
Cannabis Business Insurance

Cyber Liability

What is Cyber Liability Insurance and What Does it Cover?

Cyber insurance protects policyholders from unexpected financial losses involved when responding to, mitigating and recovering from a cyber related network security breach or threat. Expenses typically covered when responding to a data breach include attorney's fees, data forensic fees, loss of income reimbursement, and ransom amounts from cyber extortion. A cyber policy typically consists of the following coverage parts:

1st Party Coverage

- Breach Response (Consultation, IT Forensics, Notice)
- Cyber Extortion and Ransom
- Business and Dependent Business Disruption
- Systems and Dependent Systems Disruption
- Digital Asset Recovery and Restoration
- Cyber Crime (Social Engineering, Funds Transfer Fraud)
- Bricking (Hardware Replacement)

3rd Party Coverage

- Network Security and Privacy Liability
- Multimedia Liability
- Privacy Laws / Regulatory Defense and Penalties
- PCI (Payment Card Industry) Liability

Why Does a Cannabis Business Need Cyber Liability Insurance?

In short, a business is as likely to experience a cyber related loss as they are a loss covered by other forms of insurance coverage. As the odds of a cyber breach against a business rise due to the advancing digital threat landscape; the related costs and complexities associated with a cyber or network security breach advance as well. Costs associated with cyber breaches have skyrocketed with many claims breaching \$1,000,000. While there are many coverage benefits to a cyber policy, policyholders are often most relieved by the experienced legal and IT resources to help guide them through the loss, claim and recovery processes a cyber policy provides. A standalone cyber policy is crucial and most general liability policies will not respond effectively to a cyber breach if at all. Now more than ever cyber insurance is needed for any size business in any industry.

Network and Data Security:

- Disable Remote Desktop Protocol or Gateways on all system endpoints or servers.
- Use Endpoint Detection/Response or Next-Generation Antivirus
- Filter/Scan Emails for Malicious Attachments and Links
- Rapidly Apply Critical Security Patches/Updates to all Hardware Including Remote/Mobile Devices

- Encrypt Backup Data
- Segregate Data Backup from Main Network
- Test Backups for Successful Restoration and Recovery
- Require Annual Social Engineering and Phishing Training for all Employees

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What are Notable Coverage Enhancements and Exclusions Within a Cyber Policy?

Enhancements

- Breach Costs Outside the Limit
- Zero Deductible for Breach Coach
- Post Breach Remediation/Consultation
- Reputational Harm Income Loss
- Bodily Injury
- Voluntary Shutdown
- Invoice Manipulation

Exclusions

- Property Damage
- TCPA Violations
- Electrical/Mechanical Failure
- Pollution
- Patent Infringement
- Wire Transfer Call Back Restrictions

Cyber Insurance Claim Scenarios:

Ransomware/Extortion:

A multi-state cannabis operator providing administration and management services to each of its locations suffered a cyber breach to their network. As a result, their network was locked, and their backup systems failed. The cyber breach resulted in several state regulatory bodies investigating how the breach was handled. Upon review, one regulatory body alleged lack of timely notice to individuals who had sensitive information breached as a result of the attack. The ensuing forensics investigation, regulatory compliance checks, ransom amount and loss of income equated to roughly \$850,000 in total loss.

Social Engineering/Wire Transfer Fraud:

A cultivation manager received instructions from their equipment vendor that its wire transfer and payment methods had recently been changed. Instead of verifying this new information, the cultivator made several payments via the new account. As time passed and the equipment was never delivered, the manager called the vendor to inquire about the delay. Upon calling, it became apparent that the vendor was not receiving the payments and had not updated their payment information. Ultimately, the manager and vendor discovered they were victims of a bad actor using fraudulent account instruction. Total losses incurred totaled in excess of \$400,000.



**Let's talk about your insurance needs.
Contact a cannabis industry insurance expert today.**

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