

Insurers are scouring social media for evidence of fraud

January 26 2011, By Shan Li

Now there's another reason to be careful about what you post on Facebook: Your insurance company may be watching. Nathalie Blanchard found out the hard way.

Struggling with depression, the 30-year-old from Quebec, Canada, took a [medical leave](#) in early 2008 from her job as an IBM technician. Soon after, she began receiving monthly disability benefits from her insurer, Manulife Financial Corp.

A year later and without warning, the payments stopped.

A representative of the Toronto [insurance company](#) told Blanchard that Manulife used photos of her on [Facebook](#) - showing her frolicking at a beach and hanging out at a pub - to determine she was depression-free and able to work, said Tom Lavin, Blanchard's attorney.

"They just assumed from the pictures that she was a fraud," Lavin said, "without investigating further before terminating Nathalie's benefits."

Blanchard sued Manulife, accusing Manulife of failing to talk to her doctor and neglecting to inform her before cutting off payments. The case is scheduled for trial next January.

Manulife, citing ongoing legal proceedings, declined to comment on the case but said in a statement: "We would not deny or terminate a valid claim solely based on information published on websites such as

Facebook."

[Social-networking](#) websites such as Facebook and [MySpace](#) have become the go-to places where employers, college admissions officers and divorce lawyers can do background checks. Armed with the information, police have caught fugitives, lawyers have discredited witnesses and companies have discovered perfect-on-paper applicants engaged in illegal or simply embarrassing behavior.

And now insurance companies are exploiting the free, easily accessible websites.

Such sites have become the latest tools in detecting fraud, which the industry says costs the U.S. as much as \$80 billion a year and accounts for 3 percent to 10 percent of total annual healthcare spending.

Investigators who once followed people with cameras now sit behind desks "mining databases and searching Facebook," said Frank Scapili, spokesman for the National Insurance Crime Bureau, a nonprofit that investigates suspicious claims for insurance partners such as Allstate and State Farm.

"They look out for things that don't add up," he said, "like someone who claimed they hurt their back too badly to work and then bragged on Facebook about running a marathon."

Social-networking sites have become such "standard tools" that Peter Foley, vice president of claims at American Insurance Association, said that investigators could be considered negligent if they didn't conduct at least "a quick scan of social media to check for contradictions."

But the evidence gathered on these sites, Foley and other insurance experts caution, should be used only as a launch pad for further

investigations and never as final proof of fraud.

More ambitious insurance companies are even exploring the possibility of using online data to help underwrite policies.

Celent, the insurance consulting arm of financial and insurance brokerage firm Marsh & McLennan Cos. recently published a study titled "Leveraging Social Networks: An In-Depth View for Insurers" and suggested that social-networking data could be used to help price policies.

Mike Fitzgerald, a Celent senior analyst, said life insurance companies could find social media especially valuable for comparing what people will admit about lifestyle choices and medical histories in applications, and what they reveal online.

That could range from "liking" a cancer support group online to signs of high-risk behavior. "If someone claims they don't go sky diving often, but it clearly indicates on their online profile that they do it every weekend they can get away," Fitzgerald said, "that would raise a red flag for insurers."

Social media is "part of a new and emerging risk to the insurance sector" that could affect pricing and rating of policies in the future, said Gary Pickering, sales and marketing director for British insurer Legal & General Group PLC. But many insurance lawyers decry such practices and warn of a future when insurance companies could monitor online profiles for reasons to raise premiums or deny claims.

"The situation is coming up more and more in court where lawyers for insurance companies lay traps for the insured based on pictures or postings on Facebook or Twitter," said Vedica Puri, a partner at Pillsbury & Levinson, a San Francisco law firm that specializes in

insurance.

"Photos can be years old. People joke or write things in jest, but insurance companies use everything. Even if it's not true, it can be very damning," she said.

Lawyer John Beals of Piering Law Firm in Sacramento, Calif., requires all his clients to either shut down or tighten privacy settings on their [social media](#) profiles as a precaution, he said.

[Insurance companies](#) will "bring up anything - photos of you drinking to prove that you have bad character," he said. "Even if it's unrelated, just the impression that you are doing something wrong can sink a case."

Lawyers and industry experts said that one of the dangers for consumers is people's desire to present themselves in the best light, even if it hurts an insurance claim.

Or as Lavin puts it: "No one puts pictures of themselves crying in a dark room, even if that's what they're doing 18 hours a day."

"The whole thing is just symptomatic of technology running ahead of the people who are using it," he said. "It's kind of like the early years of flight, when planes are crashing all over the place. Society has not come to terms with how to manage social networking."

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