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Risk in the Cloud Webinar

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Risk in the Cloud
Nonprofit Risk Management Center
Wednesday Webinar: March 7th, 2013

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February 7, 2013
Risk and the Board: What Could Go Wrong?

During my career I've reported to and served on some boards. Nonprofit boards, but something I've learned from each is that in most instances the nonprofit board is not as well informed about technology as their corporate or governing school or municipal boards are often more technical in their knowledge of technology. The rules that arise from nonprofit governance are varied as well. During this presentation and our nonprofit clients we often find that board members are not as informed about technology.

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What IS the Cloud?

Risk in the Cloud
What should you be worried about?

The Problem
The hype around cloud computing drives some reckless behavior.
- Speed trumps planning.
- Technology goes untested.
- Expectations are too high.
- Knowledge and experience are too low.

Cloud Computing
DAVID LINTHICUM

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

Many enterprises are working on cloud computing projects, ranging from simple and quick prototypes to full-blown enterprise system migrations. While most are successful, 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.

Failure Pattern 1
Not understanding your own requirements
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.

Failure Pattern 2
Managing by magazine/hype
We are driven by the PERCEPTION that the next best thing will **save us.**
Watch Out For:

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

Failure Pattern 3

Falling in love with the technology too early

We need to TEST and VERIFY.
Watch Out For:

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

Failure Pattern 4
Lacking holistic architectural discipline

Architecture and Planning need to make a COMEBACK.
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.

Failure Pattern 5
Lacking talent

Two Words: GET HELP.
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.

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

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*
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

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."

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
Contracts: Vendor Implications

17 Contract Provisions You Should Know

- Scope of Work
- SLAs (uptime, response, error)
- Owner rights/Responsibilities
- Parties
- Assignability
- Standard of Care
- Ownership of Documents
- Electronic Communications

- Warranties and Guarantees
- Limitation of Liability
- Indemnity
- Insurance
- Dispute Resolution Process
- Limitation of 3rd party Reliance
- Consistency with other Agreements
- Payment Terms
- Performance of the contract
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)

Cyber Coverage
Standard Property, Liability or Crime policies will not traditionally cover damage to or loss of intangible assets (data and systems) because 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!

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
Cyber Liability Industry
Currently over 40 insurers provide some form of dedicated product.
Many are non-admitted and each is unique!

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

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)
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

A Cyber Event Occurs...
NOW WHAT?

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.
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

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

Thank You!
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