

Commercial Property Insurance

What is Property Insurance, and What Does it Cover?

According to IRMI, Commercial Property Insurance is “an insurance policy for businesses and other organizations insuring against damage to their buildings and contents due to a covered cause of loss, such as a fire. The policy may also cover loss of income or increase in expenses resulting from the property damage. Commercial property policies may be written on standard or nonstandard forms. A commercial property policy covers loss to buildings, business personal property, equipment, inventory, betterments and improvements.

What is a Peril and What Property Policy Forms are Available to Cannabis Businesses?

A **Peril** is a cause of loss – typically, people think of wind, hail, and fire as being covered causes of loss. The types of perils a business is insured for will be listed on the declarations page and will be determined by the type of loss form purchased by the Insured business.

Basic Cause of Loss Forms are the most narrowly written form within the available property insurance policies. This type of property policy covers causes of loss for the following named perils: fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse and volcanic action. If the peril is not named as covered by the policy, then an Insured business will not have coverage for losses caused by that peril.

Broad Causes of Loss Form provides coverage only for losses caused by the perils specifically outlined and listed in the insurance policy. The broad form expands the basic property form to include specified risks as may be required by a specific type of cannabis business. This coverage may include damage from broken windows (think greenhouse) and water damage (think burst pipe at a grow). Theft may or may not be included in a broad cause of loss form.

Special Causes of Loss Form provides what is referred to as all-risks coverage. That is, coverage for loss from any cause except those specifically excluded. The special causes of loss form is undoubtedly broader than the Basic or Broad Forms.

What Exclusions are Likely Included in my Property Policy?

Exclusions depend on the policy form. Special cause of loss is the broadest policy form whereas Basic is the narrowest form of coverage. Typical exclusions include but are not limited to:

- Terrorism
- Pollution
- Viral and Bacterial Losses
- Product Liability

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What is Business Income (Interruption) Insurance, and is it Included in my Property Policy?

Business income interruption (BI) is triggered by a covered property loss resulting in property damage. If a covered building is damaged or equipment breaks down, the BI clause is triggered. This allows a business owner to file a claim giving them the BI loss reimbursement required to pay debt obligations, payroll expenses, rent and other expenses needed while repairing property or finding a new location in which to operate. When reviewing your BI terms, it's important to understand how the payout occurs and for how many months BI can be paid under your policy.

BI is typically included within a property policy; however, it is imperative when reviewing your cannabis commercial property policy you review the inclusion of BI and the limits of BI being offered by the carrier. Due to COVID, some cannabis insurance companies have reduced the BI limits available under their policy or removed BI entirely.

Which Property Definitions are Crucial for Cannabis Business Owners to Understand When Completing an Application?

Cannabis finished stock means finished marijuana stock and products containing marijuana and/or its derivatives. "Finished stock" does not include harvested cannabis material being dried or product not yet incorporated into a final product for retail sale nor does it mean Living Plant Material.

Living plant material includes marijuana seeds, immature marijuana seedlings, marijuana plants in the vegetative growth stage, and mature flowering plants rooted in growing medium.

Harvested Cannabis Material means mature marijuana plant material no longer in the growing medium. This material is likely in the process of being dried or includes any raw materials or products not yet finished stock.

Perishable cannabis inventory means cannabis finished stock required to be refrigerated or otherwise maintained under controlled conditions for its preservation. This stock is susceptible to loss or damage if the controlled conditions change, such as refrigeration failing.



**Let's talk about your insurance needs.
Contact a cannabis industry insurance expert today.**

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