

Cloud Computing

Get your head out of the clouds
and manage your business...



[View Printable PDF](#)

In this Issue

- ▶ [Cloud Computing: Get your head out of the clouds and manage your business...](#)
- ▶ [Global Impact of 2011 Catastrophic Events](#)



Quick Facts

Facebook firings reversed;

The National Labor Relations Board (NLRB) recently reversed the firing of 5 employees from a Buffalo non profit group after they made critical comments posted on Facebook.

The Federal Housing Agency filed lawsuits against 17 US banks which is expected to impact the D&O market.

Source; *Insurance Information Institute*

Cloud Computing: Get your head out of the clouds and manage your business...

*Contributed by Kirstin Simonson
Underwriting Director, Global Technology, Travelers*

What is cloud computing?

While the nuts and bolts of cloud computing have been around for several years, there is still some confusion as to how cloud computing services work. In the simplest of terms, cloud computing is the delivery of computing as a service over the internet and does not require the end-user to maintain the software, data or network servers at their physical location. The end-user gains several advantages including scalability and reduced costs. However, there are also some disadvantages to keep in mind.

Why should we care?

In a cloud environment, geography loses meaning. When we store data on our own network servers, we have some idea where our data is at any point in time. When we move our data into the cloud, we lose that ability and may be relying on ineffective old-world security models.

What should we be doing to protect ourselves?

1. As a purchaser of cloud computing services you must understand that the priority of the service provider may not be security, but instead providing you with low cost, scalable applications. A recent study published by Ponemon Institute indicates that a majority of cloud providers believe security is the responsibility of the subscriber, while subscribers feel that the service provider is responsible for security.
2. Standard service agreements may need modification; however, you may not have the option. For example, if you are no longer able to access information due to service provider disruption, what is your plan for retrieving information saved in the cloud?
3. Know what information you are moving into the cloud. It may not be appropriate to move all data into the cloud and users must plan to ensure that only intended information is transferred.
4. How does the cloud impact your compliance with various regulations or contractual requirements? With numerous state and federal laws, and foreign regulations, it is important to understand how moving information beyond your physical control may impact you. Are you still in compliance with all of your contractual agreements?
5. If your information is accidentally accessed or breached while in the cloud – how will you

determine cause, what was accessed, etc.? Does your cloud service provider allow you to conduct forensics to investigate the cause of the breach, or to determine what was impacted? If you do have those rights with your provider, will your forensics team be able to conclude what happened quickly enough to comply with various laws and regulations regarding data privacy?

The list above is not all-inclusive and is intended only to be a starting point for discussion. Whether you have actively decided to move information into the cloud or not, there is a strong possibility you are already engaged with a service provider who has.

TechAssure is an international association of privately held, entrepreneurial insurance and risk consultants specializing in mitigating the risks faced by emerging growth companies and the venture capital firms that back them. **TechAssure** member agencies service more than 3,000 technology and life sciences companies worldwide.

TechAssure Locations:
Boston, Chicago,
Columbus, Dallas, Denver,
Indianapolis, Minneapolis,
New York, Philadelphia, Salt
Lake City, San Diego, San
Francisco, Seattle, St.
Louis, Washington DC,
Toronto, Montreal, London,
Amsterdam, Sydney,
Melbourne, India

Global Impact of 2011 Catastrophic Events

*Contributed by Jane Hinderscheid
CPCU, RJ Ahmann Company*

2011 economic losses from catastrophic events are unprecedented, exceeding any prior full year since 1980. Overall economic losses through June total \$265 billion, with \$60 billion of **insured** losses worldwide.

The most costly **insured** disasters through June 2011 are a result of the Japan earthquake and tsunami, New Zealand's earthquake, and the USA's storms and tornadoes.

The number of worldwide catastrophic annual events has doubled since 1980 from an average of 200 to 400. This increase is primarily driven by weather related events such as ice storms, tornados, floods, extreme temperatures, and fires. Thunderstorm losses in the USA from January to June 2011 resulted in insured losses of \$16.4 billion; 5 times the amount of any other year since 1980. Average annual winter storm losses in the USA have increased over 50% since 1980. Hurricane Katrina remains at the top of the most costly **insured** event historically at \$62.2 billion.

According to the Insurance Information Institute, most insurers expect the catastrophic losses will have a material impact on their earnings. The return on equity for the insurance industry has deteriorated from a high of 16% in 1979 to a low of 4.4% in 2008. As a result of today's depressed investment environment, combined with years of depressed insurance rates, the industry started increasing premiums in 2010 to reach a more appropriate return on equity. First quarter of 2011 was evidence of a continuation toward an uptick in positive premium growth. However, the catastrophic events so far this year have not yet been factored into the total equation of future pricing trends.

The good news is that while the catastrophes may cause an increase in premiums, the industry as a whole is viewed to be financially healthy.

Sources for this article: Swiss Re sigma 1/2011; AIR Worldwide, RMS, Eqecat; Insurance Information Institute.