

The Use of Social Media in Insurance

Social Media (D) Working Group of the
Market Regulation and Consumer Affairs (D) Committee

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I. INTRODUCTION

The Social Media (D) Working Group (SMWG) was charged by the Market Regulation and Consumer Affairs (D) Committee with researching and examining the role of social media within the insurance marketplace and using the information acquired to produce a white paper that fosters a greater understanding of regulator, licensee and consumer roles as well as their, expectations and responsibilities vis-à-vis social media. This white paper focuses on the following key points:

- Insurance company and producer uses of social media.
- Regulatory and compliance issues associated with the use of social media.
- Guidance for addressing identified regulatory and compliance issues.

In order to gain a broad perspective of the various issues surrounding social media, the SMWG solicited input from a variety of sources — including insurance companies, insurance producers, consumer advocate groups, state insurance regulators and non-insurance regulatory bodies — that have addressed the use of social media. Furthermore, existing model laws, statutes and regulations were leveraged wherever on point and applicable.

For all its unique and novel aspects, social media is simply another method by which individuals and entities interact and communicate. In the insurance context, these individuals and entities include insurance companies, their employees, appointed producers, consumers, potential consumers and regulators. Thus, this document is intended to both educate these various groups and provide guidance to regulators, insurance companies and producers for addressing various social media concerns. If insurance companies, producers and regulators are to meet the challenges of this evolving technology, it is important that insurance entities have confidence that their investments into the medium will not result in unintended regulatory liabilities. For their part, regulators must be confident that insurance consumers are protected from false or misleading information and that the well-established principles of market regulation, including record retention, are recognized and respected.

II. BACKGROUND ON SOCIAL MEDIA

Definition of Social Media

While there are several ways to define social media, a common thread running through all definitions is the blending of technology and social interaction for the creation of value. More specifically, social media may be defined as a group of Internet-based applications that allow for the creation and exchange of user-generated content.

Social Media Sites

It must be stressed that social media sites and usage are in a constant state of evolution, with dominant sites changing and new platforms being introduced at regular intervals. While various features will change and particular social media platforms will come and go, the unique aspects of social media — including its speed, reach and collaborative nature — are likely to ensure the long-term appeal and success of the medium. Regulators and licensees are encouraged to remain mindful of these aspects as they develop procedures and guidelines for regulating the use of social media.

Reasons for Use of Social Media

People use social media for a number of reasons: communicating, collaborating, seeking expert advice, sharing multimedia, presenting opinions, sharing reviews and for entertainment.

Many claim that social media brings a new sense of community by allowing people to connect with others who are similar to themselves. While this might involve reconnecting with long lost friends from childhood or former coworkers, it is also used to meet new friends who have similar interests.

An increasing number of people are using social media in their buying decisions. Social media helps them filter the large amount of information available by being able to rely on comments from their friends and like-minded individuals.

A “person like me” is now the most credible spokesperson for companies, according to at least one global survey. The share of people who trust “a person like me” more than they trust brands or organizations is increasing globally each year (Edelman, 2006). Surveys indicate that 90% of consumers trust peer recommendations, compared to only 14% who trust advertisements (Qualman, 2011).

III. USE OF SOCIAL MEDIA IN INSURANCE

Insurance companies are using social media to increase visibility, enhance familiarity, develop relationships and build trust. Perhaps, presently, the primary advantage of using social media is to generate exposure. Another key use of social media by the insurance industry is to provide customer service in order to build and maintain relationships with consumers (see Appendix D for examples).

The insurance industry has built its foundation on networking and building a good reputation. Because of this, the potential value of social media to insurance companies and producers is quite extraordinary. As a result, insurance companies are investing a great deal of time and resources in social media.

Insurance Companies’ Use of Social Media

There are numerous articles regarding the importance of insurance companies using social media to their advantage. The theme of most articles is that companies should use social media in all its forms as early as possible, not to overtly sell their products and services, but to build consumer relationships, based on trust and the exchange of information. The goal of developing these relationships is the creation of market presence and product branding, which, in turn, should generate new customers.

However, social media is not just used to market insurance products. Companies are using social media in forensic data mining to discover workers’ compensation fraud. For example, some companies monitor social media sites that might contain posts negating the claims of allegedly injured workers who are participating in activities that are beyond the restrictions placed by the treating physician (D’Camera, 2011). Additionally, social media is being utilized as a customer-service tool, as well as a conduit for an insurance carrier to gather perceptions, impressions and real-time consumer reactions to various issues arising in its business space. Finally, insurance companies have increasingly utilized social media in post-catastrophe events as an effective way to contact, inform and communicate with insureds regarding the claims process and other relevant and timely information.

Before social media, a company facing a public relations crisis often hurried to spend a large amount of money on an ad campaign. While companies had some evidence this helped, many insurance consumers already distrust insurance companies and are skeptical of marketing efforts. Social media, on the other hand, allows companies to share information in much smaller pieces that can speak directly to a consumer’s needs and in a language that is much more meaningful to the average consumer.

While the above-described uses (and potential uses) of social media by insurance companies are important to note, it must be pointed out there is another side of the proverbial coin to social media in insurance. A not-insignificant number of insurance companies — concerned about the novelty of the medium, the lack of explicit regulatory and legal guidance, and very real practical and technical issues — have either banned the use of social media outright or taken an approach of benign disregard relative to the use of social media in connection with their insurance business.

Regardless of a company's decision to participate (or not participate) in social media, its reputation among consumers will be affected by its decision. Therefore, when developing social media policies, company executives must be mindful of the medium's benefits and limitations, while addressing technological and regulatory issues.

Insurance Producers' Use of Social Media

Producers are also avid users of social media. Historically, producers have networked within a defined geographic territory. Because people generally only buy from producers they trust, developing trust has generally meant face-to-face interaction. However, as people grow more accustomed to trusting relationships developed online, producers who excel at developing such relationships will likely pursue licenses and sales opportunities outside traditional geographic areas.

Social media provides producers with an opportunity to change dramatically how they build relationships and market their products. The use of social media allows producers to provide a 24/7 "kitchen table" where customers can build relationships on their own terms.

One company is training its producers on the use of social media because it believes the producer level is where it will be most useful (@Allstate, 2010). Another company's director of social media said his goal is to give producers support in figuring out what they should say — and make sure they do not do something they should not. He said many producers previously got to the point of setting up a presence on a social media site, but then lacked the knowledge and confidence to use it successfully. As previously noted, some producers have made use of social media during catastrophes as a method for contacting current clients, directing them to help and services, as well as providing information on next steps vis-à-vis the claims process.

Because the insurance industry employs both captive and independent producers in its various models of product distribution, understanding the insurer-producer relationship is critical when determining the insurer's responsibility for its appointed producers' social media communications. As such, if the content of an appointed producer's social media communication can be attributed to a specific carrier, regulators will also attribute the communication to the carrier. If the content of an appointed producer's communication cannot be attributed to a specific carrier or supervising agency, the producer is solely responsible for that content. Thus, companies are encouraged to develop and implement policies and procedures that recognize the agent/principal and independent relationships that exist in the various distribution models.

Insurance Consumers' Use of Social Media

Consumers use social media to acquire information that they use in making their own insurance decisions and to provide information to other consumers considering insurance choices. Most often, consumers use social media to share information about insurance companies and producers on Internet sites that allow anyone with a Web browser to post notes for others to read. Although such editorializing may be positive or negative, negative posts last longer, go farther and reach more people more quickly than word of mouth ever did. Even if a consumer is not friends with someone who is upset at a company, he/she can generally search "I hate [specific company]" and find websites and postings from angry consumers. Moreover, companies and producers may be unaware that such editorializing is occurring and may be unable to edit the content describing their company and personal brands in a pejorative manner (Greene, 2010). In addition, insurance consumers have turned to social media following catastrophic events in order to quickly contact and obtain information regarding their next steps vis-à-vis reporting a claim.

Social media is increasingly accessed and consumed on mobile devices. In some situations, displaced insurance consumers (or insurance consumers affected by a catastrophe) could be without their usual infrastructure and support, making social media accessed from a mobile device their primary source of information and communication.

IV. ISSUES IDENTIFIED AND REGULATORY GUIDANCE

Regulators' Observations Regarding the Use of Social Media in Insurance

Most state insurance regulators have observed the increasing use of social media within the insurance marketplace and are taking tentative steps to address the same. Several state insurance departments are actively addressing social media use and issues via market conduct examinations; others have addressed complaints regarding the misuse of social media through the consumer complaint process.

The New York State Insurance Department's Office of General Counsel issued an opinion stating that the use of a LinkedIn profile page or similar website for the promotion of insurance, insurers, insurance producers or insurance brokers constitutes an advertisement, announcement or statement under the New York Insurance Law (Life, 2010). Many state insurance regulators have established a social media presence in the form of Facebook pages or other social media networks.

Currently, access and oversight of social media outlets is difficult for many state insurance regulators. Strict policies prohibiting state employees from visiting social media websites during business hours, using state-issued equipment or "blocking" access to social media, hide relevant activity from the regulatory community. Accordingly, state insurance regulators are encouraged to identify employees who will monitor social media and provide the necessary policies, security clearances and support to be effective.

Supervision, Monitoring and Training

An insurer's policies, procedures and controls relative to social media communications must comport with existing regulations, which include, but are not limited to, statutes and rules related to advertising and marketing, record retention, consumer privacy and consumer complaints. Moreover, insurers (or their third-party designees) are encouraged to communicate their policies and procedures relative to social media communications to their appointed producers. Similarly, insurers (or their third-party designees) might wish to utilize risk-based principles to determine if and what type of social media training is necessary relative to their distribution channels and business models.

An insurer is responsible for all social media content it posts to any of its own directly sponsored sites/spaces and may be responsible for posts of third parties. Furthermore, an insurer is responsible for the content of its appointed producers' posts, if such content can be attributed to the appointing insurer or the insurer's products or services.

While the general principles outlined above comport and are largely congruent with traditional regulatory understanding of an insurance company's role and responsibility within the marketplace, key differences do exist concerning these principles when applied to the social media context. One of those key differences between social media and more traditional forms of communication is the extremely collaborative nature of the social media medium, which hosts both static and interactive content. The delineation between static and interactive social media content is of the utmost importance when considering regulatory issues and bears further analysis.

Static content remains posted and visible until it is changed by the author or another party authorized to make such changes. Generally, on a social media website, static content is accessible to all visitors and includes such information as biographical profiles and background data. Static social media content is, in form, akin to more traditional communication forms — such as a newspaper advertisement, television

commercial or direct mailing — that an insurance company would employ to disseminate a message. As such, static social media advertisements or solicitations must comply with state marketing and advertising regulations.

Interactive content and communications present a more difficult problem. Because of this, state insurance departments should take a more nuanced or highly fact-specific approach than that applied to traditional media forms used by insurers and producers. Interactive social media communications are generally “real-time,” involve more than one party, and often include third parties posting comments, links or other substantive content and material to the social media website. Such communications and content do not require filing or approval prior to use and, generally, “posts” by customers and non-associated entities are not considered insurer or producer communications with the public. Accordingly, from a regulatory standpoint insurance companies and producers are not responsible for the content of these messages/materials.

There are certain circumstances where third-party posts may become attributable to an insurer and/or producer. Borrowing from the Financial Industry Regulatory Authority’s (FINRA) guidance on third-party posting to social media websites, an insurer and/or producer may be held responsible for third-party posts due to the “entanglement theory” and/or the “adoption theory” (Regulatory, 2010).

The entanglement theory simply notes that when third-party content is attributable to an insurer and/or producer because the insurer and/or producer were involved with the preparation of the content, the insurer and/or producer is responsible for the content.

The “adoption theory” notes that when third-party content is explicitly or implicitly endorsed by the insurer and/or producer, it becomes attributable to the insurer and/or producer and is then considered an insurer and/or producer communication with the public.

Insurers are encouraged to adopt policies, procedures and controls reasonably designed to ensure that the content of insurer or insurer-attributed social media communications is accurate and timely. As with any insurer or producer communication in any media format, communications should not be misleading and statistical data in communications should be time relevant. In addition, product recommendations made through social media must comply with existing state insurance laws and regulations.

Insurers and producers should employ risk-based principles to determine the extent to which the review of incoming, outgoing and internal electronic social media communications is necessary for the proper supervision of their businesses. Accordingly, insurers and producers may adopt procedures that require preapproval of some or all interactive electronic social media communications prior to use, or, alternatively, may adopt methods of post-use review, including sampling and lexicon-based search methodologies.

Recordkeeping Requirements

It is a longstanding and well-established principle of insurance regulation that insurers and producers must maintain their books and records in a manner that permits an examining department of insurance to readily determine compliance with state insurance laws and rules. Like other forms of written communications, social media communications fall within this existing regulatory framework.

More specifically, when an insurer or producer is responsible for the content of a specific social media communication, then the insurer or producer is also responsible for complying with state record-retention regulations relative to the subject communication.

While the principle of recordkeeping is not likely to be controversial in theory, the practical realities of complying with recordkeeping requirements in the social media environment, which is constantly evolving, could prove challenging.

State insurance regulators are aware that technology providers have developed, and are developing, systems intended to enable insurers, agencies and producers to retain records of communications made through social media sites. Such platforms have been developed so that social media usage by producers is appropriately retained. It is the responsibility of each insurer, agency and producer to determine whether a particular vendor, technology, system or program provides the appropriate privacy, retention and retrieval functions necessary to comply with the various state statutes and rules relative to recordkeeping. Important considerations include where the data will be stored (i.e., in the “cloud” or elsewhere) and data ownership.

Appendix A — Internet Usage

Of the world's population, it is estimated 2.1 billion people (approximately one third) have Internet access. Of the world's regions, Internet usage is the highest in North America, with a penetration of close to 80%. Internet usage in the United States has grown from 44% to 77% in the past 10 years.

Table A-1

World Internet Usage and Population Statistics				
World Regions	Population (2011 Est.)	Internet Users (As of Mar. 31, 2011)	Penetration (% Population)	Users (% of Table)
Africa	1,037,524,058	118,609,620	11.4%	5.7%
Asia	3,879,740,877	922,329,554	23.8%	44.0%
Europe	816,426,346	476,213,935	58.3%	22.7%
Middle East	216,258,843	68,553,666	31.7%	3.3%
North America	347,394,870	272,066,000	78.3%	13.0%
Latin America / Caribbean	597,283,165	215,939,400	36.2%	10.3%
Oceania / Australia	35,426,995	21,293,830	60.1%	1.0%
WORLD TOTAL	6,930,055,154	2,095,006,005	30.2%	100%

Source: Internet World Statistics

Table A-2

United States Population and Internet Usage			
Year	Population	Users	% Pop.
2000	281,421,906	124,000,000	44.1%
2001	285,317,559	142,823,008	50.0%
2002	288,368,698	167,196,688	58.0%
2003	290,809,777	172,250,000	59.2%
2004	293,271,500	201,661,159	68.8%
2005	299,093,237	203,824,428	68.1%
2007	301,967,681	212,080,135	70.2%
2008	303,824,646	220,141,969	72.5%
2009	307,212,123	227,719,000	74.1%
2010	310,232,863	239,893,600	77.3%

Source: Internet World Statistics

Appendix B — Popular Social Media Sites

As of this writing, the most popular social media sites include the following:

- **Facebook** (www.facebook.com) — A website that allows users to create a personal profile, add other users as friends and exchange messages, including automatic notifications when they update their profile. Users may join common-interest user groups created by places of employment, schools, colleges, religious organizations, political parties, other organizations or group of people.
- **Twitter** (www.twitter.com) — A website that allows users to send and read messages called “tweets,” which are text-based posts of up to 140 characters displayed on the user’s profile page.
- **LinkedIn** (www.linkedin.com) — A business-related professional networking website that allows users to set up a basic profile, utilize groups, events and connect with larger communities.
- **Wikipedia** (www.wikipedia.com) — A Web-based encyclopedia that houses more than 18 million articles written collaboratively by its users from around the world. Almost all of its articles can be edited by anyone with access to the site.
- **YouTube** (www.youtube.com) — A video-sharing website on which users can upload, share, and view videos consisting of a wide variety of user-generated video content, including movie clips, TV clips and music videos, as well as amateur content such as video blogging and short original videos. While most of the content on YouTube has been uploaded by individuals, media corporations such as CBS and BBC share videos on the site.

Social media sites such as MySpace, Digg, StumbleUpon, Reddit and Yelp! round out the most popular social media sites (SEOMOZ, n.d.).

Appendix C — Social Media Usage

Social media sites are the most popular online category when ranked by average time spent per Internet use. Two-thirds of online adults (66%) use social media platforms such as Facebook, Twitter, MySpace or LinkedIn (Smith, 2011).

Facebook, which captures 54% of U.S. internet users (Prescott, 2010) with 500 million members, has users that spend more than 700 billion minutes (1.3 million years) per month on Facebook (Social Media Works, 2011). It tops Google for weekly traffic in the United States and, if it were a country, would be the world's third largest (Qualman, 2011).

Twitter has 175 million registered users who average 95 million tweets per day, an average of 1,100 tweets per second (Social Media Works, 2011).

LinkedIn has more than 100 million members in more than 200 countries, with one new member every second (Social Media Works, 2011).

Wikipedia, with more than 20 million articles (Wikipedia, 2004), would have 2.25 million pages if printed as a book and would take more than 123 years to read (Qualman, 2011).

YouTube, whose videos are viewed by hundreds of millions of people per day, reports that, on average, 24 hours of video are uploaded every minute (Social Media Works, 2011). It also boasts being the second-largest search engine in the world (Qualman, 2011).

Usage by Age

The following table and corresponding pie-charts on the next page indicate the age-based breakdown of the most popular social media sites:

Table C-1

United States Social Media Usage By Age								
Social Media Site	<18 Years of Age	18-24 Years of Age	25-34 Years of Age	35-44 Years of Age	45-54 Years of Age	55-64 Years of Age	65+ Years of Age	Total
Facebook	17	7	14	21	25	12	4	100
LinkedIn	3	4	16	28	28	17	4	100
Twitter	10	9	19	28	21	10	3	100

Source: Bloch, 2010

Chart C-1

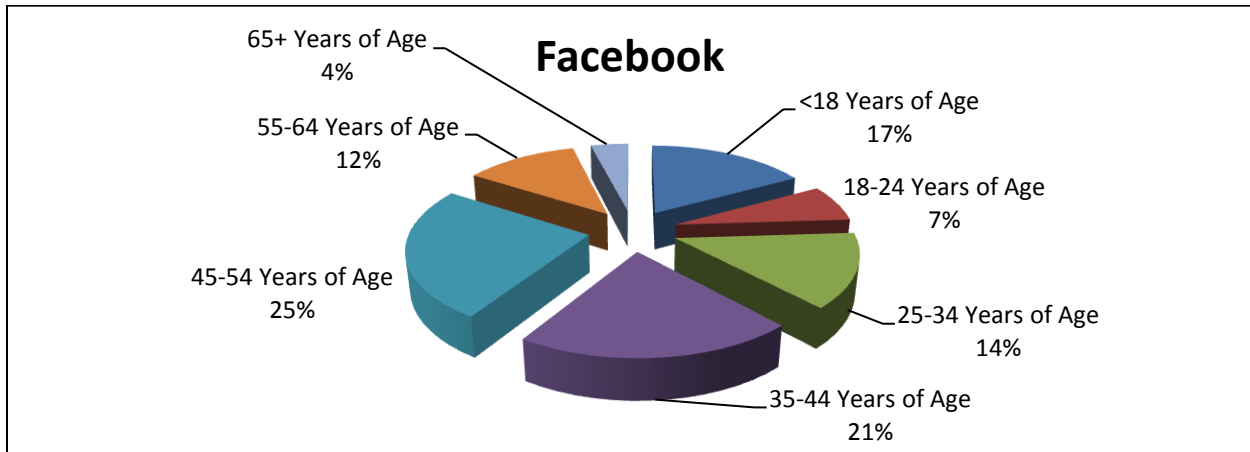


Chart C-2

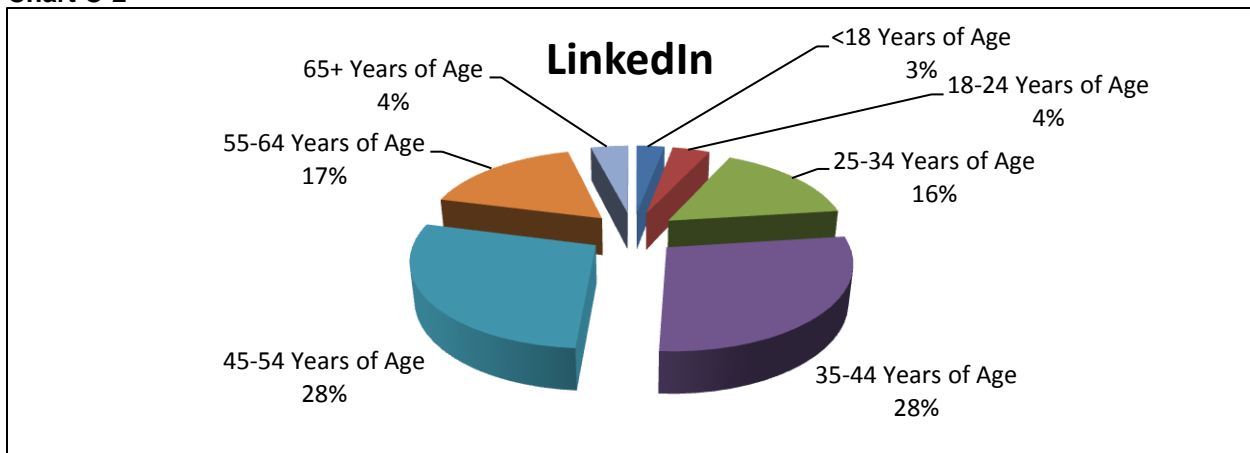
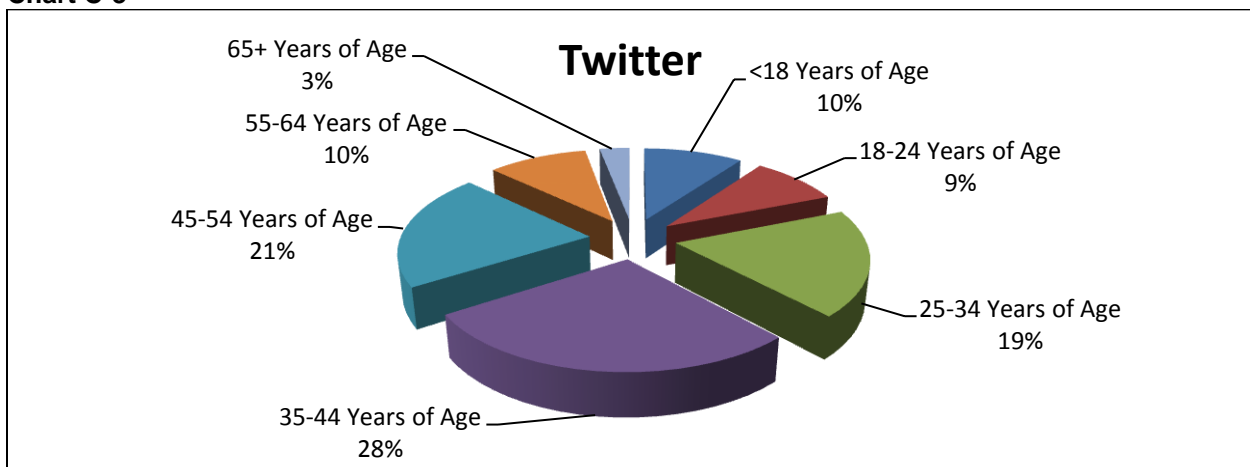


Chart C-3



While those age 65+ make up the smallest percentage of total users, their age group is the fastest growing. The number of social media users age 65 and older doubled during 2010, so that one in four people in that age group are now part of a social networking site (Madden, 2010).

Appendix D — Examples of Social Media Use by Insurance Companies

- The most basic use of social media is to get people to become online fans. Because this is often a little more difficult for insurance companies (compared to restaurants, amusement parks and retail establishments), one company incentivizes consumers to “like” them by donating a dollar to the U.S. Paralympics for every fan of their Facebook page (Actuaries, 2011). When someone clicks the “Like” button on a company Facebook page, it is broadcast to their social network, and their online friends may be inclined to do the same.
- One company used a new tab on their Facebook page to allow users to make electronic thank-you cards. For each thank-you card sent, the company donated money to a charity. The company donated \$50,000 by the time the campaign had ended.
- One carrier uses Twitter to tweet information and “retweet” positive messages; the company responds directly to negative tweets (@StateFarm, 2010).
- One carrier announced a new campaign that would put their “virtual airship” on the screens of everyone playing the popular social game FarmVille, which was reported to be 80 million users in 2011. According to the particular carrier employing this method, the largest demographic group playing FarmVille is stay-at-home moms. Because the carrier believes that this population is in charge of a majority of the insurance-buying decisions in any given household, FarmVille is a perfect outlet to reach their potential customers (Schaffer, 2010).
- One carrier has their own YouTube channel (www.youtube.com/amfam), which includes a collection of educational and informative videos. Sample topics include: safe teen drivers, identity theft and buying whole life insurance. In addition, this carrier has their own online comedy series on NBC.com titled, “In Gayle We Trust.” The series features a Middle American fictional town called Maple Grove, which is populated with a host of colorful characters who turn to Gayle for their insurance needs and counseling (“In Gayle We Trust,” n.d.).
- One company’s well-known advertising icon, a character seen in numerous television commercials, has a Facebook page with half-a-million fans. However, the page was started by an individual that is not affiliated with the company and the company has no control over the account (Insurers, 2010).

Resources

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