



**NOT JUST DATA. DIRECTION.**

As more states legalize recreational and medicinal marijuana, the environmental impact of large-scale cannabis cultivation is being examined more in depth.

**Environmental concerns include:**

- Water and energy consumption
- Extraction practices
- Cannabis waste disposal
- Odor

While having risk management programs in place to mitigate environmental pollutants is essential, having environmental liability coverage is equally as important as the following case study proves.

# THE IMPORTANCE OF ENVIRONMENTAL COVERAGE FOR CANNABIS OPERATIONS

## A CASE STUDY

### THE PROBLEM

Flowering cannabis plants have a pungent odor, which can cause issues for neighboring businesses if odors are not controlled. Courts have affirmed that claims based on odors emanating from a facility meet the pollution exclusion in the commercial general liability policy. A substance need not be toxic or harmful to be considered a “pollutant.”

In one case study involving a Kapnick client, a nearby storefront filed a lawsuit against a cannabis operation due to the odors from the facility driving away business. It was determined that the operation was in violation of local regulations.

### THE SOLUTION

Since this client had partnered with Kapnick, and we understood the unique risks associated with cannabis growers, we were able to provide guidance and education on the physical and financial risks associated with their operation. In this case, that meant our client had a thorough understanding of the heightened environmental liabilities and had invested in an environmental policy. Our client was therefore protected from the financial loss of fines, third party liability claims relating to odor, and defense costs.

*Note: while case studies are based on real Kapnick clients, details are sometimes changed to protect client privacy*

