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The Cloud and Cyber Security Risk

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Material saved to the cloud will never be 100% safe. There. I said it. Companies are clamoring for mitigation techniques that protect them, and insurers are trying to figure out how to offer policies that do more than tell a board that they tried.

A breach becomes more of a public relations nightmare than is expected. Many breaches are accidental and do no harm. Others are specifically targeting information about people and their finances. Everyone is at risk. As a little guy who does not transact business over the internet, my main risk seems to be that someone will change the look of my site. This has happened and it is at most inconvenient. My clients, on the other hand, issue insurance products. These are contracts of trust, meaning (for example) for a life insurance policy that the owner trusts the company to pay out the death benefit to a beneficiary even if the beneficiary is not aware the policy has been purchased. Buying insurance will help financially but not offset the reputation risk.

The problem is that many companies believe they can mitigate cyber risk simply by buying an insurance policy. This is not a good plan. You are better off spending your cyber risk budget by hiring a good vendor who can help you build defenses. Part of this solution may be to team up with an insurance company with access to experts that will offset your premium, but the unknowns are too great regarding insurance and cyber right now.

Fiduciary standards

Keep in mind that I am not a lawyer and don't give legal advice, but the current discussion about whether an advisor owes the client a fiduciary standard has a simple solution. You don't force anyone to act as a fiduciary unless they say they are one. Let peer pressure take over. If you want to invest my money, or be my investment banker, then you have to publicly tell me that you will adhere to a fiduciary standard. If you don't state it, then it is buyer beware. Let the market sort it out. There will be a charge for advice as a fiduciary, but that's appropriate and that's okay.

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