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THE CYBER SAVVY BROKER'S GUIDE

Cyber Insurance for the Real Estate Industry

Digital innovation in the real estate industry has enabled faster transactions, precise property searches, and more efficient client communications. However, these advancements have also introduced new cyber risks, as attackers are increasingly targeting the sector to exploit weaknesses in IT infrastructure and data security protocols.

With access to a wealth of personal and financial data about their clients, real estate professionals must be mindful of how the technologies they depend on daily can be compromised and the data privacy issues associated with cyber breaches. If an attacker gains unauthorized access to sensitive information, such as property details, contracts, or client data, it can lead to costly fines, significant reputational damage, and loss of clients.

Claims Insights

It's just a little security incident. How bad could it be?

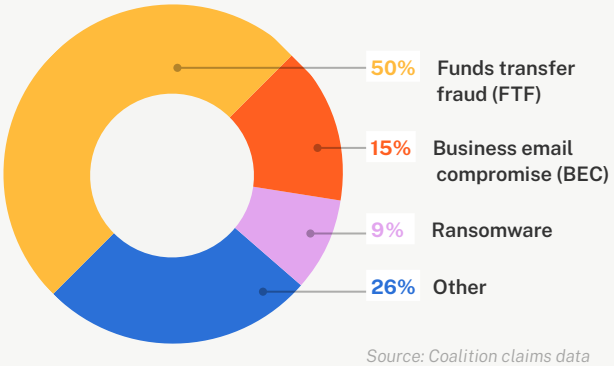
$153,000

Average cost of a cyber insurance claim for real estate organizations

Claim Examples

ORGANIZATION	EVENT TYPE	LOSS
Retail & Residential Developer	Funds Transfer Fraud	$205,000
Residential Property Management	Business Email Compromise	$123,000
Real Estate Investment Firm	Ransomware	$789,000

Cyber Claims by Event Type



Source: Coalition claims data

KEY INSIGHT — Although it's not the leading event type, the average ransomware loss for organizations in the real estate industry is nearly $286,000.

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Unique Exposures

Most real estate organizations use data and technology. Why is that risky?

Essential Technologies Can Create Cyber Risk

CRM systems

Client relationship management (CRM) systems are used to support business development activities. Containing client data and confidential corporate information, these systems could be compromised and leveraged for malicious purposes, resulting in a data breach.

Payment processing software

Funds transfer fraud and invoice manipulation are often major drivers of cyber claims. For real estate businesses that use electronic payments, even one fraudulent transfer can have dire financial consequences.

Property management software

This software is used to manage various aspects of rental properties, including HVAC systems, IoT devices, and guest Wi-Fi networks. Unauthorized access could result in the compromise of sensitive lease agreements or maintenance requests.

Email

Business email compromise (BEC) is a frequent cause of cyber insurance claims for real estate organizations, which can trigger data breaches, business interruption and even reputational damage.

eSignature technology

This technology allows contracts and agreements to be signed electronically, saving time and reducing the need for paper documents. If compromised, contracts and agreements could be altered, leading to legal disputes.

Social media

Many real estate agents use social media to interact with clients and share information, but compromise or misuse of these platforms by employees or attackers could have serious implications on its reputation and public image.

Document management systems

These platforms are used to store a large volume of shared files. However, a compromise could expose sensitive data and cause disruptions due to the potentially sensitive nature of the data in these systems.

End-of-life software & hardware

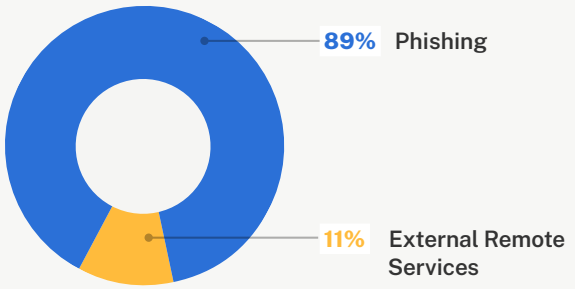
Some organizations may use outdated technologies with the belief that upgrading would be expensive, time-consuming, and disruptive. However, technologies no longer supported by the manufacturer often have known security vulnerabilities and may lack important security features to protect against modern threats.

Websites & online listing platforms

Real estate businesses rely on websites and listing platforms to showcase properties and generate leads. If compromised, sensitive data could be accessed or fake listings could be created, creating additional exposure.

Cyber Claims in the Real Estate Industry by Attack Vector

KEY INSIGHT —— Phishing isn't associated with one event type; it's simply how attackers get into a system. Once inside, they can pursue all sorts of malicious activities, which is why **phishing is the leading attack vector for all cyber claims.**



Source: Coalition forensics survey data

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Sensitive Data Can Increase Business Liability

Corporate confidential data

Commercial real estate companies may have access to internal operations data, intellectual property, or trade secrets. As various parties collaborate and share information, corporate confidential data is at risk of being leaked, which could cause significant damage to the data owner.

Financial data

Used for loan and mortgage approval, property valuation, and financial reporting, real estate professionals often have access to bank details, credit card information, income and assets, loan information, and credit history.

Protected health information (PHI)

For the purposes of accommodation and compliance, real estate professionals may collect or possess data about clients' physical or mental health, such as medical records. Bound by the Health Insurance Portability and Accountability Act Privacy Rule (HIPAA), they carry additional data protection and reporting requirements if an actual or suspected data breach occurs.

Non-sensitive personal information

Some data may be publicly available and not considered protected, but a breach can still impact trust and public image if it appears the organization did not handle the situation appropriately.

Personally identifiable information (PII)

PII is any data that can potentially identify a specific person. PII can be used to launch cyber attacks or gain access to networks to initiate attacks. Organizations that mishandle PII or fail to respond to a data breach appropriately can be subject to fines, penalties, and other financial damages.

Sensitive employee information

Every organization collects and stores information about its employees. Unauthorized access or disclosure of this data — whether PII, PHI, financial, or otherwise — can cause direct harm to employees.

Examples of Legal & Regulatory Compliance

- Data privacy & security contractual obligations
- Fair Credit Reporting Act (FCRA)
- Financial Industry Regulatory Authority (FINRA)
- HIPAA
- International data privacy and consumer protection regulations
- State data privacy & consumer protection laws
- State notification requirements
- Payment Card Industry Data Security Standard (PCI DSS)

$4.7 million

Average total cost of a **data breach** for real estate organizations[1]

1. IBM Security, Cost of a Data Breach Report 2022

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Business Impacts

What can real estate organizations expect after a cyber incident?

Direct costs to respond

Responding to a cyber event typically requires numerous direct costs, also known as first-party expenses. If a real estate organization experiences BEC and sensitive data is involved, it can trigger a need for additional legal counsel, forensic investigation, victim remediation, and notification. Simple investigations can cost tens of thousands of dollars, while more complex matters can increase costs exponentially. Relevant insuring agreements may include:

- Bodily Injury and Property Damage - 1st Party
- Breach Response
- Crisis Management
- Cyber Extortion

Business interruption and reputation damage

A cyber event that impacts essential technology can have a significant impact on a real estate organization's ability to operate and can be highly visible to clients, customers, and other stakeholders. Even short periods of disruption can lead to direct loss of revenue and inhibit a law firm's ability to support clients, negatively impacting client retention and acquisition. Relevant insuring agreements may include:

- Business Interruption & Extra Expenses
- Reputation Repair

Recovery and restoration

After a cyber event, resuming operation is no easy task. If an attacker damages or destroys essential technology, data, or physical equipment, a real estate organization may need to bring in external support or purchase new equipment to re-secure systems. Full remediation, restoration, and recovery can take a significant amount of time, when possible, and may require new software, systems, and consultants to rebuild the network. Relevant insuring agreements may include:

- Computer Replacement
- Digital Asset Restoration

Liability to others

The evolving data privacy landscape can be difficult to navigate, and many real estate companies face new and unexpected exposures after a cyber event. Even with strong contracts, policies, and best practices in place, a data breach, security failure, or even a simple mistake can trigger liability to third parties and expose an organization to regulatory investigations and legal action from victims. Relevant insuring agreements may include:

- Bodily Injury and Property Damage - 3rd Party
- Multimedia Content Liability
- Network and Information Security Liability
- PCI Fines and Assessments
- Pollution
- Regulatory Defense and Penalties

Cybercrime

Beyond ransomware and data breaches, real estate companies and their clients are particularly vulnerable to the theft of money by electronic means. Financial transactions, such as closing costs, are usually time-sensitive and handled by email, phone, or text message, creating an opportunity for cybercrime. If a cyber criminal impersonates the real estate firm through social engineering and gains email access, it can lead to mortgage wire fraud where the attacker diverts funds. Cybercrimes and scams can lead to losses of tens or hundreds of thousands of dollars almost instantly. Relevant insuring agreements may include:

- Funds Transfer Fraud
- Invoice Manipulation
- Phishing (Impersonation) and Proof of Loss Preparation Expense Endorsement
- Service Fraud

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Cyber Insurance Reimagined

How does Coalition perform?

1.87%
Coalition 2022 overall claims frequency

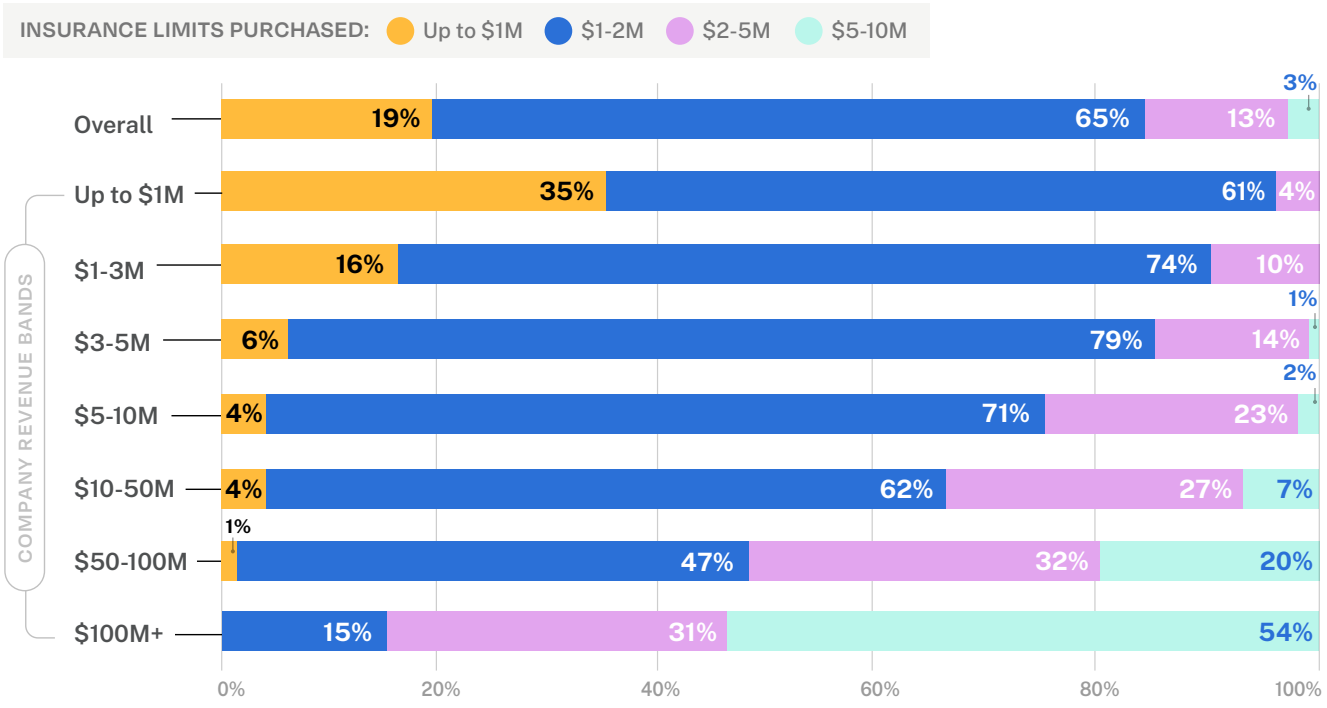
↓ 22%
Year-over-year decrease in Coalition claims frequency

64% fewer
Coalition claims vs. cyber industry average

Peer Purchasing Insights

Primary limit amounts purchased by others in the real estate industry

PEER PURCHASING HABITS BY REVENUE



Source: Coalition policyholder data

KEY INSIGHT —— Most small and medium-sized businesses in the real estate industry purchase $1M-2M in limits, while some mid-market organizations purchase $5-10M in limits. For those needing more than $10M in limits, Coalition offers primary and excess terms for businesses up to $5B in revenue.

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The Power of Active Insurance

Why do real estate organizations choose Coalition?

47%

Reported cyber events handled with no cost to policyholder

43%

Reduction in critical vulnerabilities among policyholders in 2022

5 minutes

Average response time to a cyber incident

Active Insurance* is designed to help prevent digital risk before it strikes. Our new approach to managing digital risk provides **three layers of support**:

Active Protection

Monitoring and alerting to identify and prevent risk before it strikes

Active Response

Access to in-house resources that accelerate response and coverage if an incident occurs

Active Risk Assessment

Underwriting, quoting, renewals, and digital risk scores powered by real-time data

Insurance as active as digital risk

In the digital economy, Coalition wants to ensure that all organizations can thrive by helping to protect them from the threat of emerging risks. We've built an expert team across incident response, claims, and our panel vendors. In the event of a claim, Coalition helps organizations respond and recover so they can get back to business.

Brokers

Get appointed today at signup.coalitioninc.com

Real estate organizations

Get a free risk assessment at control.coalitioninc.com

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