

Gallagher | Franchise Solutions

Four Reasons Why Franchisees Need Cyber Insurance Protection

Franchise systems are built to scale — unfortunately, that same growth mechanism makes the entire system vulnerable to cyberattacks. Experiencing a hacking event or data breach is not a question of **if**, but **when**.

While franchising's unique growth mechanism opens up a world of opportunity for entrepreneurs seeking to leverage proven business models and built-in support systems, one weak link in the network can easily open the entire system to hackers. When a single attack can expose customer data, disrupt your reputation and damage your brand, your network needs the comprehensive protection of a **Cyber Insurance** program.

Reason 1: Artificial Intelligence (AI) is Making Cyberattacks Easier

AI is enhancing existing criminal tactics through speed and scale; for example, allowing criminals to target multiple victims simultaneously while making it easier to scam people with complex digital fakes.

Reason 2: Franchise Systems Are Uniquely Exposed to Cyber Risk

Shared technology, decentralized operations and third-party dependencies create a large, hard-to-control attack surface that cybercriminals can exploit at a single franchisee site to gain access to the main corporate network.

Reason 3: Cyberattacks are Complex — Can You Control Every Possible Angle of Attack?

Cyberattacks take many forms, all designed to exploit human or system weakness. Examples include:

- **Phishing and business email compromise (BEC) –** AI-generated emails mimic internal communication and fraudulently convince employees to transfer funds or share credentials.
- **Deepfakes and AI impersonation –** Cloned executive and leadership voices, made easier with AI, can be used to authorize fraudulent transactions.
- **Loyalty program and point-of-sale (POS) vulnerabilities –** Customer data, payment systems and reward programs are prime targets for criminals.
- **Supply chain and vendor exposure –** Unsecured third-party platforms can become entry points into your network.

- **Employee error and negligence –** One misclick, weak password or unsecured device can trigger a breach.
- **Ransomware attacks –** Hackers shut down operations until a ransom is paid, affecting every location tied to your system.

Reason 4: Cyberattacks Create Lasting Financial and Brand Damage

Just as a cyberthreat can escalate quickly, so can the costs of mitigating these disruptive events. Your franchise will have to weather direct financial losses from the attack or data breach, plus operational disruption to revenue, legal and compliance costs, such as notification requirements, legal defense and regulatory penalties. Once that's handled, there's still brand and franchisee trust damage to contend with, even if the event is restricted to a single location.

Build a Cyber Program That Protects Every Location

With cybercriminals taking advantage of AI's speed and capabilities, cyber risk isn't going away any time soon — but it can be managed. Gallagher Franchise Solutions specializes in helping franchisors implement **Cyber Insurance** programs built for your unique business model.

Our approach includes:

- **A system-wide protection strategy,** addressing both franchisor and franchisee exposures.
- **First- and third-party coverage,** so your direct business losses are covered, as are any claims or lawsuits stemming from the cyber event.
- **Franchise-specific risk structuring,** so you have the coverage you need for your unique business.
- **Vendor and technology risk reviews** to identify gaps across POS systems, loyalty platforms and third-party providers.
- **Education and best practices** to help your network reduce its cyber exposure.



To learn more, contact:



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