

Avoiding Social Media Traps

To sidestep the pitfalls of using social media, insurance agencies should consider a number of guidelines.

by Ron Panko

Insurance agencies have increasingly found social media to be a marketing tool. But while sites such as Facebook, LinkedIn, Twitter, Google+ or MySpace can inexpensively and quickly reach multitudes of prospects, using these sites can be dangerous for an agency. Without well-considered plans, agencies may find themselves skirting insurance regulations or making public what should be private conversations.

The trend toward social media has gained momentum among insurance professionals, but probably less than half of property/casualty agents and agencies use it, according to Jeff Yates, executive director of the Agent's Council for Technology at the Independent Insurance Agents & Brokers of America.

"The users are those that are really looking for a marketing edge," Yates said. "I see some young producers using it as a way to build their communities quickly, but I also see older agents who are marketing-oriented."

Social media provides prospecting power to agencies through its functionality. Most sites offer the ability to create a home page by following a template provided by

the site, said Sabrena Sally, senior vice president of Westport Insurance Corp., a member of Swiss Re Corporate Solutions. SRCS is the endorsed carrier of the Big I's Agency Professional Liability Program.

A home page can contain information about the agency along with photos, videos and links to other sections of the site or other sites, she said. Most sites offer blogs, chat rooms or forums, and site users often invite other users to join their online community.

To attract visitors to their social media websites, Yates said, agencies have to write from a consumer's perspective. "If agents just communicate the kinds of information

Key Points

- ▶ **The News:** Property/casualty insurance agencies can open themselves up to errors and omissions liabilities when using social media.
- ▶ **The Significance:** Using social media can cause agencies to stray outside their normal operating procedures.
- ▶ **Watch For:** Whether agencies can take steps to direct and document the conversations that occur online.

they'd normally discuss with their clients, in general terms, it's a very useful mechanism," Yates said.

"It's also a good way to show your community involvement," he added. "One of the strengths of agencies over time has been their involvement in their communities. There are ways of using social media to talk about issues and charitable causes in the community. Social media can help to cement the important role that an agency plays in the community."

Social media can also help insurance

Major E&O Risks from Use of Social Media

- Taking advice/transactions out of normal agency processes.
- Incorrect advice.
- Misrepresentation of policy terms.
- Referrals without proper authorization.
- Business defamation.
- Trade libel.
- Posting private consumer information on the social Web.
- Advertising liability.

Source: Agents Council for Technology, IIBA

Audio:



Listen to an interview with Jeff Yates at www.ambest.com/audio.

professionals improve their search-engine position, Yates said. And there are numerous examples of how agents used social media during disasters to effectively communicate not only with customers, but also with employees.

The risk, however, is that users may be lulled by the casual nature

of the medium into saying improper things that have staying power and are hard to eliminate, he said.

“Sometimes you can lose sight of the risk when something goes from being in a traditional marketing environment or agency operation environment to an electronic environment,” said David Hulcher,

assistant vice president of agency errors and omissions risk-management at the Big I’s Advantage division. “You have to put in the thought when you make the decision to jump into the social media environment, just as you would when you are doing your traditional business model,” he said.

Social Media Do’s and Don’ts for Agents

✓ Make sure employees are trained. According to the Agents’ Council website, major E&O risks from use of social media include incorrect advice; misrepresentation of policy terms; referrals without permission from the referred party; business defamation; trade libel; advertising liability; and posting private consumer information on the Web.



Jeff Yates,
executive director of
the Agent’s Council
for Technology,
Independent
Insurance Agents &
Brokers of America

✓ Make sure employees use the “social Web code of conduct.” Yates said the code encourages employees to speak in the first person; to be one’s self; to be thoughtful and respectful of others; to listen and build relationships; and to avoid the hard sell. “Be aware of the culture of each social media site,” he said. “It’s the same as an agent talking about things at a Rotary Club meeting. Be professional and judicious in what you say.”

✓ Comply with all statutory and regulatory guidelines regarding advertising liability. Each agency should have a process in place to review marketing materials, whether for use in traditional venues or social media. “The key point is that agencies need to know that pages or blogs on social media could be considered an advertisement under their states’ advertising laws,” Yates said. “In some states, agents have to display their licenses in ads that show where they are authorized to write business.”

✓ Have a procedure for responding to criticism that gets posted on blogs or in chat rooms or forums. Yates said the ability for aggrieved customers to complain in this manner “is one of the greatest developments” of social media. “You’ve seen that play out with the banks, when customers got them to back down on charging fees for using debit cards,” he said. Yates suggested that each agency designate a person to whom employees could refer unflattering online postings. “It might be the agency principal, who would think through what the strategy might be,” he said.

✓ Regarding how to respond, Yates said agencies should think of turning a negative into a positive by working with the individual to solve the problem. “We’ve had quite a bit of experience with agencies with social media, and we have not seen a lot of trashing of agencies,” he said. “Basically, they do a good job; that’s why it doesn’t happen.” Responding well to criticism is a good way to show the professionalism of an agency, and to show customers that there are many considerations in purchasing insurance—that it’s not just a commodity where price is everything, Yates said.

Social Media Do's and Don't for Agents

✓ Create a social Web policy for employees of the agency so that they know when to take a discussion offline and put the customer into the normal flow of business procedures. When the conversation starts to be about the individual situation of a prospect, “we recommend to agencies that they establish up-front some communications guidelines,” Hulcher said. “You don’t want the customers starting to give their personally identifiable information over social media.” As soon as the conversation gets specific, the agent must also preserve the content of the discussion in the agency management system, he added.



David Hulcher,
assistant vice
president of agency
errors and omissions
risk-management,
Big I Advantage
division

✓ Ensure that your social media site includes a disclaimer so that your customers understand up-front how the site can be used. And it is also important to ensure that personally identifiable information is not included in the social media communications, Hulcher said.

✓ Read and understand the rules of each social media site. User agreements are standard on social networking sites, Sally said, and they usually contain lengthy legal terminology. “Agencies would be wise to designate one or just a few key individuals to select media sites with which the agency can interact,” she said. “With that approach, an agency could be very proactive and, for example, pull down copies of the usage agreements and have them reviewed by a qualified counsel.”



Sabrena Sally,
senior vice
president, Westport
Insurance Corp.

✓ A key part of an agency’s social media policy should deal with whether agents can refer to the agency in their own social media activities. Sometimes agency employees may use the agency name, logo or other advertising material on their personal sites or provide a link to the agency site. Sally advised that agencies should address to what extent employees have permission to do these things. “We see often that an agency designates a few key individuals to represent it in the social media context,” she said.

✓ Know where you’re licensed and make sure that you’re well-aware of what the regulations are regarding advertising in those states, she said. For example, Sally noted, New York specifically mentions electronic communications in its directive that talks about agency advertising.

✓ An agency considering the use of social media should do so in a structured way. “It needs to be a very strategic, well-funded approach that’s integrated into the agency—not only in marketing and advertising, but also into the agency’s standard procedures,” she said.

BR