KAUFMAN | DOLOWICH



Cannabis Services Reform Stalls, Insurance Thought Leadership

by Jonathan Isaacson, partner and Andrew Lipkowitz, attorney at Kaufman Dolowich & Voluck

The list of states in which marijuana is legal, either for medical or recreational purposes, is expected to continue to grow in 2020. Legislative efforts are expected to continue in New York and New Jersey, despite falling short the previous year, and in other states there are ballot-initiative campaigns aimed at legalizing recreational marijuana. However, at the federal level, efforts to revisit the status of marijuana under the Controlled Substances Act (CSA) have not made significant progress.

Currently, under the CSA, the cultivation, sale, distribution and possession of marijuana are illegal, irrespective of whether such activities are permitted under state law. This disparity in the legal status of marijuana at the state and federal levels, which has created uncertainty for businesses in the "legal" cannabis market, was dubbed the "marijuana policy gap" in a 2017 report by the Congressional Research Service.

The "marijuana policy gap" has caused some industries to hesitate to participate in legal marijuana markets, including the insurance industry. As a result, insurance options for marijuana-related businesses (MRBs) are limited to mostly smaller, specialized insurers and the excess and surplus lines market. Conversely, larger, admitted carriers have resisted entering the insurance market for MRBs. In addition, financial institutions that accept deposits or extend credit to MRBs, or provide other financial services, risk violating federal law, such as anti-money laundering regulations. As a result, MRBs have limited access to capital to fund their growing businesses.

© 2024 Kaufman Dolowich. All Rights Reserved. | www.kaufmandolowich.com