

CFO Forum Minutes Cybersecurity and cyber insurance May 2019

This session covered cybersecurity and whether cyber insurance is worth it.

A special note to our guest CFOs, CEOs and IT execs who attended. Contact me with your comments especially if you want to attend a future session AND/ OR if you want to discuss previous topics and request an introduction to one of our partners.

We had two expert speakers. Scott Gingold of Lehigh Valley Technology and Dena Cusick-Sr VP and National leader of USI's cyber offering. Their slides are on the website.

Scott's key points included:

Huge and increasing reported incidents of cyber threats and incursions. Likely that only a % are reported and the activity is staggering and growing. It is not a question of if BUT when!

It is estimated that 60% are employee driven-either former employees or current employees-sometimes damage for revenge, sometimes to extract commercial, human or technical information and sometimes to sell that information to buyers.

Basic breakdown in password security and controls could stop many of these.

Access to data controls could stop many BUT these basic controls are not done by small and large organizations and represent a lack of controls and the CFO will be held accountable in many situations!

Assessments should be done by a third party-IT can be blind to it OR ignorant OR naïve about their systems and platforms.

This should be/ needs to be a topic of education and frequent discussion at the management team and Board of Directors level.

There is evidence of "audit" quality representation letters that CPAs will be implementing-similar to current representation letters signed by CFO on controls,etc.

Dena agreed with the above points and amplified that USI, a broker with national presence, has chosen to dedicate resources of over 100 people to address this risk and to offer services to their clients. IT is seen as the largest risk and as a risk it can be prevented, analyzed, managed and insured. USI has clearly chose to differentiate their offering by this investment in cybersecurity, risk assessment and aggressive advisory and defense tactics and actions.

Cyber insurance is critical for all firms-we all deal with data that is valuable and often private-either employee, medical, HIPPA, or client related commercial/ contract/ technical related OR valuable “priceless” commercial and intellectual property OR just downright sensitive information such as confidential compensation or executive information.

Cyber is additive or supplemental to coverage on property, theft, kidnap/ ransom, D&O and other insurance that you have in place. It is absolutely a valuable and justified expense because it:

Forces the assessment of controls, risks and leads to common sense improvements.

Forces better purchase and sales documents, employee training, separation of key/ confidential information on a need to know basis and overall awareness

Provide evidence of reasonable efforts-you will not stop all but no defense is no excuse!

These SME partners welcome an opportunity to discuss your specific questions or situations.

Our thanks for their volunteering their time and sharing their knowledge.

Opinion; This was one of the best, most informative and action oriented session we have held in four years. Review of the slides is recommended if you attended and certainly if you did not attend. Contact information for Scott, Bob and Dena is on their slide decks OR I am very willing to introduce you. I strongly encourage follow-up with both organizations for reviews and assessments of your situation and to strongly consider their recommendations.

Next session:

June 11 Strategically managing real estate

Housekeeping:-Minutes, slides and CPE letters are available at www.thecfosolution.org under the past events tab. CPE letters usually take about a week to get posted. If you are missing one from last year, let me know and I will provide it. The password for our content is mrc(lower case) . Download your CPE letter.

Fiduciary: Two pockets of exposure that you have to be aware of.

Employees are paying a lot for healthcare by contributions, copays and deductibles and you are responsible to spend “their money” effectively and conscientiously. If you are NOT reviewing alternatives, examining costs and alternatives, auditing costs and working with best

in class advisors-please share what your defense to a claim will be? Let me know what your D&O coverage will be if you do nothing to manage these challenging costs.

Second pocket-many carrier plans and almost all coalition programs do NOT allow you to audit bills for service. We all know the hospitals and docs unbundle services to charge outrageously for an aspirin, bandage or a TV or wireless in your room. If you do not have audit rights (not reviews, not compliance reviews which is what they offer instead), you are not being a steward of the costs paid by employees or the firm. You have a fiduciary responsibility-HR does not, the broker does not and the carrier does not!