

Governments and companies around the world were shaken by the release of confidential documents via the anti-secrecy web site.

Increased Vulnerability

Businesses strive to get information about their products and services out to their customers. But no business wants misinformation, rumors or proprietary information spreading at high speed across social networks. Whether employee or customer information gets into the wrong hands or an employee innocently shares corporate information in a status update, social media is presenting a growing number of challenges to businesses.

Just consider WikiLeaks. Governments and companies around the world were shaken by the release of confidential documents via the anti-secrecy web site. It has raised discussions about the issue of transparency, data security and privacy protection. Aside from a *WikiLeaks* exposé, more common risks that social media tools present for corporations include:

- **Viruses and malware:** Acquired from use of social networking sites, they can result in data leakage, theft, service disruptions and more. Fortunately, antivirus and anti-malware controls can be installed and updated daily.
- **Lack of control over corporate content:** Employees, competitors, and even customers can post wrong or improper information on social media sites. That's why it is important to establish clear social media policies within a company to outline what can and cannot be shared and monitor a company's online presence continuously.
- **Brand hijacking:** Such as a brand being impersonated on Twitter, Facebook or other social site. In one recent example, a pharmaceutical spam campaign promoted a supposedly "Google-accredited" online pharmacy, essentially hijacking Google's brand for their benefit.
- **Unrealistic Internet-speed, customer service expectations:** Social media allows us to send information quickly and it may also build a customer expectation that a company response or service will be delivered as quickly. Therefore, it is important that companies ready themselves to handle the business generated by a bigger social media presence and manage how quickly they will be able to respond.
- **Mismanagement of electronic communications:** Because of retention regulations or e-discovery requirements, many businesses must keep track of and hang on to a variety of communications. When dealing with social media, they need to establish policies and processes that ensure all communications are tracked and properly archived to avoid regulatory sanction, fine or legal action.

Striking a Balance

Employers are finding the biggest social media challenge to be its use by employees both on and off the job. Many companies have established policies about communicating work-related information and social media use during work hours, but what about employees' social media use on their own personal time?

In addition to the obvious concern over an employee posting private company information about a new contract or revealing a clients' name on their personal social site, many companies, are concerned about protecting their image or brand online. For instance, could an employee's posting of personal photos damage a company's brand? Employees may also harm the business and its brand through simple association, uploading inappropriate comments or other content in their personal lives that is perceived to reflect on the company. Recently, a teacher was suspended indefinitely for posting a personal photo showing her drinking wine while on vacation.

Consider a recent case in which the National Labor Relations Board (NLRB) sued a Connecticut-based ambulance company that fired an employee who complained about her boss on Facebook. The NLRB argued that the worker's negative comments were protected speech under federal labor laws. The company claimed it fired the emergency medical technician because of complaints about her work. Under the settlement with the labor board, American Medical Response of Connecticut Inc. agreed to change its blogging and Internet policy that barred workers from disparaging the company or its supervisors. The company will develop a policy that prohibits employees from depicting the company online without permission. Both policies interfered with long-standing legal protections that allow workers to discuss wages, hours and working conditions with co-workers, the board said.

Under the settlement with the labor board, American Medical Response of Connecticut Inc. agreed to change its blogging and Internet policy that barred workers from disparaging the company or its supervisors.

Many legal experts warn, however, that this case does not give employees free rein to discuss anything work-related online. Online exposure is no different than print or oral communications when it comes to employee privacy rights. For protection against privacy and libel risks, companies are



opting for added insurance that includes coverage for media liability. Additionally, companies are looking at their social media strategy to assure that it recognizes legitimate rights of employees, and then training all employees appropriately about the policy.

Establishing a Collective Understanding


Part of a company's risk management strategy must focus on developing a collective understanding of the nature of informational and reputational risk — and gaining employee support to help identify, manage and control that risk. Privacy policies need to be tailored to each company and allow employees to utilize the value that social networks bring, but they must also outline the guidelines regarding participation.

As Patrick Kerley, Senior Digital Strategist at Levick Strategic Communications, wrote in an article for *BulletProof*, a crisis communications blog, "When employees are properly trained and provided with engagement guidelines, companies avoid online controversy and leverage employees as genuine brand ambassadors in the online space." He highlighted social media policies from Kodak, Yahoo, Kaiser Permanente, GM, Coca-Cola and Bread for

the World as examples of companies with strong social media policies. ([Read more](#))

When Coca-Cola announced its new social media policy last year, Adam Brown, Head of Social Media at Coca-Cola, did a quick three minute interview on YouTube, using social media to educate its employees and customers. Coca-Cola's social media policy, posted on the corporate site, advises employees to: "Have fun, but be smart. The best advice is to approach online worlds in the same way we do the physical one — by using sound judgment and common sense, by adhering to the Company's values, and by following the Code of Business Conduct and all other applicable policies."

Implementation of the appropriate security tools, technology, training, employee policies and insurance coverage is critical

in social media risk management. Companies that learn to blend the latest security and privacy controls and build a corporate culture of risk awareness and respect have the greatest chance in finding a middle ground and skillfully balancing the risks and rewards of social media. 

Scott Schleicher is VP, Underwriting Manager – Technology E&O and Steven Anderson is AVP, Senior Underwriter in the Select Professional unit of XL Insurance.

More information about XL Insurance's technology products visit <http://www.xlinsurance.com/xltech>.



INsight is an XL Insurance publication. Copyright 2011. All rights reserved. "XL Insurance" is the global brand used by XL Group plc's (NYSE: XL) insurance companies. In the US, the XL Insurance companies are: Greenwich Insurance Company, Indian Harbor Insurance Company, XL Insurance America, Inc., XL Insurance Company of New York, Inc., XL Select Insurance Company, and XL Specialty Insurance Company. In Canada, coverages are underwritten by XL Insurance Company Limited-Canadian Branch. Not all of the insurers do business in all jurisdictions nor is coverage available in all jurisdictions.

If you have any feedback or suggestions on INsight, please contact Sarah German, Vice President, Marketing & Communications, Americas. Sarah.German@xlgroup.com. 505 Eagleview Blvd, PO Box 636, Exton, PA 19341 • 888-609-2518 • 800-327-1414 • www.xlinsurance.com