



Cybersecurity and Wire Fraud Prevention: Practical Guidance for Real Estate Professionals

By: Brian Callahan, Great American Insurance Group, Professional Liability

Wire fraud remains a significant exposure for real estate professionals. The financial and reputational consequences can be severe, and insureds are often left defending claims of negligence related to safeguarding client funds and information. While insurance coverage can provide a valuable safety net, it is not a substitute for strong risk-management practices.

Below are practical considerations to help minimize exposure to wire-fraud claims and maximize the potential for insurance coverage.

Understanding the Threat

Wire-fraud schemes often involve sophisticated phishing attempts or compromised accounts that appear legitimate. Criminals target agents, brokers and clients at the most vulnerable stage—the transfer of funds. Because buyers and sellers expect to receive wire instructions near closing, they may be more susceptible to urgent, convincing messages from fraudsters. Impersonation of trusted parties, look-alike domains and time-sensitive requests create an ideal environment for these schemes to succeed.

Policy Coverage: What Is and Isn't Protected

Many real estate E&O policies include coverage for fraudulently induced fund transfers. This coverage is designed to reimburse insureds for losses resulting from the transfer of funds based on fraudulent instructions, as long as the insured was misled by a communication appearing to come from a legitimate party.

However, coverage often depends on meeting specific conditions:

- The loss must arise from the insured's performance of real estate professional services.



- Coverage is usually subject to a sublimit and deductible (refer to your policy for details).
- Coverage may be denied if the insured fails to follow required verification procedures, such as confirming any change in wire instructions by phone or another method independent of email.
- Losses resulting from the insured's participation in the fraud or failure to safeguard funds as required by the policy are excluded.

Risk-Management Best Practices

Insurance is only one component of an effective risk-management approach. The following steps are essential for preventing loss and preserving coverage:

1. Educate Clients and Staff

- Advise clients about wire-fraud risks early in the transaction—not just at closing.
- Provide written guidance instructing clients never to rely solely on email for wire instructions and to confirm all instructions by calling a known, trusted phone number.
- Train staff to recognize phishing attempts and follow established protocols.

2. Strengthen Secure Communication Practices

- Transmit sensitive information only via encrypted email or secure portals.
- Require multi-factor authentication for all business accounts.
- Implement strict internal protocols for handling wire instructions. Any change to payment details must trigger a verification process that includes direct voice confirmation with the client or financial institution.

3. Document Compliance

- Maintain records of communications, verification calls and staff training sessions.
- Thorough documentation is critical for defending an E&O claim and proving compliance with policy requirements.



4. Respond Quickly to Potential Incidents

- If fraud is suspected, act immediately: Notify the bank, law enforcement and your insurer.
- Policies require prompt notice—delays can jeopardize coverage.
- Document every action taken. Detailed records can be decisive in defending a claim.

5. Use Clear Disclaimers in Client Communications

Consider adding a standard disclaimer to all client communications:

“We will never email you to change wire instructions. Always verify by calling our office using a trusted phone number.”

Disclaimers help set expectations and demonstrate diligence if a claim arises.

Conclusion

Cybersecurity is now a core element of risk management for real estate professionals. While insurance can provide critical protection, it cannot replace strong internal controls and thorough client education. By aligning your procedures with sound risk-management principles and the requirements of your insurance policy, you can reduce exposure to wire fraud and improve the likelihood of coverage if a loss occurs.

Great American Insurance Group, 301 E. Fourth St., Cincinnati, OH 45202. The information presented in this publication is intended to provide guidance and is not intended as a legal interpretation of any federal, state or local laws, rules or regulations applicable to your business. The loss prevention information provided is intended only to assist policyholders in the management of potential loss producing conditions involving their premises and/or operations based on generally accepted safe practices. In providing such information, Great American does not warrant that all potential hazards or conditions have been evaluated or can be controlled. It is not intended as an offer to write insurance for such conditions or exposures. The liability of Great American Insurance Company and its affiliated insurers is limited to the terms, limits and conditions of the insurance policies underwritten by any of them. The claims scenarios in this material are provided to illustrate possible exposures faced by your clients. The facts of any situation which may actually arise, and the terms, conditions, exclusions, and limitations in any policy in effect at that time, are unique. Thus, no representation is made that any specific insurance coverage applies to the above claims scenarios. The Great American Insurance Group eagle logo and the word marks Great American® and Great American Insurance Group® are registered service marks of Great American Insurance Company. © 2026 Great American Insurance Company. All rights reserved. 5382-PLD (01/26)