

ANALYSIS OF INSURANCE UNDERWRITING USING SOCIAL MEDIA NETWORKING DATA

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ABSTRACT

To make appropriate underwriting decisions and prevent insurance fraud, insurance companies attempt to collect various sources of data to accurately rate the risk profile of certain classes of policyholders or applicants. In this context, underwriters will often cast a broad net in discovery requests, seeking as much documentation as possible to search for inconsistencies in the applicant or policyholder's story or indications of potential fraud. However, these traditional techniques are labor intensive and very expensive. Fortunately, the new online social networking technology may help insurance companies to improve their underwriting profits and select prospective policyholders. However, insurers face obstacles that may impede the speed-to-market of applying social networking data to underwriting. This is because neither regulators nor insurers have developed guidelines for the overall use of social data, and scientific studies have not determined what types of social media data are referable. To fill this research gap, the first purpose of this study is to identify what underwriting factors underwriters prefer to search for in social media networking. The second purpose of this paper is to explore the types of social media data that may offer the best insights on underwriting factors for insurers to make underwriting decisions. The findings may provide information for those who employing social media networking data to make underwriting decision to attain underwriting profits, select prospective policyholders, and provide equity among policyholders.

Keywords: insurance underwriting, social media networking, adverse selection, insurance fraud.