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DE PLUS CANADA

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Into the Weeds

Insurance Implications from a Specialty Lines Perspective
- **Laila Brabander**, Senior Vice President - Head of Claims and Corporate Underwriting Officer | Chubb Insurance Company of Canada

- **Sandra Gogal**, Partner | Miller Thomson LLP

- **Cory Verconich**, Senior Vice President | Marsh Canada Limited

- **Trevor McCann**, Partner | Clyde & Co Canada LLP
Terminology…

Your honor, weed is not a drug it is a plant. Therefore I am not a drug dealer, but a florist.

(image from pinterest.com)
Medical v. Recreational

(image from wikileaf.com/Cheech and Chong)
Retail and Distribution
Provincial Distribution Model
Cannabis Regulations

Six Classes of Licenses (with sub-classes) for production and sale of medical cannabis. Adult-use sales are subject to provincial laws. All licenses will require the appointment of key personnel - who can bind the license holder and will require a “Head of Security” (except licensees for analytical testing).

<table>
<thead>
<tr>
<th>License Type</th>
<th>Permitted Activities</th>
<th>Key Personnel</th>
<th>Sub Classes</th>
</tr>
</thead>
</table>
| Cultivation  | Possess or obtain dried cannabis, fresh cannabis, plants, seeds | Master Grower | Micro (up to 200 sqm of canopy area)  
Standard  
Nursery (restricted to cannabis seeds or plants) |
|              | Sell cannabis to specified license holders or persons authorized to sell under provincial acts. |               |             |
| Processing   | Possess or produce dried cannabis, oil, fresh cannabis, plants or seeds or accessories that may contain cannabis by means other than cultivating, propagating or harvesting it. | Quality Assurance Person | Micro (limited to processing up to 600 kg of dry cannabis per year or processing the production from 1 micro-cultivator operating at the same site)  
Standard |
|              | Sell cannabis to specified license holders or persons authorized to sell under provincial acts. |               |             |
## Cannabis Regulations

<table>
<thead>
<tr>
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<th>Permitted Activities</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Analytical Testing</td>
<td>Possess or obtain cannabis by altering its chemical or physical properties by any means (including the use of organic solvents)</td>
<td>Head of Laboratory</td>
<td>n/a</td>
</tr>
<tr>
<td>Sale</td>
<td>Possess and sell cannabis products to the Minister, other specified license holders or hospital employees.</td>
<td>n/a</td>
<td>Sale for medical purposes</td>
</tr>
<tr>
<td>Research</td>
<td>Possess, produce or transport cannabis for the purpose of research</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Cannabis Drug License</td>
<td>Possess cannabis and produce or sell a drug containing cannabis</td>
<td>Senior Person in Charge, Qualified Person in Charge</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Increased Security Clearance requirements: In addition to directors, officers, key personnel, key shareholders are subject to security clearances.

Recording of Key Investors: record keeping and disclosure requirements

Ability to introduce new genetics

Outdoor cultivation: Must prevent unauthorized access, physical barriers, visually monitoring.

More stringent packaging requirements: No hidden features designed to change appearance or surface area, packaging cannot emit or produce a scent or sound, no cut out windows in packaging, barcodes must be rectangular or contain no image or design, packaging must not have branding or images on the interior of the package, transparent and colorless covering of any cannabis container.
The Future of Cannabis

(images from thehustle.com/dreamstime.com)
Background on Cannabis Market

Base Market

Population of Adult Consumers × Annual Consumption Volume in Grams per Consumer × Price per Gram of Marijuana = $4.9B to $8.7B

Ancillary Market

Growers + Infused Product Makers + Testing Labs + Security = $12.7B to $22.6B

Potential Upside

Tourism Revenue + Business Taxes + License Fees + Paraphernalia = > $22.6B
Supply Chain for Production and Sales
Is this like anything else?
Compliance – What is expected
Litigation Risks

THE WORST DATA BREACHES OF 2015

ASHLEY MADISON

Ashley Madison, which caters to people who are already in relationships but still want to date, was not only hacked but blackmailed. The Impact Team claimed credit for the Ashley Madison database breach.

CONSEQUENCES:
- 37 million users’ financial records and personal information exposed.

TERMINATION OF EMPLOYMENT

To: John Smith

We regret to inform you that your employment is terminated on September 1.
Insurance: What is out there?
Future State of the Insurance Industry
• Brownlee LLP
• Dolden Wallace Folick LLP
• Merlin Underwriting Inc.
• Norton Rose Fulbright
• Zurich
CANNABIS: PERSPECTIVES EN MATIÈRE D’ASSURANCES SPÉCIALISÉES

Holiday Inn & Suites Montreal Centre-ville Ouest
1390, boulevard René-Lévesque Ouest, Montréal, Québec H3G 0E3

Mercredi 10 avril 2019
8h00 – 10h30


INSCRIPTION EN LIGNE

Nom: ____________________________________________________________
Compagnie: _____________________________________________________
Adresse: _________________________________________________________
Ville/Province/Code Postal: ________________________________________
Tél: __________________________ Courriel: ___________________________
Votre Investissement: ☐ Membre $35 CAD ☐ Non-membre $65 CAD
Carte de crédit: ☐ Visa ☐ Mastercard ☐ Amex
Card#: __________________________ Date d’exp: ______________________
Carte# Nom: ______________________________________________________
Signature: _________________________________________________________

Aucun remboursement ne sera effectué si la demande d’annulation est reçue dans les 48 heures avant l’événement. Si vous avez des besoins d’assistance ou des restrictions alimentaires (allergies alimentaires, gluten, kasher, végétarien), veuillez contacter PLUS. Nous ferons de notre mieux afin de répondre à vos restrictions alimentaires.

Modérateur
Sandra Gogal, Miller Thomson

Panélistes
Laila Brabander, Chubb
Trevor McCann, Clyde&Co Canada
Cory Verconich, Marsh
MERCI AUX COMMANDITAIRES 2019 DE PLUS CANADA

As of 3/7/19

Commanditaires nationaux

Allianz Global Corporate & Specialty
  Americas
  AXA XL
AXIS Reinsurance Company (Canada)
  Beazley Canada Ltd.
Berkshire Hathaway Specialty Insurance
  Charles Taylor Adjusting
  Chubb
  Clyde & Co Canada LLP
  CNA
ENCON Group Inc.
  FCL LLP
Gowling WLG (Canada) LLP
  Intact
Liberty Mutual Canada
  Sovereign Insurance
Strategic Underwriting Managers Inc.
Travelers Bond & Financial Products
Trisura Guarantee Insurance Company

Commanditaires or

Brownlee LLP
Dolden Wallace Folick LLP
Merlin Underwriting Inc.
Norton Rose Fulbright
Chapter C.E. Filing Form

(Send to PLUS at least 75 days prior to the program.)

PLUS Chapter: Montreal Submitted: ________________

Event Coordinator: Stephanie Blouin / Allie Pogue / Linda Bergeron Course Date: April 10, 2019

Course Title: Into the Weeds: Insurance Implications from a Specialty Lines Perspective

List States in which to File: 

Course Objectives:
The objective of the seminar is to explore the evolving cannabis industry from a regulator, legal and insurance perspective as a result of the legalization of recreational cannabis in Canada.

Brief Description:
With the recent legalization of Cannabis in Canada, the industry is evolving to keep pace with the associated risks of legalization and the continual adapting legal and market environment. This seminar will delve into the different implications from legal, financial and insurance perspectives as well as explore how insurance policies are touched as a result of the emerging cannabis industry.

Sandra Gogal – Miller Thomson - Moderator

Course Outline and duration of each segment:
Introduction – introduce topic and speakers (5 mins) ----
- Background on Cannabis Market (20 mins)
  o Overview of market size / Canadian growth industry
  o Global View: Healthcare Needs, Domestic, Recreational and Consumers
  o Insurance View: Insurance Needs
    ▪ What are they?
    ▪ Who are they (Shareholders, Companies)?

- Regulatory/U.S. "Not Illegal" Decriminalization/State/Provincial/municipal/ebibles (20 mins) ----
  o Legal View: Legislative disclosure and Legal challenges (consistency or lack thereof in international market, state to state, province to province)
- Insurance and Cannabis through the different lines (20 mins) ---Laila Brabander Chubb
  o Underwriting challenges (Specialty Lines and P&C Lines)
    ▪ Direct vs Indirect exposures
    ▪ Financial statements and disclosures
    ▪ Market Volatility
    ▪ BI/PD coverages
    ▪ No standard template
  o Different Policies that are impacted

- Claims and potential claims emerging through Cannabis risks (20 mins) ---Trevor McCann ----Clyde
  o A mix of old challenges and new
    ▪ Similarity to the para-pharmaceutical industry
    ▪ Product liability: new players and evolving regulations
    ▪ D&O and management liability (i.e. securities and public disclosures)
    ▪ Ancillary cannabis risks (i.e. condo and home insurance, EPL, hosts etc.)
    ▪ Full spectrum of needs and consequent claims in a growing market

- Conclusion – What now? (10 mins)
  o What are insured’s and insurer’s doing?
  o Where do we go from here

- Q&A – 15 mins

-Include 3-4 “take-away” items—what the attendee can expect to learn from this session.

Take Aways

- Legislative disclosure around the Cannabis industry
- Where can coverage be found?
- Where do we go from here