

DEPARTMENT OF INSURANCE

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**SENT VIA EMAIL**

April 20, 2018

I am writing to bring your attention to a change in the Trump administration's position on enforcing federal laws against cannabis businesses in states like California that legalized adult use of cannabis. I also write to encourage your company to file rates and forms for insurance products for the California cannabis industry and request your company to join the growing number of insurers that offer insurance for California cannabis businesses operating legally in the state.

The mission of the California Department of Insurance is "Insurance Protection for All Californians." We work with the insurance industry to promote a healthy insurance market that offers insurance products to meet the ever changing needs of Californians and California businesses. This includes making insurance available to the state licensed legal cannabis businesses in California.

The voters of the State of California enacted a law in 2016 to legalize adult recreational use of cannabis. Beginning in 2018, the State of California has implemented an exacting and comprehensive licensing regime for all facets of the cannabis supply chain. More details about this can be found at www.cannabis.ca.gov.

As Insurance Commissioner, I have worked this past year to increase the availability of insurance for the cannabis industry. My efforts have included convening meetings with senior executives of the insurance industry and cannabis industry, arranging for insurance executives to tour cannabis businesses with me, and holding the first in the nation public hearing on the availability of insurance for the cannabis industry. I also approved the first admitted insurance carrier in the nation to write cannabis insurance products in California last year.

Recently, President Trump abandoned Attorney General Jeff Sessions' policy on federal law enforcement with regard to the cannabis industry in states that legalized cannabis. According to United States Senator Cory Gardner and published accounts (see enclosed), President Trump has reversed his administration's cannabis enforcement policy and will refrain from using federal law enforcement against cannabis businesses legally operating in states that legalized cannabis.

Even prior to the most recent decision by President Trump, there have been no reported instances of federal prosecution of a cannabis business lawfully operating in a state that legalized cannabis. The recent decision by President Trump should reduce further the risk of federal prosecution of legal cannabis businesses and the insurers that provide them insurance.

I also wish to reiterate what I have shared with insurers previously — the Department of Insurance will process cannabis rate filings expeditiously and will not object to proposed rates that have a rational basis.

I again invite your company to take advantage of the tremendous market opportunity represented by the cannabis industry that currently has revenues of \$9 billion and is projected to grow to \$60 billion by 2027.

I look forward to the opportunity to work with you to increase the availability of insurance for the California cannabis industry.

If you have questions or require any additional information, please feel free to contact me or Camille Dixon, Director of Cannabis Insurance Policy, at the Department of Insurance at (916) 492-3537.

Sincerely,

A handwritten signature in black ink that reads "Dave Jones". The signature is written in a cursive, flowing style with a large, prominent "D" at the beginning.

DAVE JONES
Insurance Commissioner

Enclosure