



# Real Estate Industry *Cyber Insurance & Cyber Security Best Practices*

Realty Alliance Presentation- June 16, 2022

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# What's on the Agenda?

- What is the context for the problem?
- How to buy cyber insurance in the new market.
- Practical security best practices.
- Q&A

# What is Driving the Problem?

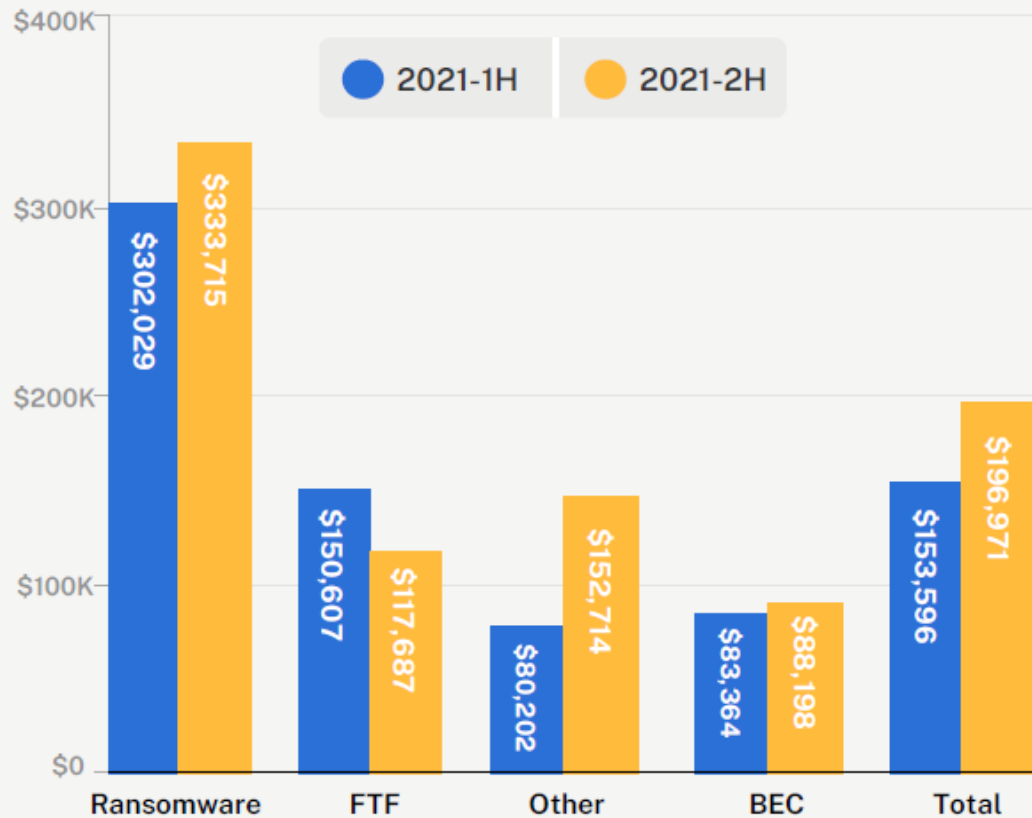
- Ransom demands continue to increase – severity starting to plateau.
  - Average demand increased 20% in 2021
- Frequency of other attack techniques – hackers expanding tactics.

# What is Driving the Problem?

- Small businesses are disproportionately impacted (under \$25MM).
  - Claims severity – UP 40%.
  - 54% increase in avg claims cost to \$149,427
  - Funds Transfer Fraud Attacks – UP 54%.
  - Ransomware Attacks – UP 40%

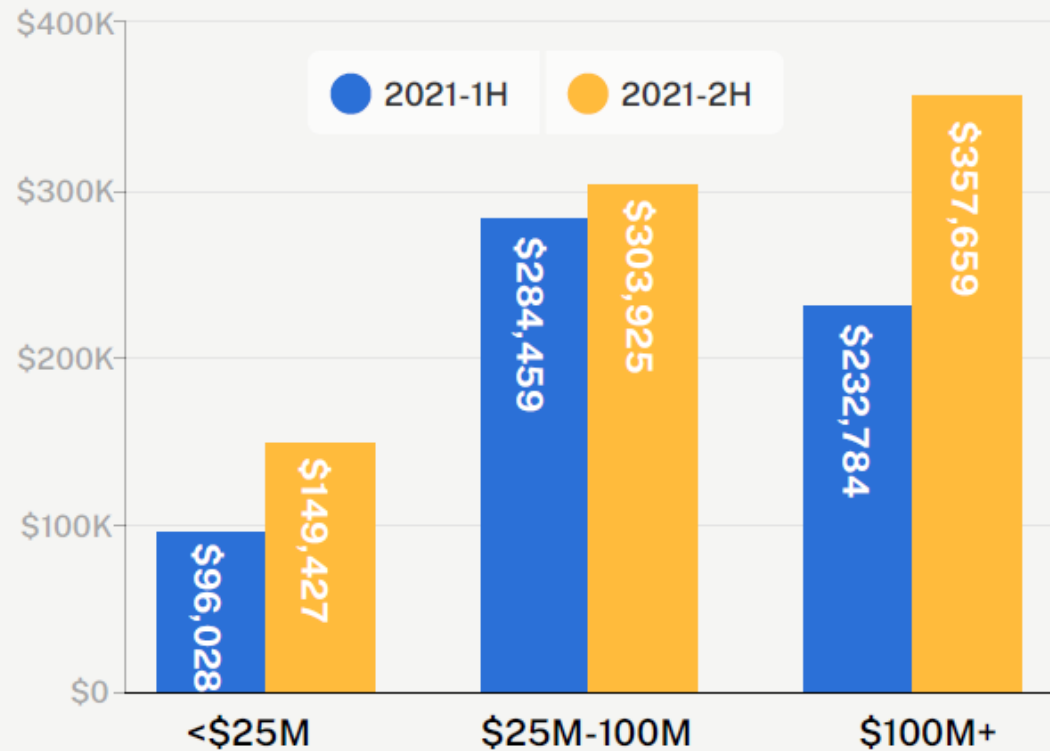
# Claims Costs

## Claims severity by event type



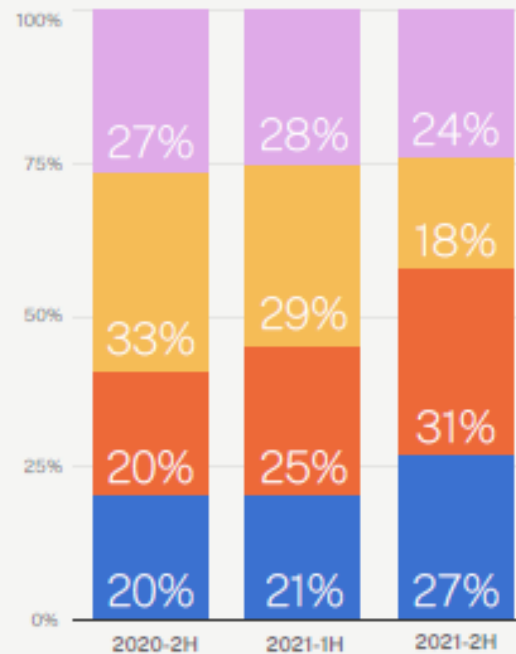
# Claims Severity by Co. Size

## Claims severity by revenue band - US



# % of Reported Claims by Type

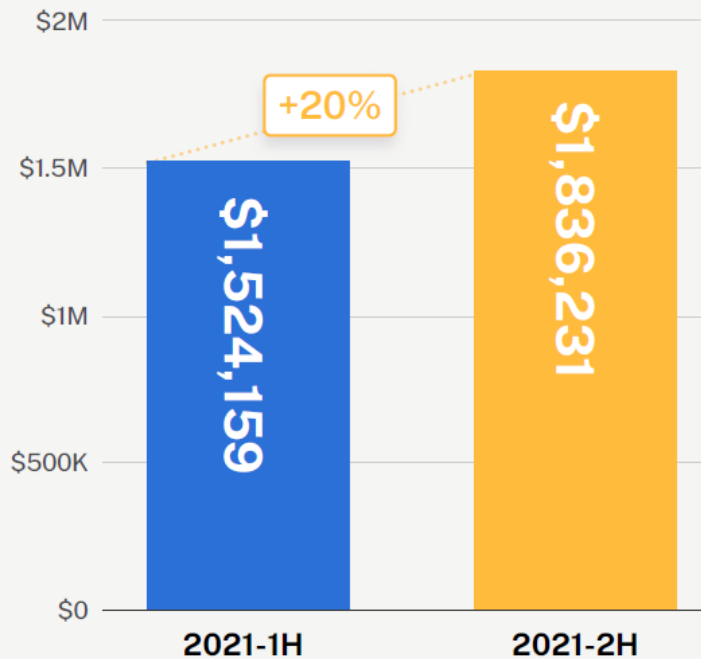
Percentage of reported claims by event type



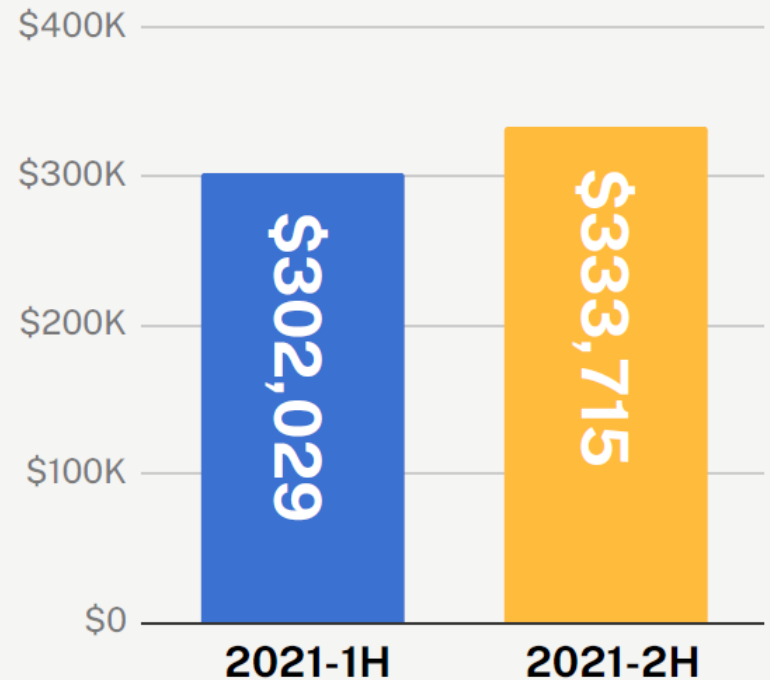
- Business email compromise (BEC)
- Funds transfer fraud (FTF)
- Ransomware
- Other

# Ransomware – Demand vs Actual

Average ransom demand



Ransomware claims severity

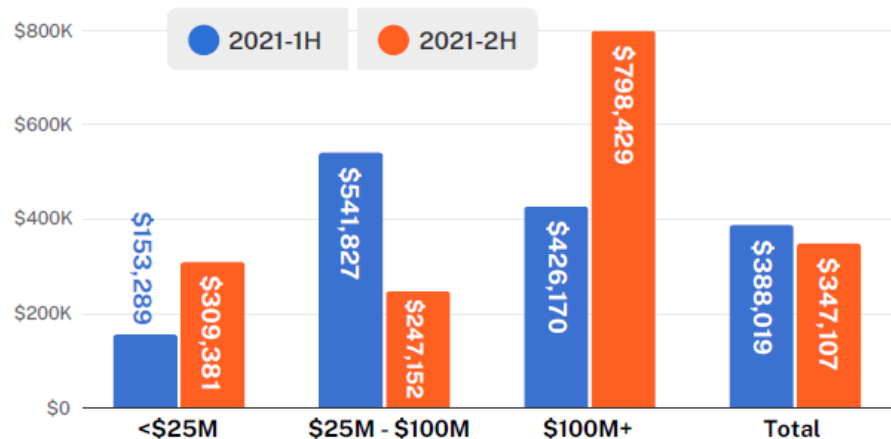




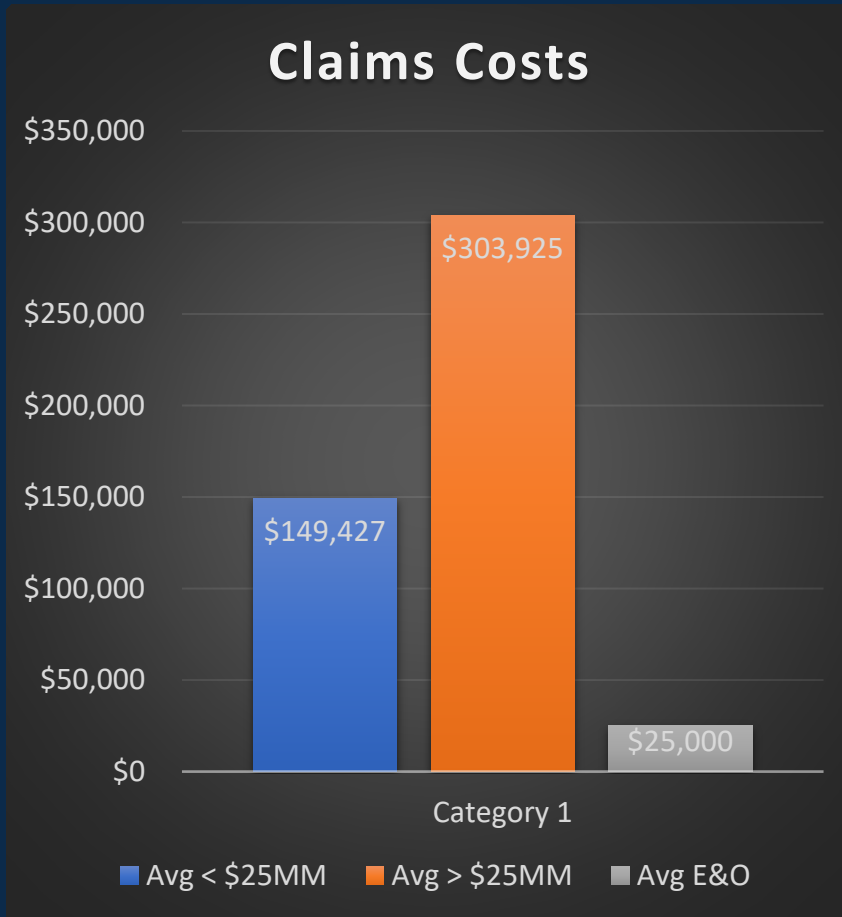
# Funds Transfer Fraud

From 2020 to 2021, overall FTF losses increased by 69%. The frequency rose by 21% for organizations with under \$25M in revenue

Initial funds transfer loss before recoveries - by revenue band



# Comparing the Costs



Avg Cyber Claim < \$25MM

**\$149,427**

Avg Cyber Claim > \$25MM

**\$303,925**

Avg E&O Claim

**\$25,000**

*\* In CA E&O claims avg \$30K*

# Changing How You Buy Cyber Coverage

- Be early
  - Full implementation of security measures
- Communicate well – tell your security story
- Who is on the other side of the policy?
  - Does your broker have relationship?
  - Who handles claims?
  - What will the carrier do to help you?
  - Funds transfer fraud claims handling.
- Work on cyber outside of renewal season.

# What about Coverage?

- Watch the cyber crime limits
  - Your loss vs 3<sup>rd</sup> party loss
  - Social Engineering – call back req.
- Coinsurance – what the heck is that?
- Business Interruption – Contingent coverage too
- Short periods of restoration – BI & Reputational harm damages.

# Strategies for Coverage

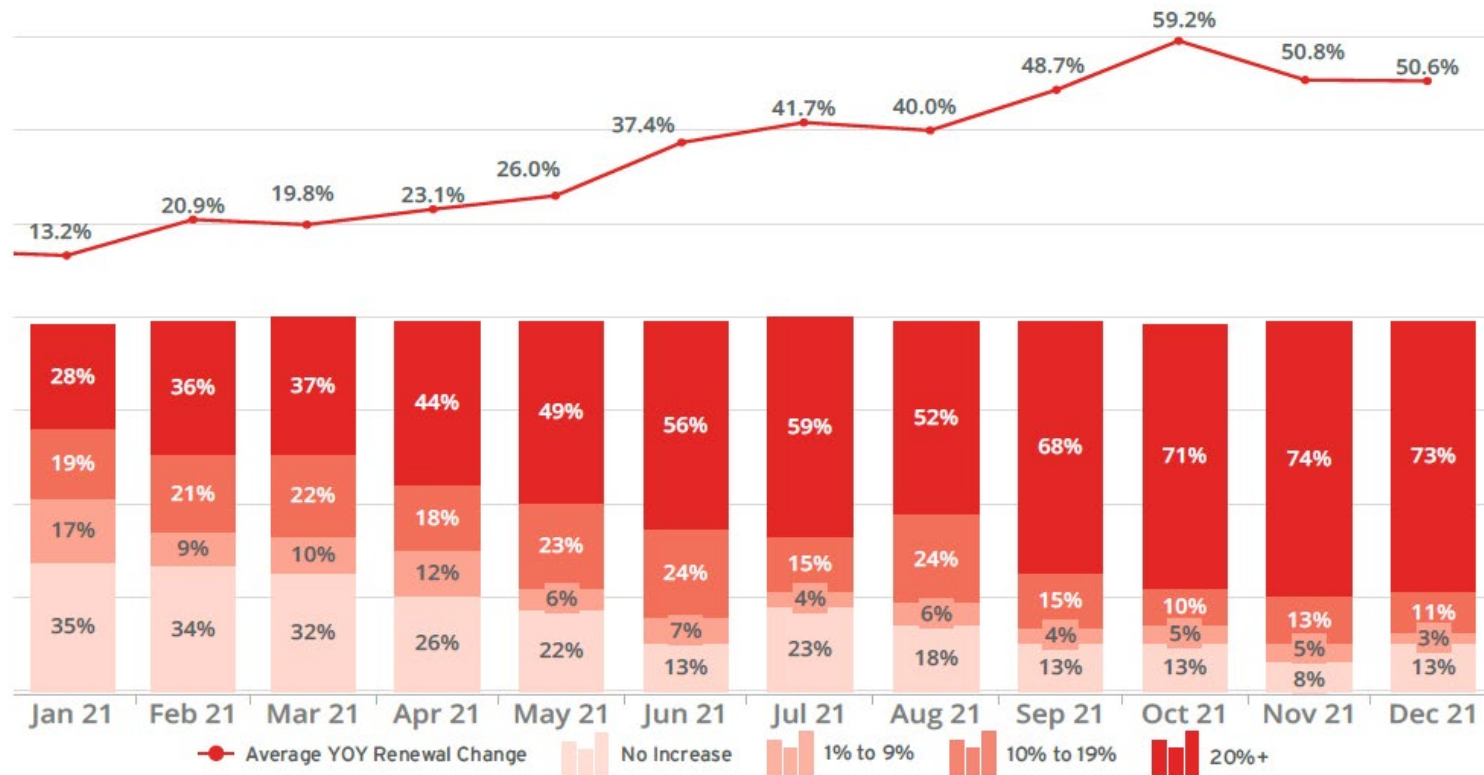
- 831b Micro Captive
  - Tax advantaged way to self insure the coverage you can no longer get from the insurance marketplace.
  - Ability to insure other risks

# Exposures Real Estate Firms Utilize Captives For

- ADMINISTRATIVE & REGULATORY ACTIONS
- CONTRACTUAL LIABILITY
- **CYBER RISK – UNCOVERED CYBER CRIME EXPOSURE**
- FIDUCIARY LIABILITY
- ERRORS & OMISSIONS
- **LOSS OF KEY BUSINESS RELATIONSHIP – LOSS OF AGENT TEAM**
- REGULATORY CHANGE
- REPUTATIONAL RISK
- TAX AUDIT DEFENSE EXPENSE
- MANAGEMENT LIABILITY
- **WAGE & HOUR VIOLATIONS**
- EXCESS EARTHQUAKE, FLOOD AND WIND PROPERTY COVERAGE
- **LARGER DEDUCTIBLE REIMBURSEMENT**

# 2021 Cyber Premium Trend

**CYBER REDY INDEX** December 2021  
MONTHLY RENEWAL PRICING ANALYSIS



# Cybersecurity Best Practices

## Why?

- Obligation to protect data
- Legal & regulatory requirements are increasing
- Cyber-liability policy costs are increasing
- The requirements to obtain cyber-liability coverage are increasing
- Risk of reputational damage
- Cyber-Risk *is* Business Risk





# Cybersecurity Best Practices

## Universal Quick Wins:

- Multifactor Authentication (MFA)
- Endpoint Detection & Response (EDR/MDR)
- Backup Strategy
- Email Security
- Filtering Tools
- Encryption
- Secure Remote Access (RDP / VPN)



# Cybersecurity Best Practices (aka Security Framework Controls)

## HOW?

- Business Impact Analysis (BIA)
- Asset Inventory Management
- Vulnerability & Patch Management
- Identity & Access Management
- Security Incident Response Plan
- Cybersecurity Awareness Training
- Vendor Risk Management

# Questions?

RP

# Thank You!

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