



How IoT can help commercial insurers



How IoT can help commercial insurers

Commercial insurance companies have, for the most part, remained structurally unchanged over the past two hundred years.

Recently emerging technologies, spearheaded by IoT, are evolving the way insurance is priced, purchased, and operated. Insurance carriers will increasingly be able to implement and use IoT to better predict and evaluate risk, improve customer experiences, create more efficient claims processes, and create better insurance products.

Let's consider how IoT will alter insurance industry:



IoT Will Make Getting Business Insurance Easier

The insurance industry is in the midst of a massive digital transformation driven by customer behaviour. In today's digitally-savvy, fast-paced business environment, customers want instant results.

This is why insurance companies of every size and line of business are improving customer experience by utilizing digital means. However, so far the insurance industry is not progressing well. According to Forrester research only a paltry 15% of users say they are happy with their insurer's digital experience as indicated by high customer churn from inefficiencies in the claims process. Customers will quickly grow tired of their insurer and look for a change if the claims process remains frustrating.

Claims process improvements where the proliferation of IoT is first expected to manifest itself in insurance, allowing the continuous gathering and sharing of data across systems, thus speeding up the claims process, eliminating data duplications, and reducing customer frustrations. Buyers will no longer have to spend months wading through paperwork and can instead move through the process of acquiring insurance and resolving claims more efficiently from their devices. Clients will finally have tools to easily track their coverage and claims through digital platforms.



More Data Means Better Insurance Rating Models

The insurance business model is based on assessed risk which is why data has always been at the heart of the insurance business – the way insurance risk and returns are modeled rely heavily on data to drive decisions. This analysis has typically, been based on past experience, long-term analytics, and information provided by the insured parties to create relatively broad risk groups and assign premiums to them. While consideration for rate adjustments are entertained by insurance companies, there is still some inequity in how rating structures function. HThe constantly available stream of data from IoT devices has the potential to change rating significantly, allowing insurers to make more accurate, customize risk-assessments.

The good risk will still subsidize the poor risk, and there's no real way around this; however, increasingly accurate risk models will result in more equitable premiums. Data from connected devices will also allow insurers to understand their customers on a deeper level thanks to the access they now have to more accurate and comprehensive information. This will help insurers in creating products that will tackle specific issues their customers are facing like never before, drive strategic initiatives and provide solutions that better align premiums to specific insurance risks.

Emerging Industries Will Have Better Insurance Options

Emerging industries (i.e. cannabis, crypto, drones, etc.) will also benefit from the implementation of IoT in insurance. Given the lack of real prior experience, shifting legal landscapes, and high risk associated with these industries, they have traditionally had a very hard time getting insured properly. The data collection ability that IoT is bringing will allow insurers to move more quickly to service merging markets, without waiting for years of data and experience to accumulate before being able to successfully model and assess the associated risks. This will allow them to offer solid products quickly, which will, in turn, allow these industries to grow even more rapidly.



IoT Can Help Insurers Prevent Losses

What we've talked about thus far has centered around how IoT can improve the existing models and operations of the insurance industry. However, as the influence of IoT devices grows deeper so does their potential to fundamentally disrupt the very nature of insurance.

Connected devices and massive real-time data streams will not only allow insurers to accurately predict potential losses but also alert customers of potential loss before it occurs. While this is outside the traditional role that insurance has played thus far, the reality is that insurers will want to reduce the number of claims they have to pay out, and in this case, the age-old adage holds: "An ounce of prevention is worth a pound of cure."



Challenges of Integrating IoT with Commercial Insurance

Implementing IoT in insurance, while seemingly inevitable, will bring with it a set of new challenges, and can exacerbate existing problems summarized as follows:

Privacy: While massive streams of data from IoT will help customers get better insurance, there will also be severe privacy implications. Who will own this data, the customer or the insurer? Also, what happens if the IoT devices capture something the user would rather keep private? The challenge will be to ensure that the customer understands and consents to the way this data is gathered and used.

Security: Networks of connected devices will be vulnerable to cyberattacks. Heavy investment in cybersecurity will be required before a greater shift to using IoT.

Changing Expertise: The process of integrating IoT into the insurance industry will require massive investment into new talent. Positions with a blend of skills in insurance and technology that currently don't necessarily exist will have to be created and staffed.

Storing and Processing Massive Amounts of Data: Insurance companies will need to quickly develop capabilities to store trillions of gigabytes of data produced by IoT devices and process them into usable insights.

Changing the Nature of Insurance: Existing insurance management strategies will not work with the new types of information gathered by connected devices. Not only will insurance companies have to develop new strategies, but a complete overhaul of the existing mindsets will be required to unlock the full advantages of new technologies penetrating the industry.

Establishing Trust: IoT technology is still relatively new, and it will take time for its widespread integration into the insurance chain.

Insurers should begin building their capabilities now to expand their market position and develop innovative, competitive services for their customers in the years ahead. Investing in innovative IoT based technology and approaches now is a longer-term bet that will pay off as Insurers understand the more specific applications of IoT and customers understand and can see the benefits, which should include more favorable prices and rebates, additional services, and greater convenience.



Follow us on:



US Office:

112 W 34th Street, 18th floor
New York City, New York, USA, 10120
United States

Canadian Office:

5520 Explorer Drive, Suite 400
Mississauga, Ontario, L4W 5L1
Canada

tel: 888.706.2817

©2020 Veriday Inc., Digital Agent Software, and the Digital Agent logo, are trademarks or registered trademarks of Veriday Inc. All other trademarks are the property of their respective owners.