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## CHANGES

This filing introduces multistate Rule 39. in Division Five - Commercial Fire And Allied Lines of the Commercial Lines Manual to instruct on usage of new optional forms filing CL-2019-OMJFR).

## COMPANY ACTION

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**COMMERCIAL LINES MANUAL  
DIVISION FIVE  
FIRE AND ALLIED LINES**

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**RULE 38.  
BUILDING AND PERSONAL PROPERTY COVERAGE  
OPTIONS (Cont'd)**

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**c. Time Element Coverage**

Coverage for time element loss is subject to the Discharge Limit (Business Interruption) indicated in the Schedule. This limit is part of, not in addition to, the limit of insurance applicable to business interruption coverage.

**d. Option For Annual Aggregate Limitation**

If the option for Annual Aggregate Limitation is made applicable via the Schedule, then the Discharge Limits addressed in Paragraphs 3.b. and 3.c. apply on an annual aggregate basis regardless of the number of occurrences during that time period.

**4. Premium Determination**

**a. Property Damage**

- (1) Refer to the multistate rates. Develop an additional premium by multiplying the applicable rate by the Discharge Limit (Property Damage) in hundreds.
- (2) The deductible otherwise applicable to fire will apply to property damage covered under this endorsement. If the deductible for fire is higher than the base deductible, modify the rate in Paragraph 4.a.(1) by the applicable deductible factor for Other Causes Of Loss in accordance with Rule 81.E. Select the deductible factor based on the total amount of insurance at the location (do **not** select the deductible factor based on the Discharge Limit). If the deductible for fire is lower than the base deductible, modify the rate in Paragraph 4.a.(1) by the deductible factor for Other Causes Of Loss in accordance with Rule 33.C.

**b. Time Element**

- (1) Refer to the multistate rates. Develop an additional premium by multiplying the applicable rate by the Discharge Limit (Business Interruption) in hundreds.
- (2) The "period of restoration" otherwise applicable to the described premises will apply to business income losses covered under this endorsement. If the 72-hour waiting period has been eliminated or reduced to 24 hours, modify the rate in Paragraph 4.b.(1) in accordance with Rule 54.D.

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**RULE 39.  
CANNABIS**

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**A. Exclusion Endorsement Options**

1. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded by attaching Cannabis Exclusion Endorsement **CP 99 03**; or
2. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded, with a hemp exception, by attaching Cannabis Exclusion With Hemp Exception Endorsement **CP 99 04**.



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**COMMERCIAL LINES MANUAL  
DIVISION FIVE  
FIRE AND ALLIED LINES  
EXCEPTION PAGES**

**LOUISIANA (17)**

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**RULE A10.  
FUNGUS, WET ROT, DRY ROT AND BACTERIA –  
COVERAGE LIMITATIONS AND OPTIONS (Cont'd)**

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- b. If the Schedule indicates that the \$15,000 (or higher) limit applies to separate premises or locations, multiply the number of premises or locations (minus one) by the applicable loss cost shown in the loss cost pages.
- c. Multiply the Business Income and/or Extra Expense rates otherwise applicable by the following factors based on the total number of days' coverage. The result is an additional premium.

**Time Element Factors**

Total Number Of Days	Factor
60	.02
90	.03
120	.04
150	.06
180	.08

**Table A10.B.2.c. Time Element Factors**

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**RULE A11.  
EXCLUSION OF LOSS DUE TO VIRUS OR BACTERIA**

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Attach Exclusion Of Loss Due To Virus Or Bacteria Endorsement **CP 01 40** to all policies.

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**RULE A12.  
CANNABIS**

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**A. Exclusion Endorsement Options**

- 1. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded by attaching Cannabis Exclusion Endorsement **CP 99 03**; or
- 2. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded, with a hemp exception, by attaching Cannabis Exclusion With Hemp Exception Endorsement **CP 99 04**.

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**RULE A13.  
GREEN UPGRADES**

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**A. Description Of Coverage**

The Increased Costs Of Loss And Related Expenses For Green Upgrades optional endorsement amends various coverage provisions to address green upgrades to real and personal property, and related expenses. The endorsement includes the following sections:

**1. Green Upgrade Coverage**

Green Upgrade Coverage modifies Replacement Cost Coverage to address loss settlement of damaged property using more energy-efficient, environmentally-preferable materials, products or methods in design, construction, manufacture or operation, as recognized by a Green standards-setter. This coverage:

- a. Applies to selected buildings and/or business personal property as scheduled in the endorsement;
- b. Does not apply to personal effects, property of others, leased property or stock;
- c. Does not pay any additional cost to repair or replace damaged property solely for the purpose of achieving points toward certification or recertification of the property by a Green standards-setter; and
- d. Does not include Ordinance Or Law Coverage, and therefore will not pay any additional cost, above the cost of a Green Upgrade, solely for the purpose of satisfying an ordinance or law. Ordinance Or Law Coverage is addressed in a separate endorsement; refer to Rule **38**. in this manual.

**2. Related Expenses**

Coverage for Related Expenses is an option with respect to property to which Green Upgrade Coverage applies. If coverage for Related Expenses is indicated in the Schedule of the endorsement, the following related expenses apply with respect to a loss that is covered thereunder:

- a. Waste Reduction And Recycling, less any income received as a result;
- b. Design And Engineering Professional Fees;
- c. Certification Fees And Related Equipment Testing, but not including any further modification if the building fails to obtain certification, recertification or a specific level of certification; and
- d. Building Air-out And Related Air Testing.



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**RULE A13.**  
**GREEN UPGRADES (Cont'd)**

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**3. Business Interruption**

- a. If the Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form or the Extra Expense Coverage Form is included in the policy with respect to the scheduled premises, the "period of restoration" is extended for up to 30 days, to recognize the increased period of time attributable to green upgrades and related expenses. The period of restoration may be further extended by entering the total number of days for the extension in the Schedule. The underlying policy's Additional Coverage – Extended Business Income does not begin until the extended period of restoration ends.
- b. Extension of the period of restoration does not increase the applicable Limit of Insurance for Business Income and/or Extra Expense shown in the Declarations.

**B. Forms**

Attach Increased Cost Of Loss And Related Expenses For Green Upgrades Endorsement **CP 04 02** to Building And Personal Property Coverage Form **CP 00 10**, Condominium Association Coverage Form **CP 00 17** or Condominium Commercial Unit-owners Coverage Form **CP 00 18**.

**C. Rules**

1. Eligibility for **CP 04 02** is limited to property to which Replacement Cost valuation applies. Therefore, activate Optional Coverage – Replacement Cost in Form **CP 00 10**, **CP 00 17** or **CP 00 18** via the Declarations.
2. The amount of coverage for Green Upgrades is based on a selected percentage which is applied to the amount of loss, subject to a maximum dollar limit. In the Schedule of **CP 04 02**, for each entry of covered property:
  - a. For Increased Cost Of Loss, enter a percentage of 10%, 20%, 30%, 40% or 50%; and

- b. Enter a dollar limit under Green Upgrades (Maximum Amount). The Green Upgrades dollar limit is **not** a function of the aforementioned percentage, except that such limit should not exceed the amount determined by applying the Increased Cost Of Loss percentage to the underlying Limit of Insurance on the property. For example, if the underlying Limit of Insurance on a building is \$500,000 and the selected Increased Cost Of Loss percentage is 30%, the selected dollar limit for Green Upgrades should not be more than (but may be less than) \$150,000. If the property is part of a Blanket Limit in the underlying policy, the preceding calculation would be performed using property value times insurance-to-value level in place of the Limit of Insurance.

3. Coverage for Related Expenses is optional. For locations at which such coverage is to apply, enter a dollar amount in the Schedule. That amount applies to the total of all related expenses.
4. If the policy covers business interruption at the premises to which Green Upgrade Coverage applies, the period of restoration is increased by up to 30 days as indicated in Paragraph **A.3.a.** of this rule. As an option, that 30-day period may be increased by entering in the Schedule the total number of days for the extended period of restoration. Refer to Paragraph **D.** of this rule for number of days.
5. The Coinsurance Additional Condition does not apply to the coverage provided under this endorsement.
6. Refer to company to determine eligibility for providing blanket limits under **CP 04 02**.

**D. Premium Determination****1. Green Upgrades**

- a. Divide the selected Green Upgrades dollar limit by the underlying Limit of Insurance on the property. (Refer to Paragraph **C.2.** for relevant information on the selection process.)

**COMMERCIAL LINES MANUAL  
DIVISION FIVE  
FIRE AND ALLIED LINES  
EXCEPTION PAGES**

**LOUISIANA (17)**

**RULE A13.  
GREEN UPGRADES (Cont'd)**

- b. Divide the result of Paragraph a. by the selected Increased Cost Of Loss percentage in factor form. The result is the Ratio.

**Example:** The selected Green Upgrades limit is \$400,000; the underlying property limit is \$1,000,000; the selected Increased Cost Of Loss percentage is 50% (.50).

**Step (1)**  $\$400,000 \div \$1,000,000 = .40$

**Step (2)**  $.40 \div .50 = \text{Ratio } 0.80$

- c. Select the appropriate rate modification factor from Table A13.D.1.c., based on the Ratio. If the calculated Ratio is not shown in the table, use the rate modification factor associated with the next higher Ratio.

Ratio	Rate Modification Factor
1.00	0.50
0.90	0.55
0.80	0.60
0.70	0.65
0.60	0.70
0.50	0.75
0.40	0.80
0.30	0.85
0.20	0.90
0.10	0.95

**Table A13.D.1.c. Green Upgrades**

- d. For each applicable Cause of Loss, develop a Green Upgrades rate by applying the factor determined in Paragraph c. to the building and/or contents rate otherwise applicable to the property. To determine the Green Upgrades premium for each applicable Cause of Loss, apply the Green Upgrades rate to the limit of Insurance selected for Green Upgrades, in hundreds.

**Example:** If the Ratio is 0.80, the rate modification factor is 0.60. Apply the rate modification factor of 0.60 to the rate otherwise applicable to the property (\$.065 for purposes of this illustration), and multiply the resulting rate by the Green Upgrades limit, in hundreds. Repeat the process for each applicable Cause of Loss.

**Step (1)**  $\$.065 \times 0.60 = .039$

**Step (2)**  $\$.039 \times 4,000 = \$156$

**2. Related Expenses**

For each applicable Cause of Loss, develop a rate for Related Expenses by applying a factor of .10 to the building and/or contents rate otherwise applicable to the property. Apply the Related Expenses rate to the limit of insurance selected for Related Expenses, in hundreds.

**3. Extension Of The Period Of Restoration**

Multiply the business income rates for each applicable Cause of Loss by the appropriate factor from the following table.

Number Of Days' Extension	Factor
60	1.02
90	1.03
120	1.04
180	1.06

**Table A13.D.3. Extension Of The Period Of Restoration**

**SECTION I  
GENERAL RULES**

**RULE 1.  
APPLICATION OF THIS DIVISION**

Paragraph A. is replaced by the following:

**A. Contents**

Division Five contains rules, rates and rating procedures and state exceptions for the Commercial Property Coverage Part.

Paragraph D. does not apply.

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**RULE 5.  
PREMIUM COMPUTATION**


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Rule 5. is replaced by the following:

**A. Prepaid Policies (Specified Term)**

1. One year policies. Compute the premium at the annual rates in effect at policy inception.
2. Two- or three-year policies. Compute the premium using the annual rates in effect at policy inception multiplied by one of the following term factors:

Term Of Policy	Term Factor
2 Years	1.85
3 Years	2.70

**Table 5.A.2. Policy Term Factors**

3. If the term of the policy is less than 1 year, multiply the prorated annual premium by 1.1 unless the policy is issued to obtain anniversary dates common with other policies.

**B. Annual Premium Payment Plan Policies**

1. For policies with less than \$500 annual premium, compute the annual premium payment plan rates by multiplying the annual rates by .945. Such rates shall be used to obtain the premium due at inception and on each anniversary.
2. For other policies, compute the premium at inception using the rates in effect at that time. At each anniversary, compute the premium using the rates in effect at each anniversary.
3. For Reporting Form Policies, the three year specific rates shall be multiplied by 1.05 and the resulting term rates shall be shown in the policy.
4. Prorate the premium in Paragraphs 1. or 2. when the policy is issued for other than a whole number of years.

**C. Continuous Policies**

1. Compute the premium at inception using the rates in effect at that time. At each anniversary compute the premium using the rates in effect at each anniversary.
2. Attach Calculation Of Premium Endorsement **IL 00 03**.

**D. Policies Continued Beyond The Expiration Date**

If a policy is continued beyond its expiration date because an insurer failed to provide adequate advance notice of nonrenewal as required by Louisiana law, the earned premium, for the period of coverage beyond the expiration date, shall be calculated pro rata based on the rates applicable to the expired policy.

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**RULE 10.  
RETURN PREMIUM CHANGES**


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The following is added to Rule 10.:

**C. Protection Reclassification**

In the event of fire protection reclassification that results in the improvement of the grading of a community, district or governmental entity, the insurer shall reduce the premium to reflect such change prior to the next policy renewal or within sixty days from the effective date of the change of the public protection classification, whichever occurs first.

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**RULE 13.  
RESTRICTIONS OF COVERAGE OR INCREASED RATE**


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Rule 13. does not apply.

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**RULE 14.  
BASIC FORMS APPLICABLE**


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The following is added to Rule 14.:

- D. Attach Louisiana Changes – Cancellation And Nonrenewal Endorsement **IL 02 77** to all policies.
- E. Attach Louisiana Changes Endorsement **CP 01 16** to all policies.
- F. Attach Condominium Additional Provisions Endorsement **CP 01 07** to all policies that include Condominium Association Coverage Form **CP 00 17** for condominiums created in accordance with the Louisiana Condominium Act.
- G. Policy Changes Endorsements **CP 12 01** and **IL 12 01** do not apply in Louisiana. Attach Louisiana Policy Changes Endorsement **IL 12 03** to change various items of the policy (such as the Named Insured, mailing address, policy period, deductible amounts and limits of insurance) as specified in the endorsement. Endorsement **IL 12 03** can be used for both monoline and commercial package policies.





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# Multistate Rules Introduced To Accommodate New Cannabis Exclusion Endorsements

## Applicable Lines of Business

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This filing applies to the following lines of business:

- ◆ Agricultural Capital Assets (Output Policy)
- ◆ Capital Assets Program (Output Policy)
- ◆ Commercial Auto
- ◆ Commercial Fire and Allied Lines
- ◆ Commercial Inland Marine

## About This Filing

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This filing introduces and revises several multistate rules in Division One – Automobile, Division Five – Fire And Allied Lines, Division Eight – Commercial Inland Marine, and Division Fourteen – Capital Assets (which includes Agricultural Capital Assets) of the Commercial Lines Manual to instruct on the usage of new optional endorsements filed under companion forms filing CL-2019-OMJFR.

## New Rules

We are introducing the following rules:

- ◆ Division Five - Commercial Fire And Allied Lines
  - Rule **39**. Cannabis
- ◆ Division Eight - Commercial Inland Marine
  - Rule **26**. Cannabis
- ◆ Division Fourteen - Capital Assets - Agricultural Capital Assets (Output Policy)
  - Rule **92**. Cannabis
- ◆ Division Fourteen - Capital Assets Program (Output Policy)
  - Rule **84**. Cannabis

## Revised Rule

We are revising the following rule:

- ◆ Division One - Automobile
  - Rule 50. Auto Dealers – Additional Provisions

We have used a format of ~~striking-through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

## Related Filing(s)

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The following companion filings are being filed with a concurrent effective date:

- ◆ CL-2019-OMJFR (Forms)

## Background

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In forms filing CL-2019-OMJFR, we are introducing the following optional endorsements which expressly address the exclusion of coverage for cannabis.

### **Agricultural Capital Assets (Output Policy)**

- ◆ AG 99 07 – Cannabis Exclusion
- ◆ AG 99 08 – Cannabis Exclusion With Hemp Exception

### **Capital Assets Program (Output Policy)**

- ◆ OP 99 07 – Cannabis Exclusion
- ◆ OP 99 08 – Cannabis Exclusion With Hemp Exception

### **Commercial Auto**

- ◆ CA 27 12 – Cannabis Exclusion For General Liability Coverages
- ◆ CA 27 13 – Cannabis Exclusion With Hemp Exception For General Liability Coverages
- ◆ CA 27 14 – Cannabis Exclusion With Hemp And Lessor Risk Exception For General Liability Coverages

### **Commercial Fire and Allied Lines**

- ◆ CP 99 03 – Cannabis Exclusion
- ◆ CP 99 04 – Cannabis Exclusion With Hemp Exception

### **Commercial Inland Marine**

- ◆ CM 99 05 – Cannabis Exclusion
- ◆ CM 99 06 – Cannabis Exclusion With Hemp Exception

## **Explanation of Changes**

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### **Division Fourteen – Capital Assets – Agricultural Capital Assets (Output Policy) Section**

We are introducing Rule 92. Cannabis to reference and instruct on the usage of the new cannabis exclusion endorsement options being introduced in companion forms filing CL-2019-OMJFR for use with the Capital Assets – Agricultural Capital Assets (Output Policy) Coverage Part.

As a result of the introduction of Rule 92., reference to Rule 92. as "reserved for future use" is being removed from the manual.

### **Division Fourteen – Capital Assets Program (Output Policy)**

We are introducing Rule 84. Cannabis to reference and instruct on the usage of the new cannabis exclusion endorsement options being introduced in companion forms filing CL-2019-OMJFR for use with the Capital Assets Program (Output Policy) Coverage Part.

As a result of the introduction of Rule 84., reference to Rule 84. as "reserved for future use" is being removed from the manual.

### **Division One – Automobile**

We are introducing Paragraph **C.1.g.** of Rule 50. Auto Dealers – Additional Provisions to reference and instruct on the usage of the new cannabis exclusion endorsement options being introduced in companion forms filing CL-2019-OMJFR for use with the Auto Dealers Coverage Form.

### **Division Five – Commercial Fire And Allied Lines**

We are introducing Rule 39. Cannabis to reference and instruct on the usage of the new cannabis exclusion endorsement options being introduced in companion forms filing CL-2019-OMJFR for use with the Commercial Property Coverage Part or Standard Property Policy.

As a result of the introduction of Rule 39., reference to Rule 39. as "reserved for future use" is being removed from the manual.

### **Division Eight – Commercial Inland Marine**

We are introducing Rule 26. Cannabis to reference and instruct on the usage of the new cannabis exclusion endorsement options being introduced in companion

forms filing CL-2019-OMJFR for use with the Commercial Inland Marine Coverage Part.

As a result of the introduction of Rule 26., reference to Rule 26. as "reserved for future use" is being removed from the manual.

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# **Louisiana Supplement To Multistate Rules To Accommodate New Cannabis Exclusion Endorsements**

## **Applicable Lines of Business**

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This supplement applies to the following lines of business:

- ◆ Commercial Auto
- ◆ Commercial Fire and Allied Lines

## **About This Filing**

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This supplement introduces state exceptions in Division One – Automobile and Division Five – Fire And Allied Lines, of the Commercial Lines Manual (CLM) to reflect changes being made in the multistate section of this filing.

## **New Rule**

We are introducing the following rule:

- ◆ Division One – Automobile
  - Rule **50**. Auto Dealers – Additional Provisions
- ◆ Division Five – Commercial Fire And Allied Lines
  - Additional Rule **A12**. Cannabis

## **Related Filing(s)**

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- ◆ CL-2019-OMJFR (Forms)

## Background

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In the multistate section of this filing, we revised and introduced rules for Division One – Automobile and Division Five – Commercial Fire And Allied Lines to correspond with, and provide instruction on, the new optional endorsements submitted in companion forms filing CL-2019-OMJFR that address the exclusion of coverage for cannabis.

However, the latest version of the multistate rules for Division One – Automobile and Division Five – Commercial Fire And Allied Lines, of the CLM is not in effect in Louisiana.

## Explanation of Changes

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To generally accommodate the version of the multistate rules for Division One – Automobile and Division Five – Commercial Fire And Allied Lines, of the CLM currently applicable in Louisiana, we are introducing the following state exceptions, in lieu of the corresponding rules submitted in the multistate section of this filing:

- ◆ Division One – Automobile
  - Paragraph C.1. in Rule 50. Auto Dealers – Additional Provisions
- ◆ Division Five – Commercial Fire And Allied Lines
  - Additional Rule A12. Cannabis



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## DIVISION FIVE – FIRE AND ALLIED LINES

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### **39. CANNABIS**

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#### **A. Exclusion Endorsement Options**

1. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded by attaching Cannabis Exclusion Endorsement **CP 99 03**; or
2. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded, with a hemp exception, by attaching Cannabis Exclusion With Hemp Exception Endorsement **CP 99 04**.



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## Division Five – Fire And Allied Lines

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### **A12. ~~RESERVED FOR FUTURE USE~~CANNABIS**

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#### **A. Exclusion Endorsement Options**

1. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded by attaching Cannabis Exclusion Endorsement **CP 99 03**; or
2. Coverage for cannabis and that part of Business Income loss or Extra Expense incurred, due to a suspension of operations, which is attributable to the design, cultivation, manufacture, storage, processing, packaging, handling, testing, distribution, sale, serving, furnishing, possession or disposal of cannabis may be excluded, with a hemp exception, by attaching Cannabis Exclusion With Hemp Exception Endorsement **CP 99 04**.