Abstract

Social media is an emerging technology in American society. While it may seem that social media is solely a form of entertainment, it can also be used in a professional setting. The insurance industry is quickly learning that potential and existing customers share information about their lives on social media platforms that can affect their insurance standing. In many cases, individuals will attempt to deceive insurance companies into believing they have suffered a loss. However, these individuals then share information on the internet that is contradictory to the details that had been presented to the insurance companies. It is now common practice for insurance companies to assign certain employees to monitor status updates and pictures that are posted by individuals of interest. I examine many aspects related to this practice, including the purpose, the ethical concerns that have arisen, the various areas of insurance that benefit, specific examples of troubling findings, the advantageous effects on the average customer, and recommendations for smart usage of social media platforms. The reader will learn how two seemingly unrelated concentrations, the insurance industry and social media, are integrated in many different facets.

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Introduction

Technology is the fastest-growing aspect of American society. The gadgets we use today will be obsolete in two years. The complexity and the dynamism of technology are difficult to ignore. We constantly yearn for more. We cherish the cutting-edge developments. Attention spans are shortening each and every day. There is always something better to which we can turn. Recently, social media has assumed the lead entertainment role in technological revelations. We have never before been so easily able to share our lives with the world. We have never before so openly accepted and embraced a platform to express our individualism. It’s legitimately understandable to contemplate if we experience more joy from our real lives or our virtual ones. The societal emphasis on electronic sharing leads many of us to stumble into precarious situations.

The insurance industry is here to protect us. Although many individuals believe that insurance is an enemy, the truth is that insurance saves us from catastrophe. The collective monetary contributions of all are accumulated to pay for the losses of few. It is a simple and benevolent principle. The success of an insurance company is derived from the ability to accurately assess the company’s customers. With proper assessments, an insurance company will accept the correct amount of risk. With improper assessments, an insurance company will not be profitable. Without any previous sense of foreshadowing, the emerging role of social media has allowed the insurance industry to better execute the information-gathering process. Accurate information leads to clarity in the underwriting, claims, and subrogation divisions of an insurance company. The final product to us (as consumers) is a more actuarially-sound premium. While the entertainment-focused role of social media carries negative connotations, it is also true that its existence is aiding the convoluted scenarios of everyday life.
There is now a new challenge presented to the insurance industry. How effectively can an insurance company monitor the social media usage of its customers? The reason why an insurance company would want to engage in this surveillance is to uncover fraudulent behavior. There are two variations of fraud: hard fraud and soft fraud. Hard fraud occurs when an individual intentionally causes a loss or claims to have suffered a loss when no loss has actually occurred. Soft fraud refers to exaggerations on insurance applications or loss reports that will benefit the insured ("Fraud"). Many individuals are incredibly clever; they can get away with a crime if they utilize sufficient preparation and execution. However, there is now a new method to thwart these mischievous efforts. Social media platforms tempt certain individuals to reveal their true intentions. Individuals with fraudulent intentions will tell one story to their insurance agents and another to their Facebook friends. Consequently, the insurance industry is learning to search for patterns (or lack thereof) of behavior that can confirm the losses that have been claimed by the customers. Scott Robinson, a Senior Vice President at Moody’s Investors Service, clarified the justification for investigating via social media. He proclaimed, “The goal for insurers across the major social media sites is the same: to tap into a pre-defined network and use it, at very little cost, to extend a brand’s strength and reach” (Langlois). When an insurance company can prove that an individual is lying about a loss, the company has the right to deny the claim. Since the company is not paying out settlements on these fraudulent claims, there will be an increase in corporate savings. When this type of increase occurs, the company will be able to lower future premium prices for their customers.
Ethical Concerns

Many individuals question the ethical standards by which an insurance company will investigate their customers via social media accounts. The main concern is whether or not an invasion of privacy is occurring. On the surface, it is easy to see why the average customer may be uncomfortable and perhaps somewhat hostile when he or she learns that an insurance agent, for example, is monitoring his or her Facebook status updates. Why is the claims personnel being nosy? Why does the claims personnel have the right to see the details of his or her personal life? While these questions may hold a bit of weight in a roundtable discussion of distraught customers, the fact of the matter is that social media is simply another form of communication ("Social"). Regardless of how information is relayed from one party to another, an insurance company has every right to utilize the facts. A customer choosing to post a status, a comment, or a picture to the internet is deliberately transforming his or her information from private to public. There is absolutely no one forcing the customer to post the information. An insurance company is acting simply as another bystander in the customer’s life. If there is something or someone of interest that should be taken into account, there is no doubt that a bystander will do so.

Although an insurance company has the right to investigate a customer’s social media accounts, there is one important exception. An insurance company should not "friend", "add", or "follow" a customer for the sole purpose of surveillance. If the customer’s accounts are public, then the insurance company will have access to the information without having to form a virtual relationship with the customer. If the customer’s accounts are private, on the other hand, an insurance company is wise to seek alternative methods of gathering information. Pursuing a virtual relationship with the customer may not necessarily be illegal, but it is definitely unethical and poorly received (Roberts-Gray). Doing so is a red flag that the customer is being watched.
With public profiles, it is basically impossible to determine who has viewed one’s account and who has not. This is why there is no legal issue with an insurance company utilizing a customer’s social media accounts as an alternative form of communication from one party to another. Without a doubt, it is in the best interest of the insurance company to seek as much information as possible related to the customers and to the claims. An insurance company would be rather foolish to not utilize the information present on social media accounts.

The Evolution of Social Media

It is fascinating to follow the growth of social media throughout the past decade. There are few individuals who are not currently involved in some way with social media. Facebook is undoubtedly the leader in today’s social media overhaul, but there are other key contributors. These include Twitter, Instagram, LinkedIn, Foursquare, Google Plus, and Pinterest (Roberts-Gray). While each platform offers different features, they all allow great freedom in sharing one’s life with the outside world. The ability to add pictures to a post is one of the main reasons why an insurance company finds value in a customer’s social media usage. As the old adage states, “a picture is worth a thousand words”. One picture on the internet can immediately discredit a statement or a claim that has been submitted by a customer. A picture represents reality; a statement of a claim can be easily fabricated. There are now so many features of social media that it is very difficult for the average customer to not partake. Even if one platform does not appeal to a particular individual, it is likely that a different one will capture their interest. James Quiggle, the communications director for the Coalition Against Insurance Fraud, stated, “People cannot resist the impulse to share the details of their lives with millions of strangers on social media sites” (“Investigators”). It is surely a strange phenomenon, but one cannot dispute
the numbers. There are more users of social media accounts than ever before. The insurance industry is the beneficiary of this trend, and there is a small chance that there will be any backtracks anytime soon.

Although social media may seem to exist only on the internet, its effects are becoming very realistic. The amount of time that many individuals spend engaged in their social media accounts often surpasses the number of hours spent exercising, sleeping, or socializing in person with friends and family. For this reason, it is incredibly understandable that the insurance industry view social media accounts as an imperative part of daily life. Many first-time meetings between two individuals now consist of exchanging user names of social media accounts. It is a more entertaining way of staying in contact than engaging in simple phone calls or text messaging. Stanford University performed a study in which a computer was used to analyze personality type based solely about social media activity and tendencies. The end result announced that the computer, documenting an individual’s “Likes” on Facebook, was successfully able to forecast personality type to a higher degree than the individual’s own friends and family were able to articulate verbally (Mercer). This is incredible proof that social media is actually a very close imitation of reality. With the increasing number of features that are available to the public via social media, the imitation of reality will grow only stronger. With this being the case, the insurance industry can confidently form parallels between their customers’ social media accounts and their customers’ real-world lives.

In addition to the surveillance of customers, the insurance industry uses social media to promote their own initiatives. This is a new market tactic for the industry, but it is expanding quickly. If the average customer is active on the internet, then the industry has a golden opportunity to create an interest in new products and services. Some companies are more
prevalent than others in the world of social media. For example, Liberty Mutual experienced an increase in the number of “Likes” on their Facebook page from 41,000 to 850,000 in the span of only one year (Ellison). This statistic alone is astounding enough to prove that the industry is making a noticeable impact on the users of social media. The only resource that an insurance company must sacrifice in order to grow their internet presence is time. There is no monetary cost to create the various social media accounts mentioned previously. Also, few employees are needed to monitor an insurance company’s social media accounts. For a small company, one employee would be sufficient to be assigned to the accounts. For a large company, one or two employees would be sufficient to be assigned to each specific platform. The beautiful aspect of this approach is that few employees and relatively little time are needed to reach thousands of potential and current customers via social media. One purposed reason to explain why this marketing method is so effective is that social media, compared to other avenues of communication, is not as intimidating (“Insurers”). For the most part, the average customer views social media as fun and entertaining. Viewing a post or picture from an insurance company via social media does not carry the same connotation as a similar advertisement via television or radio. This observation proves to be very advantageous for the insurance industry. For arguably the first time, the industry is able to advertise to a welcoming and responsive audience.

Applications of Social Media Surveillance

The insurance industry monitors social media accounts for multiple purposes. Now that the industry understands how these accounts can be helpful to everyday business operations, there are initiatives to use the customers’ social media accounts to assist with problem-solving in
the departments of underwriting, claims, and subrogation ("Insurers"). Understandably, underwriting is the first place where a vast array of information and knowledge is necessary. An insurance company must comprehend the degree of risk attached with each insured, whether that is a new applicant or an existing customer. While a local agent will attempt to provide the most thorough report, there are always a few missing pieces. Monitoring social media accounts can definitely assist with the process of finding the missing pieces. It is a large weight lifted from the shoulders of underwriters to be able to sufficiently estimate a new applicant before making a final decision on insurability. When reviewing an existing customer, information located on social media accounts may lead underwriters to stumble upon a hole in the current coverages ("Insurers"). They may be a specific aspect of an individual’s life that was not asked in the insurance application. There may be a specific aspect of a business’s operations that was not discussed in the initial conversation with a field representative. An existing customer will be very grateful if an underwriter were to ask additional questions based about a status update or a picture that had been posted on a social media platform. This would lead to the purchase of some type of coverage that had not previously been a part of the customer’s policy (or policies). The last thing an existing customer wants to experience is a loss that is not covered due to the fact that an underwriter was not aware of certain details pertaining to the customer’s attributes.

Claims and subrogation are two other areas where an insurance company can benefit by monitoring social media accounts. It is very logical that additional information relating to a loss will assist a claim representative in reaching a settlement (if necessary). Even after the initial loss report has been reviewed by the claim representative, an investigation of potentially related posts and pictures on social media accounts will aid in the overall process. Frank Darras, an insurance attorney, believes in the importance of using every resource he can in order to reach a smooth
conclusion for each claim. He explains, “Checking social media accounts has become one of the first things an insurance company or adjuster will do when you file a claim” (Roberts-Gray). It is greatly surprising how often a customer may post material that contradicts the information listed in the initial loss report. The unfortunate truth is that certain individuals have the desire to deceive their insurance company in the hope of receiving a settlement. Similar issues arise in the subrogation department when an insurance company decides to pursue a third party that may be responsible for the loss. Perhaps the third party references the loss in a post or a picture on a social media platform. The insurance company that originally paid the settlement may not have had reason to suspect a responsible third party until they stumble upon something concerning on the internet. The process of subrogation can be very long and tedious. A third party does not want to draw attention to themselves by making a poor decision and sharing sensitive information on their social media accounts.

Stories of Success

There are so very good examples of claims that have been proven fraudulent due to information that had been posted on social media. It is rather concerning to think that these individuals would likely have received large settlements if it were not for the additional information that was discovered on the internet by an observant claim representative. In Texas, a man claimed that his Bugatti sports car had been stolen. Rather than pay a settlement, a representative of the interested insurance company located a YouTube video that displayed the man driving the sports car into a lake. Without a doubt, this was sufficient evidence to prove that the man had committed insurance fraud (“Investigators”). In Arizona, a woman claimed that her wedding rings (apparently one was not enough to keep her happy) had been vandalized. Upon
investigating, a picture was located on her Facebook page that showed her wearing the wedding rings; all of them were perfectly intact. Again, this was more than enough to prove the woman was guilty of insurance fraud ("Investigators"). In the Midwest, an Ohio man filed for workers compensation after he appeared to have suffered a back injury. Turning to Facebook, yet again, a claim representative located a picture of the man lifting weights at a local fitness center. Just like the first two examples, this claimant was proven guilty of insurance fraud ("Investigators"). The audacity to share information on one’s social media accounts that contradicts a pending insurance claim is almost unbelievable. These examples represent only a small portion of the investigations that have ensued over questionable high-dollar insurance claims. In fact, many insurance companies now assemble special investigation units to combat these claims (Roberts-Gray). There is no such problem as being too cautious or too observant when handling a suspicious claim. More than ever, there is reason to suspect that someone may be hiding the truth.

The Benefits of Surveillance

The main takeaway from the insurance industry’s surveillance of social media is that the average customer will save money. According to the Insurance Industry Institute, fraudulent claims are responsible for approximately $30 billion in settlements every year ("Your"). Imagine if the investigation units became so efficient and effective that few fraudulent claims ever saw a check. With an increase in the frequency of identifying these fraudulent claims, there will be a decrease in the number of settlements that are actually paid. This then implies that an insurance company will boast a larger profit. And with a larger profit, there is the likely chance that the insurance company would lower the premium for many (if not all) of the policyholders. The fact
that the insurance industry now monitors social media accounts with regularity is actually a very positive behavior that will benefit thousands of customers in the long-run. While the average customer does not consider this fortuitous effect at first, it is surely the best way to view this new trend in the industry. Keeping up with social media accounts allows the industry to perform their job with increased accuracy, and the resulting savings are then passed down to the customers.

**Responsible Use of Social Media**

From the customer side of this development, there are multiple ways to protect one from appearing to act suspiciously in the eyes of an insurance company. The overarching word of advice is to be very selective with status updates and pictures that have anything to the insurance industry. Gina Roberts-Gray summed up her recommendations in a very concise manner. She announced, “No matter how rattled or irritated you are, it’s never wise to tweet or post on Facebook that you were involved in an accident” (Roberts-Gray). From the perspective of the customer, doing so is much more likely to hurt his or her cause than to help it. It’s best to keep quiet and allow the investigation process to play out as it should. This is definitely not to say that a customer should lie to investigators; rather, that a customer should not draw attention to themselves and anything relating to a claim because it will automatically create a degree of suspicion. Another tactic for a customer is to select more restrictive settings under the privacy categories of his or her social media accounts (Roberts-Gray). Doing this will likely prevent a claim representative or an agent from anonymously viewing all of the customer’s status updates and pictures. This behavior does not necessarily bring up a red flag from an insurance company because it is simply an effort to keep personal information to those individuals who care about it the most. However, if a customer were to change their settings from public to private within the

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course of an investigation, that would raise much concern from the insurance company. If one’s social media accounts are going to be kept private, they must be constructed that way well before any sort of claim is filled by or against that particular customer. Lastly, one must be very aware of the status updates and pictures posted by his or her “friends” and “followers” that make their way to the public eye. There is always the chance that someone else may unintentionally present an insurance company with the incriminating information that they are looking for (Roberts-Gray). For this reason, a customer must not at all encourage others to share information relating to a loss. While the status updates and pictures of a third party may require more work on the part of the insurance company, there is still a chance that the claim on hand will never see a settlement.

Conclusion

Social media has the capability to continue to revolutionize the insurance industry. Between the marketing opportunities and the ability to monitor the activities of potential and current customers, social media will be kept at the fingertips of insurance professionals of all types. Hopefully, the average customer will grasp the fact that these measures are completed with everyone’s best interests in mind. With the gradual elimination of fraudulent claims, base premiums will be lowered. Moreover, there are few ethical concerns in this situation. Information posted on the internet is public by the sole nature of the technology. One must always keep in mind the fact that “social media is never really private” (Roberts-Gray). If status updates and pictures contain vital information, an insurance company will not hesitate to add its information into the related file. The intention to bring justice to the industry supersedes the hesitation to monitor the details of customers’ personal lives. This day in age, many aspects of
American society seem to connect to one another in ways we may have never thought possible. The insurance industry and social media is only one of these many connections. Who knows which new connections each of these entities will form in the next ten years? Integration improves efficiency, and we should be very appreciative of the great strides that have already been taken.


