



Insight

Working out wearables: the application of wearable technology in insurance

From fitness trackers to smart watches, the ever-growing popularity of wearable technology has the potential to significantly alter the insurance landscape.



Even if you're not familiar with the term wearable technology, it's likely you're familiar with the devices themselves. Wearable technology can be broadly defined as small electronic devices that are in some way worn on the body. Though small, these devices are able to track, collect and store huge and various amounts of data, such as the driving, exercise and other behaviours of the people wearing them.

The wearable technology market has grown rapidly in recent years, as more and more people come to recognise the convenience and benefits these small devices can bring. So popular are they, that in a survey conducted by PricewaterhouseCoopers (PwC) this year, 49% of respondents owned at least one device.

As the popularity of wearable technology grows, so too does its considerable potential to impact the insurance industry, both through the opportunities and risks that it presents.

What devices are available?

There are numerous different wearable devices on the market, with even wider-ranging possible uses. Some of the main ones include:

- **Smart watches** – with capabilities that extend far beyond timekeeping, these devices are effectively a portable computer worn on the wrist. You can connect the majority of them to your smart phone, offering up a variety of tasks, such as schedulers, GPS maps and audio streaming. The most sophisticated models are able to perform full smart phone functionality.
- **Fitness and biometric trackers** – these devices can monitor and record data on various aspects of your health and fitness, including steps taken, heart rate, calorie consumption and even sleep quality.
- **Connected pets** – wearable collars are now also available, allowing pet owners to monitor the exercise and eating habits of their pets, as well as use GPS to track their movements and alert them if they stray from a certain radius.

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Implications for insurance

The ways in which these devices could be utilised within insurance is largely two-fold: both to provide customers with personalised offerings and to support core insurance practices.

Wearables present the opportunity to better understand customers and, as a result, tailor products and services to their specific needs. The data these devices collect could also be used to better understand and manage risk, improve underwriting and the claims process. Therefore, the application of wearable technology in insurance also has the resulting potential to enhance customer experience and cut down on fraudulent claims.

By monitoring a person's habits, lifestyle and surroundings, significant amounts of personal data can be collected, with permission. The analysis of such data could be employed by insurers to provide products that are tailored to the individual. Take man's best friend as an example – the opportunity to draw valid assumptions about the safety and health of a pet via the data from their smart collar provides insurers with valuable insight, which could be utilised to gain a better understanding of the type of cover needed by different pet owners. Furthermore, as with telematics, insurers could use this data from wearables in a similar way, to enable customers to influence and take control of their own premiums.

Wearable technology's possible application to the claims process is also significant, in the technology's ability to provide tangible evidence, which could be used to validate claims. Imagine for instance, a claim for a damaged or stolen smart phone. If this smart phone were connected to a wearable such as a smart watch, the individual's watch could be used to substantiate their version of events, by providing data on exactly when and where the connection between the two devices was



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broken. This could be used to quickly prove an individual's story, instead of relying simply on testimonials. In this instance, drawing upon the data from wearable technology would improve both the efficiency and reliability of the claims process.

Another potential benefit of wearable technology for insurance lies in their ability to work in combination and interact with vehicle technologies. An example of this may include a wearable device that is able to measure a driver's stress, fatigue and blood alcohol levels, which could then interact with the vehicle and affect control settings or issue warnings to the driver. Technologies such as this are already starting to come into play and are in the process of being trialled, with a focus on the professional driver market. Of course, this technology is not yet fully developed or ready for the average individual, but its potential marks an exciting advancement for customers and insurers alike.

Wearables: a risky business?

Driver distraction

The biggest cause attributed to driver distraction has been the increasing and incessant presence of technology in our lives. While focus is usually placed on smart phones and the associated dangers of texting behind the wheel, wearables present a similar threat to road safety.

Imagine driving to work and your smart watch beeping about a meeting scheduled for that morning or coming back from the gym and trying to resist looking at the incoming statistics of your workout. Like a smart phone, the many applications that these devices are capable of are clearly distracting but, unlike a smart phone, they're physically on your body – arguably making them a disturbance that's harder to avoid. Clearly, there is a need to ensure that the right functionality is activated only in the right situations, such as only enabling notifications when an individual is stationary.

Privacy and the use of data

Devices that are capable of tracking, logging and sharing personal data about a person automatically raise questions regarding privacy. According to PwC, 82% of people who own a form of wearable technology are concerned with the potential invasion of privacy. It's an understandable cause for concern – both the volume and sensitive nature of the data collected on these devices could have significant consequences for an individual, in the event of a breach.

If a criminal were to hack into your wearable device, they'd not only have access to an extensive amount of personal data but it's possible that they could also track your movements and analyse your daily routine. This could leave you vulnerable not only to data theft but also physical theft, if a hacker were to know, for example,

when you leave and return to your house each day. Finally, some caution must be exercised with regard to how we can use personal data. Data security laws currently in place, as well as social attitudes put a limit on what insurers can do with the information gathered by wearables. Furthermore, the introduction of the General Data Protection Regulation (GDPR) brings with it even stricter rules over data breaches, consent and profiling and will require organisations to obtain permission and be transparent about the way they use people's data. The impact of these new regulations won't be evident until full implementation on 25 May 2018 and the consequences of Brexit are clearer, but it's safe to assume that there will be some important guidelines that insurers and brokers alike will need to carefully follow.

Looking forward: the future of wearable technology

As with all emerging technology, wearables pose many possible opportunities and risks to our industry. Needless to say, the potential of these advancements in improving risk assessment, the claims process and customer experience is an exciting prospect. Insurers will need to remain up-to-date with this this new trend and continue to adapt to provide innovative solutions in an evolving insurance landscape.



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