

OTC Markets Group: From OTC Markets' global headquarters in New York City, you are listening to Advisor Insights, where we feature professionals that will address the issues that affect the small-cap companies that trade on the OTC Markets.

All right joining us today we have Eric Schneider, managing director of AlphaRoot. Eric welcome.

Eric Schneider: Thank you, Thanks for having me.

OTC Markets Group: Absolutely. So Eric, as always I do like to get started by asking our guests to tell our listeners a little bit about themselves.

Eric Schneider: Yeah, absolutely. Um, it's actually a pretty interesting story. So back in 2018 my now business partner and I, Isaac Bach, were trying out for the Israeli National Lacrosse team. Um, and we met traveling to Israel and that's where we first like kindled the relationship. I had just graduated from getting my MBA at Johns Hopkins and was looking for a job and he started working at this company, Founder Shield and Founder Shield focuses on emerging industries, emerging technologies. At the time he was you know, employee number 10 or so and they were hiring salespeople. It was a you know high growth startup, great environment and I was like I don't really know much about insurance but you know I'm all ears and I'm happy to be involved. Um, well this was actually back in, trying to think, that was actually back in 2016 sorry back in, it was twenty sixteen and he got me an interview and I started working at Founder Shield um, as a sales associate and worked my way up to VP of Sales and Isaac on the flip side he worked as um, the Head of Customer Success. So customer success focuses specifically on the renewal process, I focused on bringing in new accounts and you know we both started to get a lot of exposure into the cannabis space. Kind of organically through a few relationships that I had had and Isaac had worked on a few accounts himself. You know Founder Shield working on emerging industries, emerging technologies, cannabis at the time you know fell into our core ethos. So you know started to get a lot more experience in the cannabis space. Saw the nuances of it. Um, and how it really needed specialization from an insurance standpoint and so in 2018, we had formed AlphaRoot to specifically focus in the space and to build out a team dedicated to the cannabis industry and as well as holistic medicine. We do some stuff in the psychedelic industry now it's starting to come online. But, majority right now is cannabis, cbd, and so it's ah it's an interesting story and now fast forward to you know 2022, we were acquired by Baldwin Risk partners in August of 2021 and they brought us in to build out their cannabis practice and. And brp is a top 20 insurance distribution firm in the Us offices all over over you know thousands of employees and they brought us in to build out their cannabis practice specifically. And yeah, it's been an exciting time since then building out the team and continuing to grow. But, it all started just Isaac and

I meeting in 2016 and building a relationship from there and fast forward. It was 6 years and here we are today.

OTC Markets Group: That is a very cool story. Interesting to see how you went from lacrosse to Cannabis insurance. Ah so you know a question that I do have and I'm sure a lot of cannabis companies have, do they need to go with a D&O provider that is specific in the Cannabis space or you know, obviously it's your specialty right? Cannabis and psychedelics as you just said. But ah, why would they need to work with you versus you know their run of the mill or you know any other D&O insurance company.

Eric Schneider: Yeah, absolutely um, and just to clarify. So, we're an insurance brokerage firm right? So, we represent the client, and we have access to a plethora of different markets that specifically focus in the Cannabis space and part of our job, and really, what Isaac primarily focuses on is all of our carrier relationships right? Like in order to get access and to be able to sense emissions and build the relationships with those carriers that are writing it. It takes time it takes you know years to develop those relationships and you need to be appointed with those carriers and the only way that you keep your appointment is you know, placing business right? And so a lot of times with insurance companies will typically focus on specific products. Maybe they only sell D&O or only product liability or they'll focus on specific industries right? Because there are so many different types of insurance products and so many industries that all need insurance. So it's important to specialize so that you create the relationships on the carrier side as well as understanding our clients' business models and constantly seeing similar submissions. Similar stories right? I think it's really important for us. You know, when we're talking to prospects right? We're talking to you know hundreds and thousands of cultivators. It's something that we know and we understand and we know how to build out those programs and you know D&O specifically is very very nuanced because of the regulatory framework. You're talking about a substance in the US that's federally illegal schedule 1 however, under a state statute and in certain markets it's legal right? So and D&O ah a big part of what it covers is. Regulatory compliance issues and any sort of mismanagement of the company made by the c-suite executives, directors, officers and board members. So definitely very nuanced from a regulatory perspective and just not and because of that regulatory component. Not every insurance company is very keen and eager to write this class of business right? So it's our job to understand who are the market players? Who's writing this business? Who's the most competitive right now for our clients right? Because at the end of the day our job, our responsibility is to our client right. It's a delicate balance because we also have to maintain the relationships on the carrier side but at the end of the day, we put our clients first and their priorities. And building out their program and another nuance that the cannabis industry has I know we're going a lot into the insurance. Heavy stuff. But I think it's important.

OTC Markets Group: No, please, bring it on.

Eric Schneider: Important information is you know, a lot of the plant touching companies that operate in the US have you know, Canadian LPS because they can't go public via a traditional exchange in the US and they seek a lot of alternative markets like the CSE. OTC however, a lot of them, go public via Canada and actually have a Canadian entity that is the public but that they have operating subsidiaries that are at the actual license holders in the US and it's nuanced because in order to place coverage for a Canadian company, you have to have relationships that place coverage in Canada and we've built that you know strategic partnerships over the course of the years because you know in servicing publicly traded accounts, right, you know one of our clients like a tilt or planet 13 or 1933 right? All of their assets are in the US but they have Canadian Domicile parent organization. So, we need to be able to facilitate and place that D&O program using the Canadian entity because that's where the exposure sits. And the way that insurance works is you always want to ensure top-down coverages doesn't flow bottom-up so by ensuring the parent organization or the holding company. You know through the language of the policy all wholly owned subsidiaries will be covered as well. But if you just ensure and get D&O for a subsidiary, it's not going to flow upwards to the parent organization and then that leaves the parent organization susceptible to claims. So that's why it's just really important to understand how these companies are set up. I think the Cannabis space is fascinating.

OTC Markets Group: Absolutely.

Eric Schneider: These organizations and their structures are put together. It's very different than any other industry that I've been apart of.

OTC Markets Group: And now that's coming down to the psychedelic companies and the mental health companies as well. So yeah, absolutely so Eric um, when companies are looking for insurance providers or the you know the types of products that you provide what should they be looking for? Ah, in a company or their provider. You know as a whole you know obviously companies that trade on the OTC markets. They are cost conscious as well, right? So they want to get the best bang for their buck for their products whether it's IR or PR, banking or insurance. Um, so what should they be looking for that may be either a red flag or a good green flag for them whether it's through you or any other provider?

Eric Schneider:

Yeah I think you definitely want to work with someone that has specialization in the Cannabis space and working with public operators because it is. It is very nuanced right? Um, and it's no different than if somebody gave me a commercial real estate deal and I was competing against you know another broker that specifically focuses on you know, hard commercial real estate multifamily like we're not going to be able to compete on that and find the best markets for those clients right? And so vice versa you want to make sure that you're working with someone that specifically focuses in the Cannabis space and or has a lot of experience in working with cannabis organizations because of the nuances and the different markets that write Cannabis you know are not your traditional AIGs and all the markets that you would think write other publicly traded companies. Um, and then in terms of other advice that I would give and you know obviously D&O and other products are you know, it's very costly right? Um, it's very important, it's ah it's a natural progression of the industry and implementing insurance right? Something that other industries have been implementing for you know decades and centuries right? You know insurance is one of the most archaic and old industries that there truthfully are right and when you're looking at cannabis, that's such a new market comparatively and so I think it's important when we're approaching carriers and understanding that there is you know could be a sizable dollar figure is transparency right? And so what we try to do for our clients specifically you know on the D&O side is okay, we received ABC quotes right? We received these three quotes from these 3 different carriers. They provided these 3 options right? So in total we have 9 total options from these 3 carriers. However. This is our marketing report in our marketing summary of the other insurance companies that we reached out to and in that marketing report it shows all the carriers that we contacted and what their response was whether it was a declination or they quoted or whatever it may be. But that provides that level of transparency to the client to show them like hey we did our due diligence we reached out to 40 different carriers and this was the response and this is what the market's bearing given your risk profile right? So I think transparency is tremendously important because there's a lot that goes on and what we do on the backend if there's not that transparency and I just provide a company with two quotes. If I'm the CEO of that organization, I'm like okay here's 2 quotes this is pretty expensive like where else did they go? Did they seek other bids? And that's the benefit of working with a broker like us who has access to all of these companies. You know there's a big misconception I think just in commercial insurance in general. And this is important as well that you need to have 3 brokers in order to get 3 quotes that it's not the case and what happens is in the insurance market, you're only allowed to have one broker approach or be logged as the broker of record for that specific insurance company. So Matt if you had a business right? And you are shopping it out to multiple brokers right? Matt's cannabis shop and you came to AlphaRoot and said AlphaRoot we want a you know public D&O um you know we've been working with a broker previously but we want to see what you guys can do and if you give us a submission. Let's say just for example, purposes. We went to the Hartford and they had already been approached by your previous broker. The Hartford's going to say to us hey AlphaRoot, apologies, we can't work with you on this account right now because we have another broker who already sent this and they are the broker of record in order for us to release a quote to you or to have an underwriting conversation with you. You need to have the client sign. What's called the broker record letter to give you access and so what happens is if you invoke and don't let if you tell 3 brokers to go get you quotes and a good

amount of them have experience in the Cannabis space, they're going to likely run into each other right and so they're going to send submissions to a carrier that already has this submission and it's not that big of a deal on the broker side because we're just like okay we're blocked. Ah you know from an insured perspective. It just doesn't look great. For the market right? They don't love to see that someone is constantly shopping and because at the end of the day they're creating a bond and a relationship between the carrier and the insured. They're saying if you pay us this premium you know and the claim is within the you know the confines of the contract, we're going to pay out on your behalf. So it really is a very coveted relationship and I think if you are going to shop, there's multiple ways to go about it. You can do an RFP with multiple brokers where you say hey look these are the situations. You know these are the policies like how would you structure a program? That's before the marketing process and then pick one or you can allocate markets to specific brokers so you could say okay broker A, you requested these 10 markets you go there. Broker B you requested these 10 markets you can go there, broker C and so on and so forth and then they're not going to run into each other and then you could truthfully see you know who's able to get you the best option available in the market. But sometimes I think people just say well I'm going to reach out to 4 brokers get 4 quotes and it just creates a lot more headache for the insured then. Then what they originally sought I find is just you know that's just an important educational component. Um, because it's not like Geico or State Farm where you know you work with all for root on a D&O submission. We're looking at you know sending it to 40 to 50 markets.

OTC Markets Group: Understood Eric. You know, you said it yourself at the end there that this was a lot of about education and in our markets and you know with providers such as yourself. We are coming up on time here I guess I just wanted to ask you if you have any final thoughts. For all our cannabis companies and or psychedelic, mental health companies that may be interested in working with you and how they can contact you as well. Whether on LinkedIn or social media or whatnot.

Eric Schneider: Yeah, absolutely I mean my email is eric@alpharoot.com and I think you know I think at the end of the day, the relationship that you want to have with your broker 1 of just trust and transparency and you know that's something that we really try to do at AlphaRoot and at the end of the day you just want to make sure that the broker that you elect is truly like an extension or a partner of your organization and a strategic advisor not just ah, another vendor.

OTC Markets Group: All right. Eric thank you very much. You can find AlphaRoot in our premium provider directory. Thanks a lot Eric.

Eric Schneider: Appreciate it Matt.

**This is an autogenerated transcript and may contain typos.*