



# SPECIALTY AGRICULTURE INSURANCE COMPANY OF MICHIGAN, INC.

## LICENSEE FINANCIAL RESPONSIBILITY AND MARIHUANA LIABILITY POLICY

(Master Policy - Claims Made Form)



THE INSURANCE APPLICATION, AS WELL AS THIS POLICY JACKET WITH THE LICENSEE FINANCIAL RESPONSIBILITY AND MARIHUANA LIABILITY POLICY FORM, DECLARATIONS PAGE AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETES THIS POLICY.

This is a Non-Assessable Claims-Made policy. The coverage under this policy is limited to liability for Claims made against an Insured which arise from Incidents that occur on or subsequent to the applicable Insured's Retroactive Date and prior to the expiration or termination of this policy (or the Insured's coverage hereunder), provided the Claim is first reported to the Company while the policy is in force.

# Licensee Financial Responsibility and Marihuana Liability Policy

## Table of Contents

	Page
Policy Declarations	1
Coverage	2
Who Is An Insured	3
Limits of Insurance	4
Conditions	4
Definitions	7

**DECLARATIONS**

**LICENSEE FINANCIAL RESPONSIBILITY AND MARIHUANA LIABILITY POLICY**

[INSERT SEPARATE DEC PAGE FORM]

## LICENSEE FINANCIAL RESPONSIBILITY AND MARIHUANA LIABILITY POLICY

Specialty Agriculture Insurance Company of Michigan, Inc.

Various provisions in this Policy define and restrict coverage. Insureds are encouraged to read the entire Policy carefully to understand their rights and duties and what is and is not covered. In consideration of the payment of the premium, in reliance upon the statements in the Insurance Application and Declarations made a part hereof, and subject to all of the terms of this Policy, Specialty Agriculture Insurance Company of Michigan, Inc. agrees with the Insured as follows:

Specialty Agriculture Insurance Company of Michigan, Inc.

### SECTION I -COVERAGES

#### A. Insuring Agreement.

The Company will pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as Damages because of a Bodily Injury to any person, caused by either an:

1. Adulteration Incident; or
2. GramShop Incident.

The Company shall have the sole right and duty to defend any Claim against the Insured seeking such Damages, even if the allegations of are groundless, false or fraudulent, and may make such investigation and settlement of any Claim as the Company, in its sole discretion, deems appropriate and expedient. To be covered, the Incident must:

1. take place and the Claim must be filed within the Coverage Territory;
2. first occur on or after the Retroactive Date of the Insured and prior to the earlier of the expiration date of the Policy Period or the Termination Date of the Insured; and
3. result in a Claim that is first made during the Policy Period and is reported to the Company as required by the Policy.

A Claim shall be deemed made on the date the Insured first reports it to the Company in accordance with the instructions in this Policy.

## B. Supplementary Payments

In addition to the Limit of Liability, the Company will pay with respect to any Claim covered under this Policy:

1. Defense Expenses.
2. The cost of bonds to release attachments, but only for bond amounts within the applicable limit of insurance. The Company does not have to furnish these bonds. All reasonable expenses incurred by the Insured at the Company's request to assist the Company in the investigation or defense of the Claim, including actual loss of earnings up to \$100 a day because of time off from work.
3. All costs taxed against the Insured in the Claim.
4. All interest on that portion of any judgment the Company owes that accrues after entry of the judgment and before the Company has paid, offered to pay, or deposited in court the part of the judgment that is within the applicable Limit of Liability.

These payments will not reduce the Limit of Liability under this Policy.

## C. Exclusions

This insurance DOES NOT APPLY to:

1. any applicable violation of any statute, ordinance or regulation; provided, however, this exclusion that not apply to conduct or activities that are compliant with the Michigan Medical Marihuana Laws.
2. Bodily Injury arising out of an Incident that first occurs (i) prior to the issuance of any required License, (ii) while any required License is suspended, or (iii) after any required License expires, is canceled or revoked.
3. Any obligation of the Insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.
4. Bodily Injury to an employee of the Insured or to the spouse, child, parent, brother or sister of that employee, arising out of and in the course of employment of the employee by the Insured.
5. Any Bodily Injury with respect to which other insurance is afforded to the Insured.

## SECTION II - WHO IS AN INSURED

- A. Subject to all applicable terms and conditions, the following parties shall qualify as an Insured under this Policy:
1. Named Insured.
  2. The members, partners, owners, stockholders, directors and officers of a Named Insured, but only with respect to their applicable duties and/or liability arising out of the business of the Named Insured covered under this Policy.
  3. Employees of a Named Insured, but only for acts within the scope of their employment.

## SECTION III -LIMITS OF INSURANCE

- A. Coverage under this Policy for Adulteration Incidents and GramShop Incidents is separate and distinct, including with respect to the applicable limits of the Company's liability, and in no circumstances will the limit of liability for Adulteration Incident apply to a Claim related to a GramShop Incident or vice versa, nor shall the limits of liability ever stack such that both apply to a single Claim unless such Claim involves allegations of both an Adulteration Incident and a GramShop Incident.
- B. The Per Adulteration Incident limit stated in the Declarations is the most the Company will pay in Damages arising out of any one Adulteration Incident, regardless of the number of Claims, claimants or Insureds involved.
- C. The Per GramShop Incident limit stated in the Declarations is the most the Company will pay in Damages arising out of any one GramShop Incident, regardless of the number of Claims, claimants or Insureds involved
- D. The Aggregate limits stated in the Declarations is the most the Company will pay in Damages during the Policy Period (including any shorter period resulting from a later effective date or earlier termination date for an Insured) in Damages for all Adulteration Incidents or GramShop Incidents, as applicable, covered under this Policy involving a particular Insured.

- E. The Per Incident and Aggregate Limit of Liability stated herein shall apply separately to each Named Insured. All Individual Insureds affiliated with the Named Insured shall share in the Limit of Liability of the affiliated Named Insured.
- F. In the event the Aggregate Limit of Liability is exhausted for a Named Insured, the Named Insured shall have the option of reinstating a new Aggregate Limit of Liability by paying the additional premium determined by the Company. The reinstated Aggregate Limit of Liability shall be the same as the expiring limit and shall only apply to Incidents occurring on or after the applicable date of reinstatement, as specified by the Company.

Specialty Agriculture Insurance Company of Michigan, Inc.

#### SECTION IV - CONDITIONS

- A. Duties in the Event of Incident or Claim
  - 1. An Insured must notify the Company promptly as soon as the Insured becomes aware of any Incident which may result in a Claim. Notice should include how, when and where the Incident occurred and the names and addresses of any injured persons and witnesses. All notices should be sent to the Company at the following address:

Specialty Agriculture Insurance Company of Michigan, Inc.  
1600 E Beltline Ave NE, Suite 211  
Grand Rapids, MI 49525

With copy to:

Scott D. Geromette, Esq.  
Honigman LLP  
2290 First National Building  
660 Woodward Avenue  
Detroit, MI 48226-3506
  - 2. If a Claim is made against any Insured, the Insured must give the Company prompt written notice of the Claim.
  - 3. The Insured must:
    - (a) immediately send the Company copies of any demands, notices, summonses or legal papers received in connection with the Claim;
    - (b) authorize the Company to obtain records and other information;

- (c) cooperate with the Company in the investigation, settlement or defense of the Claim, including but not limited to the prosecution of an appeal from an adverse judgment against an Insured; and
  - (d) assist the Company, upon the Company's request, in the enforcement of any right against any person or organization which may be liable to the Insured because of an Incident to which this insurance may also apply.
- 4. It is the Insured's duty to cooperate with the Company in the investigation, settlement, or defense of a Claim, including but not limited to the prosecution of an appeal from an adverse judgment against the Insured, shall continue until the Claim, including any appellate proceedings, is finally concluded; the Insured may not, without the Company's consent, assign any rights the Insured may have against the Company with respect to the investigation, settlement or defense of a "suit" for which the Insured claims the Company is obligated to indemnify the Insured, until all appellate proceedings are concluded or until the Company notifies the Insured that the Company will no longer pay the costs of such defense or appeal.
- 5. The Insured will not, except at the Insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, without the Company's consent.
- 6. The Company will notify the applicable Named Insured within twenty days of any judgment or settlement paid under this Policy.

**B. Legal Action Against the Company**

- 1. No person or organization has a right under this Policy:
  - (a) to join the Company as a party or otherwise bring the Company into a Claim asking for Damages from an Insured; or
  - (b) to sue the Company on this Policy unless all of its terms have been fully complied with.
- 2. A person or organization may sue the Company to recover on an agreed settlement or on a final judgment against an Insured obtained after an actual trial; but the Company will not be liable for Damages that are not payable under the terms of this Policy and/or that are in excess of the applicable Limit of Liability. An agreed settlement means a settlement and release of liability signed by the Company, the Insured and the claimant or the claimant's legal representative.
- 3. The rights and obligations of the Company under this Policy shall be determined in accordance with the laws of the State of Michigan

**C. Other Insurance**



If other valid and collectible insurance is available to the Insured for a Claim or any Damages covered under this Policy, the Company's obligations are limited as follows:

1. Excess Insurance - The insurance provided under this Policy is excess over any other valid and collectible insurance or self-insurance, including any deductible or retention portion of that insurance.
2. Method of Sharing - If the other insurance also specifies that it is excess over any other valid and collectible insurance and the insurers are required to contribute to the defense of the Claim, then the Company will contribute by limits. Under this method, each insurer's share of obligation for costs is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all involved insurers.

D. Premium Audit and Inspection

1. The Company will compute the premiums for this Policy in accordance with its rules and rates.
2. The Company shall be permitted but not obligated to inspect the Insured's premises at any time. Neither the Company's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the Insured or any other person, to determine or warrant that such property or operations are safe or healthful or are in compliance with any law, rule or regulation.

E. Representations

By accepting this Policy, the Insured agrees that:

1. The statements in the Declarations are accurate and complete;
2. Those statements are based upon representations made by the Insured or on the Insured's behalf in the application for Licensee Financial Responsibility and Marihuana Liability Coverage and otherwise; and
3. The Company has issued this Policy in reliance upon the representations made by the Insured or on the Insured's behalf. These representations are a condition precedent to issuance of the Policy and the Company shall have the right to void this Policy in which case the Company shall have no obligation under this Policy if those representations are false or materially incomplete.

F. Separation of Insureds

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to the Named Insured, this insurance applies:

1. As if each Insured were the only Insured under the Policy; and
2. Separately to each Insured against whom a Claim is made.

G. Transfer of Rights of Recovery Against Others to Us

If the Insured has any rights to recover all or part of any payment the Company has made under this Policy, those rights are transferred to the Company. The Insured must do nothing after loss to impair such rights. At the Company's request, the Insured will bring a claim or transfer those rights to the Company and help the Company enforce them.

H. Cancellation

1. The Named Insured may cancel its coverage (as well as coverage of all affiliated Individual Insureds) under this Policy by mailing or delivering to the Company written notice of cancellation, in advance of the requested date of cancellation.
2. The Company may cancel this Policy by mailing to the Named Insured at the address designated in the Policy, written notice of cancellation:
  - (a) at least 10 days prior to the effective date of cancellation, if cancellation is for nonpayment of premium for this policy or for any previous policy issued by the Company to the Named Insured or for failure to provide the Company with information sufficient to calculate a premium due under a prior policy issued by the Company.
  - (b) at least 60 days prior to the effective date of cancellation in all cases except as set forth in 3 below.
3. This Policy and the coverage provided hereunder shall be automatically cancelled without further notice to the Insured if the License for the Named Insured is revoked or the Insured ceases for any reason to hold a valid License.

I. Renewal

1. This Policy will NOT be automatically renewed. If the Insured wants to renew or continue this Policy, the Insured may be required to provide additional information to the Company, which could include a completed application, and pay the required Deposit Premium to the Company before the end of the Policy period shown in the Declarations.
2. If the Company decides not to renew or continue this Policy, the Company will mail notice to the Named Insured at the address designated in the Schedule of Named Insureds at least 60 days before the end of the Policy Period.

J. Bankruptcy

Bankruptcy or insolvency of the Insured or of the Insured's estate will not relieve the Company of its obligations under this Policy.

SECTION V - DEFINITIONS

- A. “Adulterated Marihuana” means a product sold as Marihuana that contains any unintended substance, chemical or biological matter other than Marihuana that causes adverse reaction after ingestion or consumption.
- B. “Adulteration Incident” means all Bodily Injury sustained by a Lawful User resulting from the manufacture, distribution, transportation or sale of Adulterated Marihuana or Adulterated Marihuana-Infused Product. All Bodily Injury sustained by a single Lawful User shall be treated as a single Incident under this Policy unless and until it is established that the Bodily Injury resulted from a distinct Adulterated Marihuana or Adulterated Marihuana-Infused Product from the prior or subsequent Bodily Injury.
- C. “Bodily Injury” means injury, sickness or disease sustained by a person as a result of an Incident, including death resulting from any of these at any time. Bodily Injury shall not include the expected or intended effect or long-term adverse effect of smoking, ingestion, or consumption of Marihuana or Marihuana-Infused Product.
- D. “Claim” means any lawsuit in which Damages are sought because of Incident to which this insurance applies. Claim may also include, at the Company’s discretion, a written demand for Damages if the demand is likely to lead to a lawsuit being filed in the future. Claim does not include any proceeding or any lawsuit where injunctive relief or relief for other than money Damages is the only relief sought.
- E. “Company” means Specialty Agriculture Insurance Company of Michigan, Inc.
- F. “Coverage Territory” means the State of Michigan.
- G. “Damages” means all monetary sums which the Insured is legally obligated to pay as a result of a covered Claim, including judgments, awards and settlements entered into with the Company’s prior written consent. Damages do not include fines, penalties or taxes, punitive, exemplary, doubled, trebled or multiplied amounts, or the refund, restitution or disgorgement of sums paid to or earned by the Insured.
- H. “Defense Expenses” mean all reasonable fees, costs and expenses incurred by the Company on the Insured’s behalf to investigate and defend a Claim, including, but not limited to, attorney fees, filing fees, expert witness fees and disbursements.
- I. “GramShop Incident” means all Bodily Injury sustained as a result of a Named Insured licensee, either directly or by a clerk, agent or servant, serving or otherwise transferring marihuana to a minor under twenty-one (21) years of age or to an individual who is visibly intoxicated. For purposes of this coverage, “visibly intoxicated” means displaying obvious, objective, and visible evidence of intoxication that would be apparent to an ordinary observer.

- J. “Incident” means either an Adulteration Incident or a GramShop Incident, as the context of the Policy and applicable Claim shall dictate.
- K. “Insured” means each party described in Section II of the Policy.
- L. “Insured Individual” means the individual persons qualifying as Insureds under Section II this Policy by virtue of their affiliation with a Named Insured.
- M. “Lawful User” means an ultimate consumer or user of Marihuana for which the use or consumption is permitted under and consistent with the Michigan Medical Marihuana Laws.
- N. “License” means the applicable license required under the Michigan Medical Marihuana Facilities Licensing Act.
- O. “Marihuana” and “Marihuana Infused Product” shall have the same meaning designated in the Michigan Medical Marihuana Laws.
- P. “Michigan Medical Marihuana Laws” means the Marihuana Act (Initiated Law 1 of 2008) and the Michigan Medical Marihuana Facilities Licensing Act (Act 281 of 2016), as both may be amended from time to time, and any regulations promulgated thereunder.
- Q. “Named Insured” means the entity listed in the Schedule of Named Insureds, which entities shall all be entities licensed in accordance with the Michigan Medical Marihuana Laws. Each distinct licensee shall be separately listed as a Named Insured under this Policy and must pay the applicable premium due.
- R. “Policy Period” means the period specified in the Declarations, provided the coverage period for an Insured may be a shorter period based on the applicable Retroactive Date or Termination Date.
- S. “Retroactive Date” means:
- (a) For a Named Insured, the date set forth in the Schedule of Named Insureds.
  - (b) For Individual Insureds, the date on which the individual first became continually employed by or otherwise continually affiliated with the Named Insured; provided, however, in no event shall the Individual Insured’s Retroactive Date pre-date the affiliated Named Insured’s Retroactive Date.
- T. “Termination Date” means the date on which coverage for an Insured under this Policy terminates, after which date coverage shall not be afforded to such Insured(s) unless extended reporting period coverage is purchased.