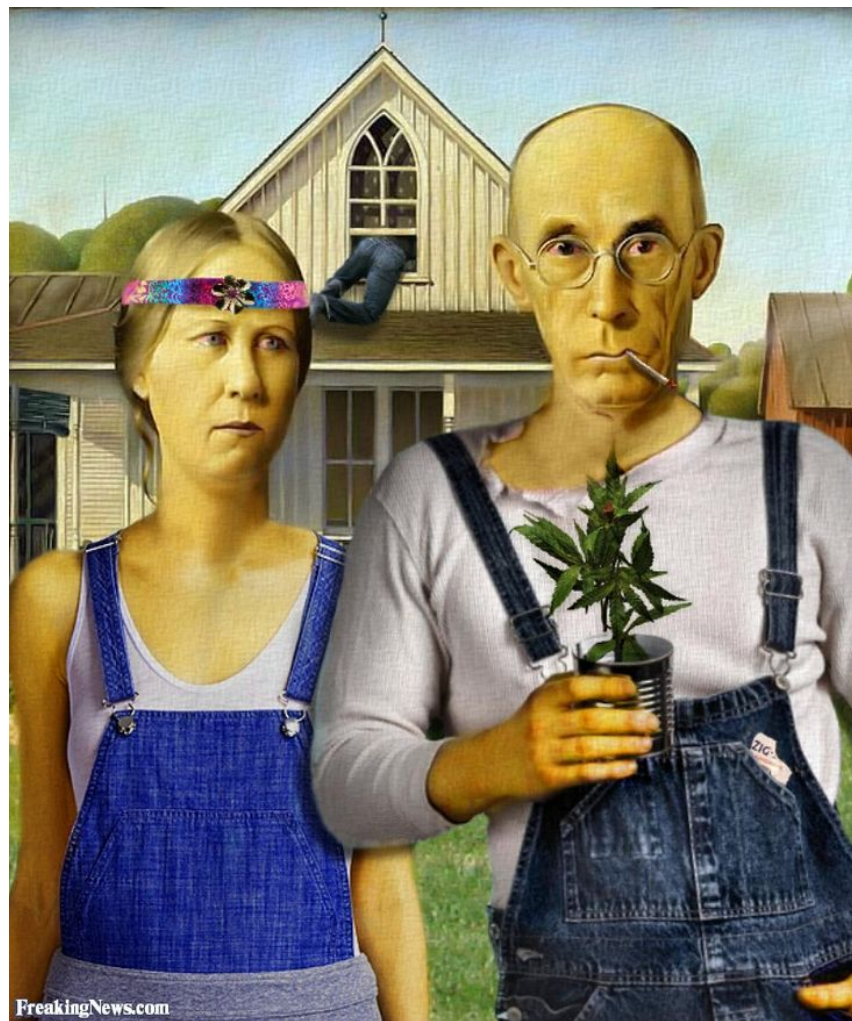
- Increased business liability exposures under BOP and GL?
- ISO Business Owners Form (BP 00 03 01 10) excludes “contraband.”
- Dram Shop Liability
- Product liability: Infusion and extraction operations
  - Uneven dosing resulting in adverse reactions
  - Trace pesticides or mold



- Increase in impaired driving
- DUID: State differences
- Preclusion of coverage?
- Coverage for custom furnishings?
- Liability for selling to individuals who cause injury or death?



# Farm and Personal Umbrella





- Coverage for trees, shrubs within 250 feet of a dwelling.
- Legally owned marijuana plants grown indoors?
- Farm liability similar to HO regarding controlled substance exclusion
- No exclusion for business pursuits regarding farming.
- Umbrella: Excludes liability for controlled substances.
- Consistency of underlying and umbrella policies



- Impact on increasing work place injuries?
- Medical marijuana recommendations to treat work injuries
- EPLI issues





- Significant business opportunities
- Unforeseen insurance exposures
- Coverage issues
- If/When marijuana is reclassified, exposures could become more significant.
- Increased claim frequency and severity?
- Consider underwriting and policy form approaches to prepare for both opportunities and exposures.



# Thank You



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