



SPECIAL REPORT/SOCIAL MEDIA AND INSURANCE

Open-source information is of great use to investigators - but also to criminals

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Social media, fraud investigation and personal safety

Social media sites can be used in the fight against insurance and other fraud. But from the perspective of personal security, the use of these sites needs to be carefully managed by high-net-worth individuals and their families



Stephen Boyd, chief operational officer
Armour Intelligence

There can be few people with access to the internet who do not have a social media capability in the modern age. Be it Twitter, Facebook, MySpace, Bebo or LinkedIn, the vast majority of us have an online footprint.

As specialists in the detection and deterrence of fraudulent activity, including security assurance and risk reviews, Armour Intelligence is well aware of the benefits and the downsides of social media. Our staff are all ex-military investigators or police officers and while

we have access to areas of the internet the general public may not consider, many of which are free to use, the open-source information from social media has also provided another significant weapon in our fight to identify and track fraudsters. Before we send our investigators out to track or interview suspected fraudsters for our various clients, including the insurance industry, we look to provide them with every possible piece of information.

New avenue for investigations

We have seen in recent years the rise of social media has created a new avenue for our investigations, be it identifying where and when we can find the person we are looking for, or proving the statements

they have made and claims they are making are false and fraudulent.

For example, we are looking for a suspected fraudster and where he may be at a given time. We go to his Facebook page where there is no address but we find he is a keen rugby player. His LinkedIn account says he is based in Devizes, Wiltshire. A Google search finds there is one rugby club in Devizes and the teams train on a Thursday night. The chances are if we send an investigator to the club on a Thursday evening, our target will be there.

Recently we were asked to check the claims of a man who said he had been living in London for the past three years and had been claiming a number of benefits owing to his

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Social media

The use of social media platforms in the goals and execution vary from company



Michael Fitzgerald,
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Social media has evolved rapidly over the past five years from a static billboard to a strategic operational tool. It began to affect insurers in 2009 as companies used social networks to promote and protect their brands. Led by the large personal lines carriers, insurers amplified their marketing efforts by building pages on the most frequently used social sites and offering incentives for customers to "like" or "follow" them.

In late 2010 and 2011, as the use of Twitter increased, those insurers aggressively pursuing social technology began to employ it as a front end to customer service interactions. The first motor insurance-quoted facility on Facebook emerged in the first quarter of 2012; however, widespread use of social media as a transaction-processing platform in the insurance industry has not materialised.

Today, social media in insurance has established a firm foothold in North America. However, strategies, goals and execution vary widely among insurers. To shed some light on why and how social media is being used at present, Celent and law firm Locke Lord LLP conducted a survey among their clients to answer the questions most often asked about the use of social media by insurers in North America. It explored the benefits, barriers, plans, legal considerations and business results of social media in insurance.

Not surprisingly, when the question was how insurers can benefit from the use of social media, marketing was the highest impact area. However, almost as many respondents identified customer service as a key benefit opportunity. This reflects the increased use of social media in customer support in other industries such as consumer goods. As happened with past improvements such as online bill payment, consumer experiences outside insurance will influ-



Social media: widespread use of social media as a transaction-processing platform in the insurance industry has not yet materialised

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ence their expectations. Celent expects social media use for customer service to be the next opportunity for the platform.

The relatively low ranking of fraud detection as a benefit was not expected, but is explained by the fact few life/annuity insurers identified this as a benefit area and property/casualty insurers were largely split evenly between seeing it as a value area and not. Based on anecdotal reports from special investigation units, Celent encourages any insurer writing automobile, disability (including workers compensation) and/or employer liability lines closely to evaluate the benefits of social media as a fraud-mitigation tool.

Insurers using social media

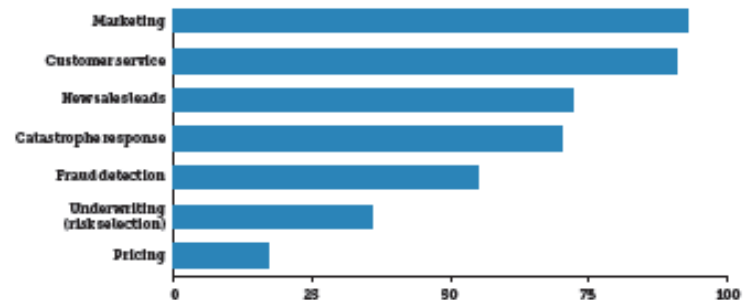
The feedback on the primary goals of insurers using social media contained some surprises. As expected, brand recognition ranked the highest. What was not expected was building better rela-

and North American insurers

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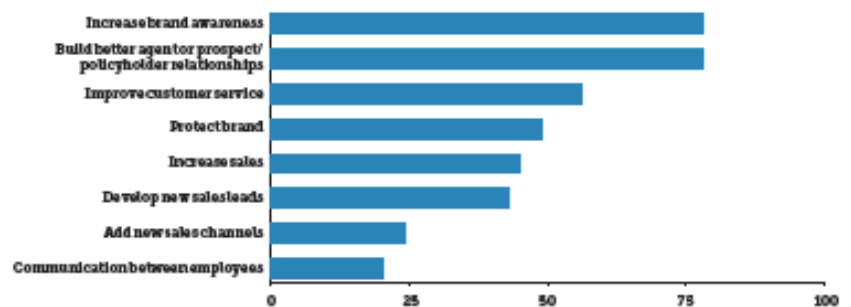


Graph 1: How can insurers benefit from the use of social media? (% respondents)



Source: Celent

Graph 2: What are your goals using social media? (% respondents)



Source: Celent

relationships with key stakeholders was tied for the top response spot. Although usually a key objective, "improving relationships" has not risen to the same level as "brand recognition" in past surveys.

The prominent placement of "improve customer service" was also unexpected. Ranked ahead of the defensive tactic of protecting the company brand, the recognition of social media as a proactive customer service tool illustrates a greater appreciation of its potential.

In executing social media, a best practice that has emerged is the development of a written social media strategy. These documents establish goals, strategy, tactics and success criteria. More than half the insurers responding to this question indicated they have established a social media strategy.

However, more than one-third indicated they do not have one in place. Beyond missing a valuable communication opportunity, this is a potential risk management issue

in that an insurer's use of social media affects many different functional areas such as employment, compliance with insurance regulatory laws and, in the case of public companies, securities laws, as well as laws governing marketing such as telemarketing and anti-spam and records retention and management.

Another best practice in social media execution is clearly defining intracompany departmental roles and responsibilities. Survey feedback shows insurers continue to look to their marketing departments to execute social media activity. Celent expects this to continue but encourages insurers to expand the use of social tools across the enterprise. The area with the most benefit is operations/customer service. For example, among the companies leading the way in this area, information from social sites is fed directly into customer service problem resolution systems. Other insurers are using Twitter as a channel for problem reporting.

Insurers not using social media
Only 20 insurers said they are not using social media. Such a small sample size prevents a very detailed analysis of this group. However, some observations can be made concerning their future plans.

Almost half (45%) expect to begin within the next year. These were distributed evenly across lines of business and company size. Adding the present level of use, 80%, that was reported earlier in the survey results with these plans indicates, in 12 to 18 months, use of social media in North American insurers will be pervasive.

The "other priorities" response was top of the reasons companies gave for not already pursuing social media. This matches the discussions Celent has had with organizations that have said they do not have the "bandwidth" to initiate these efforts.

Surprisingly, "shortage of skills"

tied with "legal and regulatory compliance concerns" was the next reason companies gave for social media not being in place. As the knowledge base of managing these sites grows, the human capital issues should be resolved. As mentioned before, compliance will continue to be a wild card.

Conclusion

Four-fifths (80%) of the insurers that responded to the survey said they are using social media in their business. Of the companies that are not using social media at present, 45% plan to do so within the next year. Social media will then be pervasive across insurers. ■

Social media action steps for insurers

- Consumer goods industries will continue to use social media as a customer service platform. Much like online bill payment in the late 2000s, this will create new expectations for consumers interacting with insurers and enhance their ability to transact business with the younger, mobile demographic target consumer. Companies are encouraged to build the use of social tools into their customer service processes
- Any insurer writing automobile, disability (including workers' compensation) and/or employer liability lines should closely evaluate the benefits of social as an underwriting and claims fraud-mitigation tool
- As an insurer builds its skills in managing a social platform, it should evaluate the benefit of leveraging these skills and extending services to its agency force and other product distribution partners. Such services can include creation of content, building of sites and/or training on social media



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residency. A check on social media quickly brought up a series of pictures on sites where our man was prominently featured during the course of his employment as the deputy manager of a hotel in Barbados, where he has been working for two years.

Additional levels of information

While social media has been able to aid our ability to track people it has also provided additional levels of information, which have proved

highly useful to our investigators to carry out more structured interviews and ask the questions that will elicit the answers we are looking for.

As trained investigators we can also use that information in a way that will be admissible in a court case if our client wishes to use that option.

Our view is social media can only continue to grow and, if properly used by investigators, will be a powerful weapon in the fight against fraud. However, the flip side is for those members

As investigators we can use social media to track those we want to talk to; the criminal fraternity have similar access to open-source information.

Those at risk of kidnap and ransom need to be fully aware of the way in which not only they but also their friends and families use social media. Saying where and when you are going to be somewhere in advance can be tracked and therefore used

of the public who would be deemed to be high-risk individuals and their families.

Kidnap and ransom

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