

# Insurance and social media

## Reinventing a 'social' model for insurance

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### A 'social' model for insurance

This article demonstrates how mature insurance businesses that are present in markets outside Luxembourg are making use of social media to embrace the new 'social business' model.

Today, some insurance companies still underestimate the potential of so-called 'social' technologies (such as blogs, wikis and social media), either by relegating them to the realm of internet marketing or by dismissing them as a passing fad.

However, attitudes are changing as baby-boomers increasingly embrace digital technologies and young people of Generation Y join insurance companies' workforces. Social media plays an increasingly important role in our day-to-day lives, opening the way for a new model known as 'social business'.

The most mature insurance companies have already been using social technologies for several years as part of collaboration, communication and content management, through both internal (for staff and/or representatives) and external (for current and prospective customers) social networks.

These proprietary initiatives can be developed using public social media (such as blogs, community sites and social networking sites), such as when interaction initiated on an insurer's social platform is re-posted on YouTube or Facebook.

This phenomenon has far exceeded the mere use of tools and technologies. Indeed, for relatively little investment, operational and economic insurance models can be transformed: processes and structures can be rethought to incorporate a social approach that creates added-value more rapidly.

Moving to a social business model can begin with themes external to the company and many insurers have already chosen this approach as the first step in their transformation. Marketing managers wishing to gain greater insight into customer sentiments and the positioning of their products therefore pay close attention to opinions expressed on social websites.

Some insurers have also introduced internal micro-blogs that enable staff and/or representatives to feed ideas and expertise back to the company and to work together in a more spontaneous manner.

These kinds of projects are all excellent starting points, but there are many other ways in which the entire insurance value chain can be transformed – creating new products, finding new customers, promoting sales, providing services and managing customer relations, partnerships and human resources.



Social business can help organisations move away from a model based on isolation to one based on engagement, by opening up new platforms where ideas and expertise can be discovered, developed and shared.

At the same time, there are still more practical advantages that have an immediate impact on an operational level. Take for example, the number of interactions between distributors, actuaries and managers when drawing up insurance contracts that require several levels of approval. By using a social networking model, the process is made 'flatter' and more fluid, thus enabling faster, more efficient dialogue between the various parties involved. This can have a significant impact on costs. Such a transformation requires insurers to adopt a more active approach regarding social tools and media.

In addition to monitoring and listening to online discussions, the most mature insurers have set up dedicated teams to interact with customers and the market within the social sphere. Some interactions are purely transactional, such as managing customer relations or benefits/claims, while others aim to promote customer loyalty or boost the company's reputation.

For example, regarding property, accidents and life insurance, insurers can provide information about their products on social networks to create better-educated prospective customers and generate potential sales

opportunities. They can then use data analysis to identify any signs of interest from prospective customers and personalise their messages in real-time to match customer behaviour.

In addition to this, customers have access to social resources (such as comments, notes and categorisation), helping build a sense of community and belonging. These trends rest on a basic principle: individuals are at the heart of the system. Power has shifted from the institution to the individual.

Technology has made it easier to discover and engage using social networks, but it has not changed the fundamental values of content, authenticity, integrity, reputation, engagement and involvement. Social business allows organisations that share these values to overhaul their entire market approach.

This is a unique opportunity for insurance companies to bring together the interests of both their staff and their customers. Companies which succeed in doing so will corner the market.

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### History repeats itself

Prior to contributing to the emergence of social business in insurance, social media, collaboration and knowledge management have had to overcome several challenges.

#### What were the obstacles facing social media?

Those from generations preceding Generation Y were slower to adopt social media, making decision-makers sceptical about its usefulness in a commercial context. Security, confidentiality and compliance risks were all common issues. Intellectual property could be compromised, competitive advantages shared and brands damaged by individuals' behaviour.

Insurance companies had invested in pilot projects focusing on technology and in systems that imitated successful mechanisms in the private domain. In some cases, by adopting an 'open and they will come' approach, they have failed to pursue a result-oriented strategy of defining business needs, identifying the most suitable social network, implementing technology and target media, evaluating results and adjusting targets. The stage that is most commonly missed out is choosing the most suitable social network for interacting with others.

#### What are the emerging trends in social networks?

The social tools market (collaboration, content management and communication) has exploded in the past year. 'Cloud' versions of social tools have made it easier to open systems up.

Public social media sites are no longer viewed as an end in themselves by insurers, but rather as one strand of a broader social business strategy. They are mainly used as a source for indicators of customer opinion and a vehicle for brand management and external communication, as well as a platform for customer service and sales.

Young people from Generation Y who are now joining insurers' workforces are connected and use these social, mobile platforms extensively to make friends, socialise and resolve problems. Insurance companies that do not have internal governance tools for social media and digital platforms could see their younger staff turn to public tools as a well-intentioned, but risky alternative.

Several insurers, both large and small, are now making targeted investments in using social technologies on social networks that are suited to specific business needs throughout the value chain.

#### What obstacles have collaboration and knowledge management faced?

Many insurers have to tackle inefficiencies in the way work is produced and shared when implementing collaborative working solutions (such as static and/or badly defined groups of people). Such solutions are often based on old systems that are limited to document sharing and do not offer the option of turning communication into discussions and communities. These systems are often limited to just one function, field or role and do not make the most of the range and depth of the company as a whole.

The first knowledge management tools focused on gathering and managing content but were not able to capture the context or business processes that made this intellectual property valuable. As a result, these tools became libraries or static collections of documents that were neither circulated nor curated (i.e. selecting, editing and sharing the most relevant content).

#### What are the emerging trends in collaboration and knowledge management?

Insurers' internal social business can facilitate discoveries and interaction among staff and real-time collaboration on tasks and documents, producing a systematic insight into relationships between staff members, their individual skills and the way in which work is produced.

New social tools can be used in both collaboration and completing tasks, thus motivating staff to use them in their daily work. The context of the task is preserved and linked to the content, encouraging both new discoveries and usage. For example, if a sales advisor sends a supporting document to a manager to set up an insurance policy and a discussion ensues between these two parties, then this exchange can be traced and attached to both

the supporting document and the insurance agreement. Categorisation, tasks and relationships can be used to identify correlations and to document and find information. Thus 'taxonomic' discovery can build bridges between structured, non-structured and semi-structured sources of information, helping find new links between content and offering means of discovering and creating 'intelligence'. This is of even greater importance for insurance companies with an ageing workforce, where decision-makers are seeking to facilitate large-scale knowledge transfer.

#### Technological implications

Social business uses the shared interests of individuals to create common value. Technology can help make these interactions efficient by making it easier to discover new information, share content and work together on ideas or tasks, as well as by allowing the use of data and parts of transaction processing systems on social platforms.

- **Social tools**

Introducing collaborative working tools such as wikis, suggestion boxes and skills directories is a major task. The main criteria that underpin the scope and usefulness of each solution include naming conventions, structures, rights management and archiving. The value of social tools can be further increased by integrating email (for traditional correspondence), instant messaging and other communication tools, as well as content collection to make it easier to access information outside silos.

- **Sentiment-analysis tools**

Advances in artificial intelligence should lead to ongoing improvements in sentiment-analysis products, but the tools currently available require specific expertise in terms of configuration, monitoring and maintenance. Tools for monitoring social media, such as Radian6, Mantis and Lithium, reflect a shift toward a type of data analysis where configuration mechanisms are no longer complex.

- **Digital-content management**

Information about the product or brand, staff/intermediary data and other content must be consistent across all of the insurer's platforms, including branches, travelling advisors, websites, telephone platforms, mobile applications, social networks, TV and other innovations yet to come. This multi-platform world means that managing digital assets and content is even more important and it highlights the need to manage content and communities simultaneously across all platforms.

- **Digital identities**

Social business helps develop the potential value of individuals and relationships, whether involving staff, current or prospective customers, intermediaries or partners. The correlations between distinct identities through different bodies (public and private) require a unified third-party digital identity service that can check the authenticity and indisputable character of statements relating to an individual's identity and approve access authorisations. Within an insurance company, a uniform identity approach for access, authentication and certification is needed.



### Case studies

#### Using customer interests to increase market share

A leading U.S. property and casualty insurer wanted to increase its business volume with car collectors and its market share in this niche area. Car enthusiasts normally take out specialist policies rather than standard car insurance. The insurer set up a community page on Facebook and invited enthusiasts who had previously attended collector car auctions. In just 30 days, it launched a community website. Less than three months following the launch, the number of users and posts has risen significantly, with enthusiasts posting photos and information about their vehicles. As a result, the insurer has become much more widely known within this community and the number of policies taken out by community members has risen sharply. The insurer plans to introduce similar initiatives for other luxury niche markets.

#### Incorporating social networks into customer relations

American Family Insurance wanted to incorporate social platforms into its customer relations management strategy. In order to achieve this goal, the company set up nine platforms dedicated to social media, aimed particularly at its representatives and current and prospective customers. The insurer is now able to engage in online discussions on whichever social platform is used by current or prospective customers. Sentiment analyses are carried out in real time: when a positive comment is identified, the company passes it on to its network

of representatives so that each can then make the most of the comment by reposting it on his or her own social network pages. If a negative comment is identified, the platform then immediately tries to contact the author of the comment in order to find a solution to the problem. In 15% of all cases, a dialogue ensued and following such discussions, 33% of Internet users returned to their social network to post a positive comment. The company also capitalises on the involvement of its representatives and their 2,500 Facebook pages. In order to ensure consistency across all of these pages, the company has a system that provides representatives with pre-approved content for publication while also leaving them some scope to personalise their messages.

#### Reducing costs through social data

In the United States, the costs involved in assessing whether applicants are eligible to take out a pre-need life insurance policy can prove expensive for insurers. Depending on the type of medical examination required, costs can range from US\$250 to US\$1,000. An insurance company piloted the use of behavioural data gathered by online retail sites and other third-party databases as inputs for a predictive model that assesses health risks. The results were conclusive: out of 60,000 applications, this technique of analysing behavioural data gave similar results to traditional analyses using medical examinations, whose costs were drastically reduced to around US\$5 per application.

#### What we have learned

In insurance, social business is still only in its early stages. These first initiatives seek to move beyond preconceived ideas about human behaviour and the nature of relationships and to make the company's traditional vision of its markets and staff more rounded. The creation of value increases as companies restructure their processes and organisation around social engagement. Companies are increasingly customising their messages, offers and even products, according to the needs of individuals and communities.

Raising awareness of social tools and media is now giving way to engagement, empowerment and accountability by once again putting individuals at the heart of the system. An incremental approach is needed if we are to tread the social business path without losing our way. We must begin with a sensible scope for the project and be sure to focus on measurable results where causal links can be clearly identified. Once the fundamental points have been decided, we are free to push the boundaries of innovation while always keeping an eye on the importance of authentic dialogue, it being the key to the success of social business.