

# Cannabis Firm Faces Insurance Dispute After Grow Room Blaze

## Connecticut Cannabis Company in Dispute Over Insurance Claim for Fire Damage

In 2020, a significant incident occurred at Theraplant, a Connecticut-based cannabis company, when a lighting fixture in one of its flowering rooms exploded. The resulting fire caused extensive damage to the facility, affecting walls, equipment, and approximately 1,000 cannabis plants. This incident forced the company to shut down operations in the affected area for 68 days, leading to substantial business losses.

### The Insurance Claim: Theraplant Seeks Compensation

In response to the fire and the subsequent operational disruption, Theraplant filed a \$1.3 million business loss claim with its insurer, National Fire and Marine Insurance, a subsidiary of Berkshire Hathaway. The claim was based on the financial impact of the prolonged shutdown and the loss of cannabis plants.

### The Dispute: Insurance Coverage Exclusions

National Fire and Marine Insurance disputed the claim, asserting that the policy explicitly excludes coverage for cannabis plants. The insurer argued that the primary reason for the business loss was the damage to the plants, which are not covered under their insurance policy due to federal regulations that classify cannabis as an illegal substance. This exclusion clause is a common feature in many insurance policies due to the complex legal status of cannabis in the United States.

### Theraplant's Argument: Loss Due to Operational Shutdown

Theraplant countered the insurer's stance by arguing that the significant financial loss was not solely due to the destroyed plants but was largely caused by the inability to use the flowering room during the 68-day shutdown. The company maintained that the operational halt had a substantial impact on its revenue, independent of the loss of the plants.

### Broader Implications: Challenges for Cannabis Businesses

This dispute highlights the broader challenges faced by cannabis companies in securing comprehensive insurance coverage. Despite the legalization of cannabis in many states, its status as a federally prohibited substance creates a complex and often restrictive insurance landscape. Cannabis businesses frequently encounter difficulties in finding policies that provide full coverage for their operations, including protection against losses due to fire, theft, or crop damage.

### Looking Ahead: The Need for Clear Insurance Policies

As the cannabis industry continues to grow, there is an increasing need for clear and inclusive insurance policies that address the unique risks associated with cannabis businesses. The outcome of the Theraplant vs. National Fire dispute could set a precedent for how similar cases are handled in the future, potentially influencing the development of more comprehensive insurance offerings for the cannabis industry.

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