

Cloud Computing, Risk Management and Corporate Insurance

The cloud is all the rage these days. Cloud computing, that is.

When a business uses a cloud computing service, its data storage and application server needs are handled by a third party provider that it can connect to via the web. The result can be reduced expense and easy access. That's why so many companies are using cloud computing for at least part of their computing needs.

But cloud computing, like most things in life, doesn't come without risk. A recent [article](#) at Business Insurance reported on a panel of experts at the publication's 2013 Risk Management Summit in New York. The panel pointed out the need for a holistic approach to manage the risk of cloud computing, one that includes a team of people from various departments impacted by the shift. Beyond this, the panel recommended that any migration to the cloud begin with:

an assessment of the nature of the data, including the relative impact a loss or theft of that data would have on internal operations, business partnerships and client/customer relations, plus the capabilities, security protocols and interdependencies of potential cloud service providers.

The article also notes that cloud storage providers don't customarily provide robust indemnification clauses in their contracts for losses related to data breach or service outage. As such, companies moving to the cloud should first carefully examine their insurance policies and, as one Washington based attorney quoted in the article suggests, find out if the policies define the business' computers and networks in such a way that a cloud computing loss would be covered. Because these are complex and cutting edge issues, it would be wise to retain legal counsel for a professional review of the business' insurance policies and in-house procedures.

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