
The Insurer The Insurer TV ESG Insurer Program Manager

FRONTING CARRIERS

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Cannasure eyes growth opportunities as it transfers core portfolio from Topa to Sutton National

Cannabis industry-focused MGA and wholesale broker Cannasure is looking to continue its strong growth trajectory as it moves into its third year under One80 Intermediaries ownership at a time when it is also close to finishing the process of transferring its core offerings from Topa paper to Sutton Specialty.



The Cleveland, Ohio-based firm – which was founded in 2010 – saw its biggest year of growth immediately after its March 2021 acquisition by One80.

The firm also delivered significant premium increases last year to move past the \$60mn premium volume mark, with business written solely on a non-admitted or E&S basis.

Meanwhile, it had begun transitioning parts of its portfolio to Sutton Specialty 18 months ago, including a number of its larger multi-state operator (MSO) clients.

This year it has picked up the pace of the portfolio transition to the participatory fronting carrier after AM Best downgraded the ratings of Topa Insurance Company and its subsidiary Dorchester Insurance Company.

CANNASURE

A SUBSIDIARY OF
ONE80

NAME: Cannasure

TYPE: Cannabis industry-focused MGA and wholesale broker

OWNERSHIP: One80 Intermediaries following March 2021 acquisition

SIZE: Estimated \$60mn+ in gross written premium

CORE OFFERINGS: Cannabis and hemp program offering up to \$45mn per location property capacity, excess casualty up to \$20mn per location, GL up to \$6mn/\$6mn, products and completed operations up to \$5mn/\$5mn, \$5mn excess casualty (attaching excess \$5mn, \$10mn or \$15mn); Preferred risk program with GL, products, property, builder's risk, inland marine and lessor's risk coverages

CAPACITY: Main program transitioning to Sutton National (AM Best A- rated); also has relationships with other carriers including Canopus

KEY PERSONNEL: Patrick McManamon (founder and cannabis program practice leader as well as One80 MD); Joe Foley (director of business); Jim McErlean (business development manager); Kieran O'Rourke (underwriting manager)

Speaking to *E&S Insurer*, Cannasure founder and Managing Director at One80 Intermediaries Patrick McManamon said Cannasure is close to completing its reinsurance renewal and will be transferring the remainder of its property, general liability, product liability and excess liability products to Sutton Specialty paper once that is complete.

“We had a long-term relationship already with Sutton Specialty and it was the logical conclusion to move on [from Topa]. We're happy that all of our reinsurers remain committed to our partnership, and we've added a few new reinsurers to the panel, which will be helpful as we expand,” he commented.

The executive said he hoped to seal the renewal process over the next couple of weeks and move forward with Sutton Specialty as its main capacity provider – albeit that it does have relationships with other carriers including Canopus in certain states or segments of its portfolio, such as small business.

Cannasure's main cannabis and hemp program moving to Sutton Specialty provides both primary and excess property options; general liability coverage of up to \$6mn per occurrence and in the aggregate; up to \$5mn/\$5mn for products liability and completed operations; and up to \$5mn of excess casualty capacity.

The MGA largely distributes through retail agents, although it does have relationships with a number of wholesalers too, in addition to its in-house wholesale capabilities offering ancillary products through other carriers – including expanded capabilities as a result of relationships with other One80 companies.

McManamon said Cannasure is seeing significant opportunities from being part of the programs and wholesale broking platform.

“With One80 and through our wholesale brokerage arm we've added a few different capabilities with their professional lines and commercial auto in addition to some of the different groups One80 has acquired,” he commented.

He also identified workers compensation as an opportunity where Cannasure already has a strong carrier relationship, as well as commercial auto, where new opportunities have opened up to leverage One80's capabilities.

And the MGA's will also be supported as the legal recreational cannabis market continues to open up in the US to new states.

Underwriting focus

Despite the growth opportunities, McManamon emphasized that the MGA is not top line focused in its approach to underwriting.

“We're not the biggest and we're not trying to be the biggest. We just want to be the most profitable we possibly can be, so we focus on the underwriting results and the performance of the operating business itself.

“We walk away from a lot of deals because sometimes some of the pricing gets pretty wonky, or you see exclusions getting pulled where we feel it isn't wise to do so. We stick to our underwriting principles and just walk away and let the other person have it in those situations,” McManamon continued.

But demand remains strong for the products and capacity the MGA can offer – especially as supply continues to be constrained as many insurers wait on the sidelines pending any kind of Federal move to legalize the cannabis industry.

“The insurance industry has been straightforward. If a carrier told us three years ago they weren’t going to get into the space until it is federally legal, then they haven’t changed their stance – even with the performance and results from the business,” he commented.



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Cannasure’s Patrick McManamon

Until then there will be plentiful need for capacity from participants such as Cannasure and its carrier partners – especially in areas like property where there is a significant shortage of capacity to cover buildings that need cover running into the \$100mns.

McManamon added that while there is less of a shortage of capacity in relative terms in casualty lines, many insureds are not buying the amount of limit commensurate with their sales revenue.

“I think that’s going to start to change over the next year and a half, and we’re hoping it will, because I think they are severely under-insured still.

Cannasure’s clients include cultivators, dispensaries, extractors, processors, product manufacturers, testing labs, landlords and ancillary businesses in all states where cannabis and hemp are legal. The coverages it offers are available on a mono-line or package basis through carriers rated A- or greater by AM Best.

In addition to its cannabis and hemp program, it has a preferred risk program for small to medium-sized cannabis businesses typically requiring lower limits, and offers a range of specialty coverages as a wholesale broker.