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Lloyd's of London Blazes Path into Canada's Budding Cannabis Industry

Lloyd's of London has authorized its syndicates to underwrite insurance for the cannabis industry in the newly-legalized Canadian market. As of October 17, 2018, the Canadian cannabis industry will become legal at the highest national level. As shown in a recent advisory bulletin to its syndicates, Lloyd's has determined that, subject to certain restrictions and guidelines, its syndicates will be able to work with the green-but-growing industry without running afoul of the UK's anti-money laundering laws.

Lloyd's will require a demonstrated understanding of the details of the Canadian Cannabis Act from the managing agent involved in each participating syndicate in order to ensure compliance with all local laws. The Lloyd's bulletin advises that participating syndicates will not be in violation of British anti-money laundering laws, which prohibit facilitating the acquisition, use, or control of criminal property. Cannabis is a Class B illegal drug under UK law.

A key point of emphasis for participating syndicates will be ensuring that insureds are not moving cannabis products into the United States, where cannabis remains illegal at the federal level. Although Lloyd's previously underwrote some aspects of the US cannabis industry, it backed out of the market due to concerns stemming from the conflict between US federal law (illegal) and state law (legal and/or decriminalized in some states).

The insurance industry's participation in the estimated \$12 billion North American cannabis industry is constantly evolving. Because of the United States' state-level approach to insurance regulation, some insurers have underwritten coverage for legal cannabis companies on a limited basis. This has mostly been limited to smaller and specialty insurers, while more prominent companies have stayed away from this market. Even this limited participation has been a boon for the industry, however, which has been almost entirely spurned by the federally-regulated banking industry.

Although there are few examples for guidance, the limited case law that has addressed coverage for the cannabis industry in the US has been positive for policyholders. In *Green Earth Wellness Ctr. LLC v. Atain Specialty Ins. Co.*,¹ for example, the court held that an insurer that knowingly contracts to insure a cannabis business cannot then cite public policy concerns as a basis to avoid its coverage obligations.

In short, the North American cannabis industry is under the influence of nearly constant flux. SDV will continue to monitor for updates impacting coverage in this growing and developing industry.

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¹ 163 F. Supp. 3d 821 (D. Colo. 2016).