Not Just A Passing Fad:
Wearable Technology Is A Trend That Presents Opportunities For The Insurance Industry

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If there is one constant in the business world, it is change. Thirty years ago, insurance policies were written on paper. Few expected that policies could be sold and delivered over the internet without any in-person interaction. This innovation changed the landscape of insurance on a global scale. In much the same way, the use of mobile, wearable technology is booming and its potential to change the insurance landscape is on the horizon. Millennials are purchasing wearables at a significantly higher rate and the industry is predicted to grow exponentially over the next few years. Forward thinking carriers are examining potential uses for these technologies and incorporating them into their business models. Wearable devices can fit into various aspects of an insurance company’s operations, including marketing, underwriting, risk management, and new product development. There are already demonstrable benefits to both life and health insurers utilizing wearables in their business models.

Opportunities for Life Insurance Companies

Wearable technology presents a significant opportunity in the life insurance industry. The benefits of wearables touches on nearly every segment of the life insurance cycle, and provides advantages to both insurance companies and their policyholders. For example, with data obtained from wearables, marketers will be better able to tailor specific products to their customers. Marketers could also actively target and market to individuals with healthy biometrics, rather than the traditional method of waiting for policyholders to apply. Likewise, policyholders could potentially use their metrics to shop for life insurance from several companies to obtain the best rate.

Certainly, wearables could provide significant benefits to the underwriting process. Wearables provide the opportunity for cheaper, more frequent checks, which can dramatically increase the data available to an underwriter. Underwriters can utilize this information to more accurately price products. Wearables also allow closer monitoring of individuals with health concerns, which may encourage insurers to offer lower-cost coverage to previously underserved segments.

Wearables could also be used to enhance a policyholder’s customer experience with its insurer. Wearables present an opportunity for continuous interaction with the policyholder. Generally speaking, after a policy is issued, there is little interaction between the policyholder and the insurance company until a claim is made or a premium is due. Not only does monitoring a policyholder’s health status help with risk control, wearables can be used to create a positive partnership between policyholders and their insurers.

Wearables can also aid in the claims process. In addition to potentially lowering claims by encouraging policyholders to engage in healthier lifestyles, data provided can be used to detect and minimize fraud.

Benefits to Health Insurance Carriers

Life insurers are not the only insurers buying into using wearables in their business. Health insurers have embraced wearables as providing the means to incentivize positive habits in insureds, assist in identification and treatment of insureds’ health issues, and gain insight into insureds’ behavioral patterns. All such uses have been employed with an eye toward reducing healthcare costs.

Wearable technology is a centerpiece of employer- and insurer-sponsored wellness programs. These programs encourage policyholders to use technologies that track and measure fitness levels and, in turn, reward those individuals for achieving set goals. Most commonly, rewards are directly tied to insurance costs. These incentive-based wellness programs have been linked to reduced healthcare costs, with engaged participants having, among other things, fewer and shorter hospital stays.
In addition to reducing healthcare costs, wearables may assist in both the detection and treatment of medical conditions. Existing and developing technologies detect conditions earlier, before the cost of treatment increases. These technologies also make monitoring and treatment easier. For example, diabetics have already been able to avail themselves of applications for smart watches that sync up to continuous glucose monitor implants that track glucose levels, alerting users to levels outside of their pre-determined ranges. Simpler still, there are a host of applications that link to smart watches prompting the wearer to take prescription medication at set intervals.

Finally, data collected from wearable technology gives insurers the foundation to perform broad based risk analyses, providing vital statistics for product development and premium-setting. As data is compiled, fitness, behavioral, and health trends should become easier to track.

**Challenges With Data**

While the benefits are apparent, there are barriers that insurance companies should keep in mind as they contemplate incorporating wearable technologies into their business. Data privacy and security are two key consumer concerns. While the collection of personal data from these devices can be useful to an insurance company, many wearers are hesitant to share the information tracked by their devices. Consumers are also concerned with the security and vulnerability of the information, fearing the increased ability to track a person’s habits based on the information collected.

From an insurance company perspective, there are concerns related to the accuracy of the information collected. Most wearables do not yet track enough information to give a full picture of the health of the wearer and do not have the same level of accuracy as that of medical tools used to measure vitals.

Unlike many previous wearable fashion fads, wearable technology is here to stay. This trend presents earlier-adapters in the insurance industry with tremendous opportunities. However, carriers must identify and address barriers to adoption of this technology in order to provide the best experience for the insured at the outset. Overcoming these barriers and securing continued buy-in from policyholders will be integral to the success of these programs.