

Social Media as Factor in Personal Injury Underwriting: Risk, Rate and Regulation

Brenda Wells, Ph.D., CPCU | Harold Weston, J.D., CPCU

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IMPORTANCE Underwriting the increasing social media claims against individuals will require new analysis of social media use and big data, suggesting new rate factors, and privacy concerns.

OBJECTIVES In this study, we analyze the rise of social media claims and how such consumer usage of social media and other types of data might be analyzed to ascertain predictive and appropriate rate factors. Rates must be based on approved rate factors, which must correlate with the risk, be predictive of losses, and not be unfairly discriminatory

EVIDENCE Insurers have noted the rise of social media claims for defamation and invasion of privacy, yet have not tracked them separate from other liability claims. The standard homeowner's and renter's insurance policies do not cover these, unless a personal injury endorsement is added, which is rarely done. Personal umbrella policies provide coverage for these kinds of claims, yet are rarely bought. The expanding liability risk indicates a need that insurers can provide a solution for, beyond the current coverage options.

FINDINGS Social media usage itself, with types of social media, and other personal factors, will need to be analyzed to find the best combination of predictive ability to set rates. These are likely to include quantity and type of postings, topics written about and geolocation of where written from to indicate activities, social networks, time of day, income level, jobs held, minors in the household, are several factors that seem relevant to analyze, in addition to other factors that might combine with these. Other data sources (external data) will require proving the veracity and validity of such data. This has privacy intrusion implications for consumers. When this exposure is rated the rating and allowable factors set, the factors will have implied usages in other lines, creating a new layer of rate factors to approve. How health insurers use other data, and health monitoring applications, to rate, is a guide to how to evaluate the rate factors for this coverage.

CONCLUSION & RELEVANCE Unless social media liability insurance is priced on a flat basis for number and age of occupants in a household, this coverage will likely mean having to evaluate social media use while creating separate problems of how exactly this should be rated, what factors are predictive and allowable, and how to contain those factors to the new exposure without extension – directly or indirectly – to rating the rest of the personal lines coverages and policies. The use of social media by insureds as a rate factor opens new possibilities of discrimination in rating, both fair and unfair, direct and indirect, that should be considered before this coverage is promoted.
