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Smart Buildings Emerging as Targets of Cyberattacks

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Portland commercial real estate owners have seen a rise in physical attacks and vandalism against their buildings over the past two years. Now, a new, unforeseen, and even more concerning threat is emerging that goes beyond simply securing and protecting the physical attributes of a building from potential property damage.

With buildings getting smarter through technology designed to make them more efficient, myriad new cybersecurity risks have opened up for real estate owners and developers investing in and implementing the latest building automation systems (BAS). There is no question that the benefits of BAS outweigh the inherent risk, but developing a risk management strategy is imperative for owners and tenants alike.

The retail, hospitality, and financial services industries, to name a few, have long been plagued with cyberattack incidents. However, companies that hold personally identifiable consumer information are no longer the only ones at risk for a major cyber incident. Cyberthreat actors are honing their craft and shifting their focus to more financially lucrative targets. Ransomware attacks have increased significantly in severity and sophistication in recent years, and cybercriminals are pursuing all industries, including commercial real estate and smart buildings.

ATTACKS ON SMART BUILDINGS

The benefits of buildings that use wholly integrated technology systems to share information are clear: they increase energy efficiency, reduce operating and maintenance costs, improve tenant security and comfort, and provide valuable insights into data and analytics to make informed decisions on building improvements. However, as the use of advanced technology ramps up, so too does exposure to costly cyberattacks. This risk lies not just in data breaches, but also in the form of physical costs, such as a cyberattack on a smart building that compromises its BAS.

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Hackers are now penetrating building management systems via ransomware attacks. These attacks can cause significant financial loss for building tenants and owners due to downtime or building safety requirements when the automated fire protections are held hostage. Hackers are demanding millions of dollars using well-vetted negotiation and extortion strategies in exchange for management's regained access to building systems.

In many cases, owners have little choice but to pay substantial ransoms. What's more, hackers that infiltrate building management systems can also work their way into a company's corporate communications and databases, where they may steal the company's proprietary information or hold it for ransom as well.

CYBER LIABILITY INSURANCE

With the average ransomware downtime and payments from attacks continuing to escalate within commercial real estate, maintaining robust cyber liability insurance is an important risk management tool for building owners to consider. Standard real estate focused property insurance and general liability policies will include some form of cyber or data liability coverage, but it is often very limited in scope and does not provide necessary protection to respond to a ransomware attack.

In addition to a potential ransom payment, a ransomware attack will likely also include significant losses from forensics costs, loss of income, and extra expenses incurred. As such, all real estate owners should contemplate a standalone cyber liability program as part of their overall risk management strategy, especially those that operate smart buildings.

ENSURING THE BEST RATES

With the major increase in ransomware attacks across all industries, including commercial real estate, cyber insurers have drastically reacted to the current conditions by increasing rates and premiums across the board. It is critical that real estate owners implement technical controls to obtain a newly placed cyber liability program, including:

- Cyber-specific incident response plans implemented with testing regularly.
- Regular employee training and testing.
- Multi-factor authentication (MFA) for remote access and cloud applications (including email).
- Remote desktop protocol (RDP).
- Network administrators, protection, and segmentation of backups with endpoint detection and response.

It is also necessary to assess whether a building has the internal controls and procedures in place to check all the correct boxes during the underwriting process. All insurance carriers are now using scanning technology – whether proprietary or via a third party – to scan insureds' and potential insureds' networks and BAS programs for vulnerabilities.

Cyber risks for smart buildings and commercial real estate owners are here to stay and will continue to emerge with more complexity. There are many steps a smart building owner can implement that will assist with securing quality cyber insurance coverage. It is critical to consult with an experienced insurance broker to be put in the best position to assess competitive coverage options.

References and Resources

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