

# WELCOME!

## Risk in the Cloud Webinar

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2. DIAL IN to hear the audio.
  - Call: 866-740-1260
  - Use access code: 7853891
  - You will hear hold music until 2:00pm

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## Risk in the Cloud

### Nonprofit Risk Management Center

#### Wednesday Webinar: March 7th, 2013

David Linthicum, Cloud Computing Visionary  
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## Enroll as an Affiliate Member!

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**Center AFFILIATES: Let's Connect!**

The Board of Directors of the Nonprofit Risk Management Center proudly announces the launch of an Affiliate Program. The goals of this program are to:

- Recognize the strong support and commitment of leading nonprofit organizations and for small firms for the Center's mission of helping nonprofit leaders cope with uncertainty.
- Create a pipeline for the delivery of valuable, practical tools and resources to organizations that share the Center's commitment to strengthening risk management practices in the nonprofit sector.
- Provide an opportunity for supporters to contribute to the Center's mission and success in a tangible manner and receive recognition in their support.

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**Sign up for our E-News!**  
[www.nonprofitrisk.org](http://www.nonprofitrisk.org)

...find the answer here

February 7, 2013

**Risk and the Board: What Could Go Wrong?**  
 By [Melanie Lockwood-Herman](#)

During my career I've reported to and served on some terrific nonprofit boards. And something I've learned first-hand is that no two nonprofit boards are exactly alike. From size, to focus to meeting format, nonprofit boards are perhaps best compared to snowflakes: each is different in some respects from the others.

The risks that arise from nonprofit governance are varied as well. During Risk Assessments with our nonprofit clients we often discover discrepancies between written governance policies and actual board practice. We also uncover less than supportive relationships between board members and nonprofit CEOs. On occasion, we work with organizations facing a crisis caused by ineffective governance. The good news about "governance risk" is that just about anything can be fixed with time and attention.

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**David Linthicum**  
 Cloud Computing Visionary



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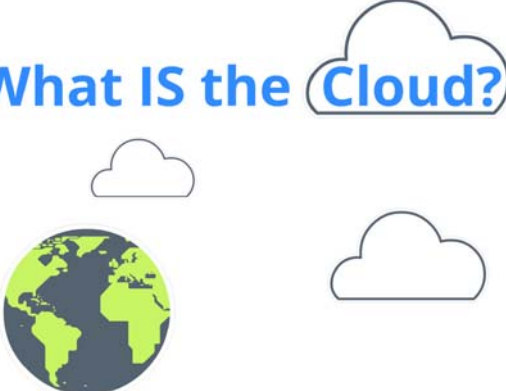
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**What IS the Cloud?**

A globe showing the Americas in green and blue, with two simple line-art cloud icons, one above and one to the right of the globe.

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**Risk in the Cloud**  
What should you be worried about?

A cartoon character with a large, multi-colored parachute is falling. The character has a worried expression. The signature 'Penguin IV' is visible at the bottom of the drawing.

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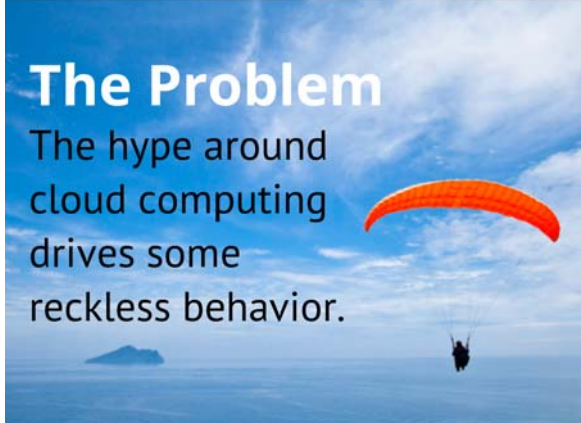
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**The Problem**  
The hype around cloud computing drives some reckless behavior.

A person is paragliding over a vast blue ocean under a bright blue sky with scattered white clouds. A small island is visible on the horizon.

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- Speed trumps planning.
- Technology goes untested.
- Expectations are too high.
- Knowledge and experience are too low.

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Cloud Computing  
**DAVID LINTHICUM**

NOVEMBER 16, 2010

**3 surefire ways to kill a cloud project**  
In the flood of new cloud projects, a few are committing suicide -- find out why

By David Linthicum | InfoWorld [Follow @DavidLinthicum](#)

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Many enterprises are working on cloud computing projects, ranging from simple and quick prototypes to full-blown enterprise system migration. While most are succeeding, a few are biting the dust.

The reasons for failure vary, but common patterns are beginning to emerge. I keep seeing the same three reasons that cloud computing projects fail over and over again.

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**Failure Pattern 1**

**Not understanding your own requirements**



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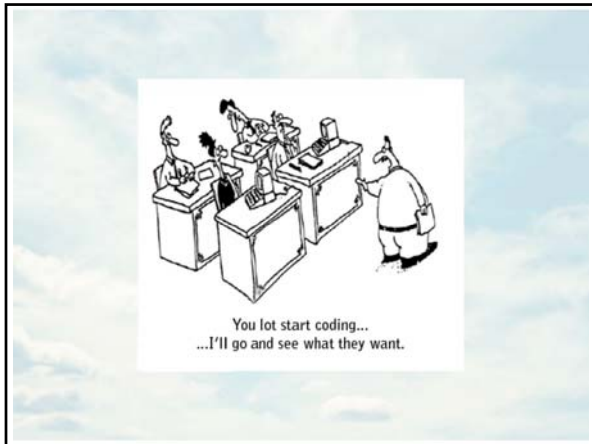
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### Watch Out For:

- Selecting the wrong problem domain.
- No, or incorrect business case.
- Selecting mission critical systems as the first migrations to the cloud.
- Selecting legacy systems as the first migrations to the cloud.

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## Failure Pattern 2

Managing by magazine/hype

The image shows two skydivers in freefall over a coastal town with a beach and turquoise water. The text "Failure Pattern 2" is in the top left, and "Managing by magazine/hype" is at the bottom.

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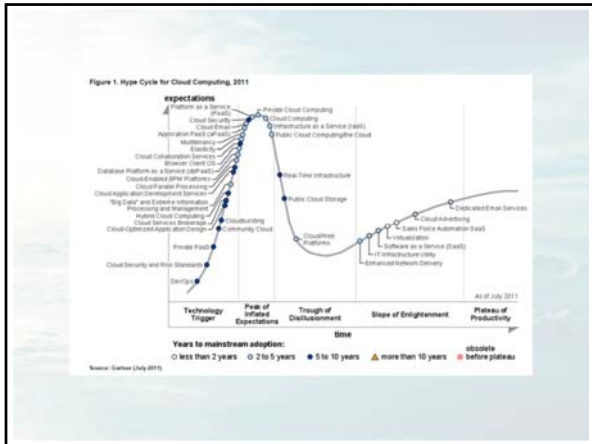
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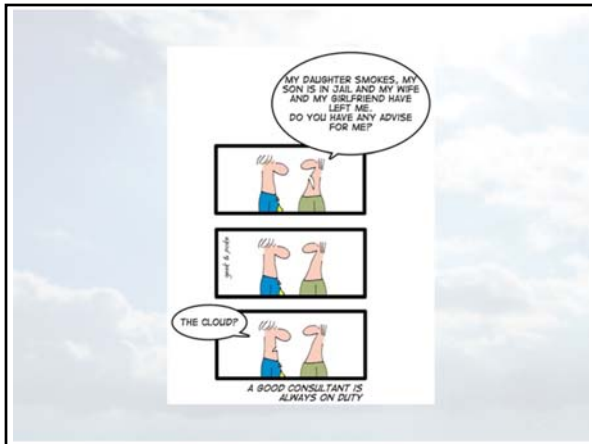
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## Watch Out For:

- No management of expectations.
- No validation of provider claims.
- No links to a strategic plan, or architecture.



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## Failure Pattern 3

Falling in love with the technology too early

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We need to **TEST** and **VERIFY**.

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**Watch Out For:**

- Lack of consideration and understanding of other solutions.
- Technology “groupies” on the project teams.
- Overuse of articles and books for guidance.

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**Failure Pattern 4**  
Lacking holistic architectural discipline



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**Architecture and Planning  
need to make a  
COMEBACK.**



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**Watch Out For:**

- The thinking that cloud computing will deliver us from years of bad, or no enterprise architecture.
- Those that confuse "Agile" as a path to circumvent architecture and planning.



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**Failure Pattern 5**  
**Lacking talent**



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**Two Words: GET HELP.**



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### Watch Out For:

- Political appointees.
- Leveraging providers for training and guidance, before selecting that provider.
- No consideration of integration, security, or governance.
- Any issues discussed in the previous slides.

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### How is an Insured Exposed?

- Internet connectivity
- Mobile Apps
- E-commerce
- Business websites and internet advertising
- Customer forums; support/message boards
- Credit card processing/online payment
- Data storage, ISP, cloud
- Providing media content
- Paper documents
- Access to information

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### What is a... Data/Privacy Breach?

A security incident in which sensitive, protected or confidential data is copied, transmitted, viewed, stolen or used by an individual unauthorized to do so.

\*American Health Information Management Association

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### Data Breaches May Involve:

- Credit card or bank details,
- Personal health information (PHI),
- Personally identifiable information (PII),
- Trade secrets of corporations,
- or intellectual property.

Street values: \$50/medical identity vs. \$1/SSN\*

\*American Health Information Management Association

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### HIPAA

- Goal of electronic health records by 2014; bringing business associates into play:

- MA doctor reacting to fines announced against BCBSTN: "HIPAA is important to protect patients' privacy, but its more of an impediment than anything...None of us understand it, so we err on the side of not giving each other information, and that slows down the care process."

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### Regulatory Environment Information Security Laws

- Encryption laws (Mass and Nevada)
- State "reasonable security" laws (e.g. Cal. AB 1950)
- Written Information Security Program(Mass)
- International laws (Canada-PINEDA)
- FACTA(Fair and Accurate Credit Transaction Act):  
CC Truncation

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## Cyber Coverage

The Cyber Risks to which a nonprofit is exposed fall into two general categories. Insurance coverage is available for both:

1. Those losses suffered by an enterprise (1st Party Losses)
2. An enterprise's liability to third parties (3rd Party Losses)




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## Cyber Coverage

Standard Property, Liability or Crime policies will not traditionally cover damage to or loss of intangible assets (data and systems) so there exists a significant gap in coverage, both in terms of exposure and because of the ever greater dependency on technology to be able to do business.

**Traditional property/casualty programs do not meet the need!**




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## How to Get Protected

- Many versions of "Cyberliability" exist
- Many variations from one carrier to the next
- Understand Your Exposures
  - Match up to the Form that Fits




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**Cyber Liability Industry**

Currently over 40 insurers provide some form of dedicated product.

Many are non-admitted and each is unique!



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**Cyber Liability Industry**

- Severity of loss is worse than a fire for most companies
- Loss of data
- Loss of customers, reputational damage
- Business interruption, extra expense, distraction



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**Typical Agreements/Capabilities**

First party losses:

- Loss of digital assets
- Business interruption (non CGL)
- Cyber extortion and cyber terrorism
- Security event costs

Third party liabilities:

- Network/Privacy Liability
- Employee Privacy
- Intellectual Property (electronic media)

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## Underwriting

- Revenue/assets
- Security (audits, vendors, controls)
- Other factors to include:
  - Loss history
  - Years in business
  - Location (most active cities)
  - Clients
  - Website review
  - Privacy
  - Subcontractors
  - Contracts
  - Employees
  - Loss assessments

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A Cyber Event Occurs...

# NOW WHAT?



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## Who, What, Where?

Professionals Involved  
in Handling a Cyber Claim

- Breach Notice and defense Counsel (privacy attorneys).
- Computer Forensics Companies.
- Breach Investigation.
- Public Relations Firms.
- Credit Monitoring Firms.

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**Who, What, Where?**  
Breach Notification & Call Center

- Data breach incident response planning;
- Address list management;
- Direct mail capability-prep, print and mail;
- Call center;
- Returned mail management

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**Want More Info?**  
Check out the resources  
on your HANDOUT.

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**Thank You!**

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