

The smart apartment of the future

The 'Internet of Everything' is riding in on a tech wave near you, and your competitors will be installing upgrades to appliances to keep up. But what does having Web-enabled homes provided by owners mean for cyber liability and property insurance?

Let's take a look at the technology strides first. Everything is up for grabs. Lighting, temperature controls, blinds and drapes, drop-down cabinets, projector TVs with descending/ascending screens, roll-out tables, interactive refrigerators and pantries, Web-based security systems, as well as remote-controlled clocks and radios and ovens are all part of the upcoming way of life in multiunit residential buildings. You will be retrofitting at some point; it's just a matter of when.

Basically the trend is called the "smart home;" units that allow residents to monitor and electronically control an ever-growing number of in-home devices, appliances and systems. Setting the coffee maker for 6 a.m. is so old-school. Now you can set your blinds to lower when the late-day sun starts pouring heat into your living room and have the action linked to the daily time of sunset or the temperature on your window. How about the apartment or condo gym that has Wi-Fi enabled machines that send user data to their online personal training apps? A resident with diabetes wants to monitor eating times and foods consumed? Talk to the fridge.

The question becomes, once you provide residents all the bells and whistles technology companies are marketing, even if you only upgrade some of your units, who will insure for property losses and liability related to the use, breakdown or failure of these systems—the building owner or the resident? Who is in charge of the private health data or personal activity data stored in various appliances or exercise systems? Can a unit's remote-control apps be hacked or reveal when people are not at home? How about the entire building's security system being breached based on a lost cell phone?

The property loss exposure that attends the installation of high-tech apartment features is another consideration beyond cyber security. These systems are expensive and would presumably be the property of the building owner. So who pays for their maintenance? Who is responsible for downloading patches and updates? Is there insurance for their breakdown under your equipment breakdown policy? How about theft or fire or storm damage? The insurance considerations are enormous, so talk to your agent as one of your first steps in planning for smart-home augmentation.

Right now, there are no industry standards for this technology, so you have to buy matching systems or your gizmos won't work with each other. But even in its infancy, the technology has its niche appeal, and your competitors will be researching how it can swing market share their way. If you are going to step onto the cutting edge, keep your eyes on the risk as well as the reward.

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