

7 Reasons Why Cannabis Dispensaries Need Product Liability Insurance

With the legalization of marijuana for medical and recreational use in a majority of states, the cannabis industry has seen significant growth in recent years. New cannabis dispensaries (retail shops) are popping up all the time. In many cases, these businesses are run by first-time business owners who may not be aware of all the risks that come with running a business. Furthermore, cannabis dispensary business have unique exposures beyond the traditional business risks.

While most retailers understand the need for liability insurance that covers them if someone has an accident on the premises, many don't fully understand the importance of product liability insurance for dispensaries. Here are some key reasons why product liability coverage is particularly important for cannabis dispensaries:



1. A Cannabis Dispensary's Products Are its Business

Cannabis dispensaries sell products that patients and customers take home to use. That means most of the issues for which a dispensary could be liable are related to the product and occur away from the business.

2. Dispensaries Can Be Liable for Products Under Their Control

Some dispensary owners think that if there is an issue with the product causing injury to a user, the liability falls with the grower or product manufacturer. The reality, however, is that like any retailer of products that are consumed through eating, drinking, vaping or smoking, changes may occur while the products are under the retailer's control. They may be contaminated by handling, bacteria, mold, or fungus may grow if the products are not stored properly.

3. Dispensaries Are the Main Point of Contact for Customers

If a customer is harmed by the product and decides to sue, the dispensary that sold the product is the first and most obvious place they usually come after. This is because the products sold by dispensaries are not typically well-recognized brands.

4. Product Testing Can Import Liability

Many growers test their products for insecticides, herbicides, fungicides, bacteria and traces of metal and other Substance that can be harmful if ingested - but some do not. And, this testing may not matter if proper chain of custody is not maintained. This is why many dispensaries independently test products they obtain from growers and manufacturers. This may help in defending against a liability claim, but it will not matter to a customer who has been harmed by the product, and the cannabis dispensary may still have a claim brought against it.



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5. Product Labeling and Advice from Employees Impacts product Liability

Sometimes products are mislabeled, either by the cultivator, processor, or distributor. In other cases, an employee could be advising a customer improperly and sell them a product that causes an adverse reaction. This can occur due to the marijuana itself, or other ingredients combined with the marijuana, such as ingredients in an edible that cause an allergic reaction.

6. Vertically Integrated Businesses Have Increased Liability

Many dispensaries make their own edibles or oils, and even grow their own strains. When a business is vertically integrated in this way, they are responsible for the product at every stage of the process, from seed to sale. While this provides the dispensary with more control over its products, it also increases the products liability for the business.

7. Product Liability Insurance Lets Dispensaries Focus on Growing Their Business

The biggest advantage of product liability insurance for the cannabis industry is the same as any other - peace of mind. Dispensaries need to be able to focus on their core business, which is why it pays to have product liability insurance in case a patient or customer is harmed by the product they sell. When a dispensary's products are covered, the insurer handles the claim, either settling or paying the legal fees to defend against it. The carrier brings expertise in how to address the claim, which lawyers to engage, and takes the burden off of the dispensary to manage the claim experience, leaving the business with one less thing to worry about.

- Assessing Cannabis Product Liability Risk

Not all cannabis product liability coverage is the same, and it's important to obtain quality coverage to properly address the exposures that dispensaries face. Worldwide Facilities represents experts in underwriting cannabis liability coverage. We routinely assess the risk of cannabis dispensaries to create customized policies based on the individual needs of dispensary owners.



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