

CANNABIS AND THE BUSINESS OF INSURANCE

BACKGROUND

Since 2014, many states have initiated the legalization of small amounts of cannabis. As of January 2020, 33 states including the District of Columbia have decriminalized, and in some cases, legalized cannabis for use by adults.

THE ISSUE

As individual states move toward legalizing marijuana for varying purposes, it remains against federal law to grow, sell, possess or use cannabis products. Participating in any part of the cannabis enterprise can lead to a host of federal violations, creating a conflict in authority. Concerned about compliance requirements, regulated financial institutions – **including insurance agencies, brokerages and companies** – have been reluctant to offer financial services to Cannabis-Related Legitimate Businesses or Service Providers (CRLBs).

Representatives Ed Perlmutter (D-CO) and Steve Stivers (R-OH) crafted legislation – the Secure and Fair Enforcement Banking Act (SAFE Banking Act) – to prevent regulatory punishment and protect businesses that provide financial services, including insurance, to cannabis institutions. For instance, such businesses lack access to loans, credit cards, lines of credits, bank accounts, insurance and secured armored trucks for transporting cash receipts. This limits all transactions to cash only, putting the businesses at risk to a host of criminal and money-laundering concerns. On September 25, 2019, the House of Representatives passed the SAFE Banking Act. If made into law, it would provide protection from federal interference for financial institutions and insurance carriers, agents, and brokers that choose to provide financial services to CRLBs. **Specifically, the SAFE Banking Act would provide a safe harbor for banks and those involved in the business of insurance by mitigating the legal risks associated with providing banking services to state-legalized cannabis businesses.**

Senators Cory Gardner (R-CO) and Jeff Merkley (D-OR) have introduced a pending companion bill. In December, Senator Mike Crapo (R-ID), chairman of the Senate Banking Committee, outlined a number of concerns that he hopes will be “thoughtfully addressed,” including “the high level potency of marijuana, marketing tactics to children, lack of research on marijuana’s effects and the need to prevent bad actors and cartels from using the banks to disguise ill-gotten cash to launder money into the financial system.”

OUR POSITION

The Council supports the SAFE Banking Act in the name of public safety. We remain hopeful that Chairman Crapo’s concerns can be addressed in a bipartisan way. As he said in December: “I’m looking to see whether we can thread the needle.” We think a strong effort to achieve that goal is merited.

ABOUT US

The Council of Insurance Agents & Brokers is the premier association for the top regional, national and international commercial insurance and employee benefits brokerage firms worldwide. Council members are market leaders who annually place 85 percent of U.S. commercial property/casualty insurance, and millions in employee benefits premiums.

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STATE CANNABIS PROGRAMS

