

## **The Project**

With the advance of social media as a major resource for consumers and as a communications medium for industries, the Insurance Consumer Affairs Exchange (ICAE) chose to make the topic of social media its focus for a position paper. Because social media is a consumer-oriented engagement medium, ICAE felt the consumer affairs professionals who attend ICAE meetings as members or regulators would be ideally suited to discussing all aspects of social media. ICAE's goal: To identify opportunities and risks with the use of social media and generate guidelines or recommended best practices to mitigate the risks identified and maximize the potential so that the use of social media is integrated successfully into the insurance industry's consumer affairs structure to enhance the consumer experience.

## **The process**

Presented here are the distilled thoughts of the industry professionals who gathered at the 2011 ICAE Roundtable (held in March), thoughts later augmented and ultimately endorsed by the attendees of the 2011 ICAE Exchange (held in September). Those attending each event recognized the need to be a part of this groundbreaking project—a project to steer the future use of social media for the insurance industry by articulating the consumer affairs perspective. All acknowledged this was new territory and embraced the challenge of working to create a future-state vision from a consumer affairs perspective rather than a checklist of issues from the world of social media. With membership approval, the information here will be provided to the NAIC to supplement and complement the NAIC's work on social media.

## **Assumptions**

By group definition, this paper pertains to social media channels including personal networking sites such as Facebook and Twitter; professional networking sites such as LinkedIn; sponsored and non-sponsored blogs; and video services such as YouTube. Citing these specific channels is for reference only and does not preclude additional or emerging competitive sites providing similar services. The group determined to not including collaborative tools such as Wikipedia and online advertising for the purposes of this discussion.

## **Current environment**

In general, ICAE endorses the NAIC's guidelines for use of social media. In its guidelines, the NAIC acknowledged the ongoing issue of complaint identification and handling as it applies to social media. ICAE offers these additional thoughts from a consumer affairs perspective regarding the use of social media.

Consumers are embracing use of social media across many sectors. As it pertains to the insurance industry, specifically consumer affairs ICAE acknowledged social media outlets can help provide insurance consumers with that which insurance consumers want most:

- Fair, complete products at a fair price,
- Product information,
- Advocates when issues arise,
- Service—regardless of the size of claim,
- Warnings regarding what a product is and is not (disclosures), and

- Immediate decisions.

ICAE's consumer affairs participants acknowledged that social media provides an incredibly quick distribution channel for providing insurance consumers with the most desired service standards stated above. ICAE embraces the concept that use of social media provides a modern approachability for insurance consumers reaching out to regulators or companies. Consumers are using social media outlets—some extensively—and that number is growing. Therefore, it's necessary for the industry to adapt to effectively use social media.

### **Recommended uses for social media from consumer affairs professionals**

ICAE recognizes social media outlets provide an “electronic backyard fence” over which consumer opinions are shared. ICAE members developed a list of potential uses for this backyard fence—from a consumer affairs perspective. The group recognized social media outlets provide consumer affairs professionals within insurance companies and DOIs to:

- Know more about what consumers are thinking in real time,
- Provide a network for professionals, producers, regulators or other communities of interest,
- Put consumer affairs tools in consumer hands,
- Monitor consumer wants and needs,
- Help educate employees, consumers and other stakeholders,
- Provide immediate communication during and after catastrophic events,
- Help insurers and insured look for lost policies,
- Deploy reminder communications such as:
  - Open enrollment notifications
  - Wellness or health communications (flu shot reminders and locations)
  - Deductible reminders for health care, health care savings accounts, and
  - Educational and seasonal updates (how to shovel snow, fire alarm maintenance);
- Update general contact information,
- Create a system to share best practices
- Help companies better spot consumer trends (new product needs, dialogue outlet), and help regulators spot negative trends such as fraud,
- Create a platform for insurance companies and regulators to demonstrate public engagement after traditional media has moved on (for example, with Katrina victims).
- Provide a virtual business office for the convenience of consumers, companies and regulators.
- Provide a venue where claims can be processed quicker than traditional methods because facts can be disseminated and verified quicker.
- Channel video capacity to provide individuals with reading difficulties or sight impairment with parity insurance services by allowing images rather than words to portray or claim insurance products and services.
- Enhance marketing efforts (but it was recognized that marketing applications are not really topical for this group except, unless and until marketing caused some sort of consumer pushback).

ICAE acknowledges the risks involved with using social media, including:

- Social media provides companies with no real control over messaging; provides consumers with no privacy, and provides

regulators with little control.

- Regulation and monitoring of social media outlets may fetter the open system, thus diluting the original intent for use of this distribution channel. Excessive monitoring of companies engaged in social media could result in a lack of agility—hindering the ability to keep up with chatter.
- Social media provides a platform for organized, potentially false, protests to be conducted by groups or organizations against other groups or organizations; sometimes with impunity.
- Social media provides the “vanity press” opportunity for unapproved producer advertisements as well as a venue for misuse of corporate brands and/or logos.
- Social media places companies at-risk for entrapment and adoption—as authorized messages become entangled with unauthorized messages, companies become responsible for potentially unintended messages (including offensive verbiage).
- Cost of potential litigation as more discovery is explored through social media outlets, and more documentation is available.
- Due to the sheer volume of messaging available via social media, authorized messaging may create more consumer fatigue than consumer excitement.
- Use of social media by either regulators or companies may heighten consumer expectations (especially regarding timing of responses or resolutions) to an unrealistic threshold.
- Lack of consistency with the use of social media was further defined as three specific risks:
  - Because use and availability of social media varies significantly by company, state and individual consumer, a lack of consistency has become apparent, which is especially concerning for multi-state insurers.
  - The lack of consistency could result in the potential for incomplete or inaccurate trending and analysis.
- Until the industry has adopted a consistent reconciliation method, social media may create the potential for propagating unfair, inaccurate and, in some cases, unsubstantiated information from departments of insurance and the NAIC to consumers.
- Full use or exploration of social media may be extremely labor-intensive in terms of staffing, quality of staff, and administrator controls.

### **Recommended guidelines/best practices on use of social media**

Following are the recommendations/guidelines on industry use of social media from a consumer affairs perspective; these recommended guidelines are segmented as internal, external and regulatory and complement the NAIC’s guidelines.

#### **Internal (within insurance companies) guidelines:**

- *Consistency for complaint handling*

Following the NAIC’s recommendation, a social media posting should be defined as a complaint if the consumer follows up with the complaint to any corporate-sponsored outlet such as website, when it should be treated and tracked as required for written complaints.

- *Meeting consumer expectations for speedy resolutions*

Companies should create templates and generic social-media responses that include information on clearly defined timelines and privacy information. These templates would be pre-approved and will help manage consumer expectations for timely resolution of issues.

- *Use of social media to monitor consumer needs and wants*

Create internal trending and reporting processes, using the standardized NAIC coding system so that as the anticipated volume of comments are posted, consumer affairs professionals can process consumer feedback quickly and accurately for the benefit of company, regulators and consumers without a commensurate increase in staff.

- *Establishing internal controls (company side and regulator)*

Each organization should establish and communicate administrative control guidelines, including:

- Who has access to social media by authority level,
- What information can be shared, and
- How that information can be shared.
- Those responsible for social media must have clearly defined roles of how to process any interaction with consumers via social media. Additionally, a clear understanding must be established between all divisions using social media in terms of processing consumer interaction including responses to consumers, who will respond, process by which issues are resolved, how issues are tracked, and how disclosure is to occur internally.

## **External guidelines**

### *Initial guidelines for use of social media across the industry*

- As called for by the NAIC's guidelines, reasonably apply existing rules and regulations to social media applications; with time, identify gaps and issues.
- Provide for ongoing review of existing rules and regulations by those who know about and use social media to ensure relevant regulations and consistent applications.
- Require corporate representatives (either consumer affairs or producers) who use any social media application to attend social media educational training each year.
- Communicate clearly to company users that social media will be monitored and consequences will be enforced for misuse.
- Establish and define a clear understanding between regulators and companies regarding rules of engagement and timelines of responses.

## **Recommended regulator guidelines**

The regulators attending both the ICAE Roundtable and the Exchange agreed social media could be a powerful regulatory tool to monitor consumer trends and provide oversight on producers. However, they acknowledged that most regulators

have limited or no access to social media during work hours. The regulator participants themselves echoed the concerns of non-regulator participants regarding:

- Staffing required to successfully use social media, especially as many state governments are reducing their workforce numbers,
- The drawback of the inconsistent application of social media across states, and
- Concerns regarding consumer expectations.

That being said, the regulators agreed the use of social media could be a real benefit for consumers and welcomed the opportunity to help develop standards regarding the use of social media from a consumer affairs perspective. In general, regulators present were convinced that social media would facilitate consumer feedback and would help regulators notify consumers of important information and events.

### **Recommended regulator guidelines**

- *Regarding staffing concerns*  
Regulators suggested clearly defined triggers (such as multiple complaints for a product or producer) and standards of conduct should be established for the use of social media. With clearly established standards, regulators were more comfortable that effective monitoring could be accomplished within staffing capabilities.
- *Regarding the definition of complaints*  
Accepting the use of NAIC complaint definition as it applies to social media.
- *Regarding records retention standards*  
Due to the anticipated volume of consumer interaction via social media, the group strongly recommended that a clearly defined records retention policy for social media be established. This recommendation further acknowledged the use of NAIC guidelines that all records pertaining to a complaint must be kept. Therefore, the group suggested any *postings* pertaining to a complaint must be archived.

### **Call to action: ICAE's role as industry facilitator**

ICAE has had considerable success in proposing, drafting, circulating, and communicating best practice recommendations that have profoundly affected the insurance community. By providing a consistent platform and process for the review of proactive recommendations for companies and regulators, ICAE is in the unique position of being able to provide information for industry regulation and ongoing consumerism. Therefore, it's appropriate this association embraces the topic of social media. As has become tradition, ICAE will work to socialize this position paper to be embraced by all stakeholders.