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Hatching Eggs in Google's Nest: Will IoT Disrupt the Property Insurance Business?

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Imagine you are sound asleep when suddenly an alarming voice barks out: “Fire in the basement! Fire in the basement!” Luckily for you and your family, the device that alerted you about the basement fire made an executive decision: it shut the oil burner off, cutting the fuel supply from further feeding the flames. You collect your family and pets, the LEDs from your smoke detectors lighting up every room on your hasty retreat to safety. Damage to your home is minimized and contained.

Welcome to the smart home. Or rather, the early stages of one.

Less than three years ago, Tony Fadell had this vision for the smart home. The founder of Palo Alto-based Nest Labs added a microprocessor and IP address to smoke and CO2 detectors and thermostats. No stranger to pushing the envelope with consumer-friendly gadgets, Tony was previously on the executive team that developed the iPhone and is largely recognized as the “father of the iPod”. His

Nest devices run off your home’s Wi-Fi, creating a network into every room and allowing remote control by your phone or tablet. The Nest \$249 thermostat comes equipped with sensors that detect the presence of people and learns to program the preferences of its owners over time.

Innovation translates to convenience for consumers and generates value for shareholders. That’s why Google acquired Nest for \$3.2 billion in cash, launching what is probably the most capitalized vendor in the Internet of Things space. That’s a lot of beans for what was once perceived as a commodity product, but these guys know the future of the smart home is already here.

And the insurance industry should take notice.

Imagine the possibilities. By law (as every home inspector will tell you) every home must have smoke and CO2 detectors installed. Hardly a big leap of the imagination to put a smartphone camera in each. A camera lens that can take wide-angle photos and spin 360 degrees. It’s located on the ceiling, after all.

These new members of Internet-connected devices could instantaneously snap a photo of all the insured contents in a room, then zap the images to adjusters and insurers. Perhaps the camera is timed to take a picture at the moment when a disaster strikes, be it a hurricane, flood or other peril. All existing contents, the furniture, TV, appliances, rugs, drapes, artwork, et. al., are captured and inventoried. The most accurate and timely valuations are made possible – before any real damage is done.

By the time EMS arrives and the family is assembled safely out of harm’s way, a settlement check for replacement of loss contents is in the mail or better yet, the insured has immediate online access to a mall and funds to shop for critical items.

Finding Business Value in Smart Detection

The concept of the “smart home” has been around for 10 years. The early apps showcased refrigerators that could tell you when the milk runs low as well as the capability to remotely turn lights on and off upon arrival and departure. Once the novelty wears off, the real question becomes, where is the business value? One industry certain to gain value from smart home tech is the insurance industry. For example, by outfitting the basement pipes with sensors, the pipe could trigger an alarm if the water temperature in your plumbing hits below a certain temperature and is in danger of freezing. Halting a frozen pipe from bursting or even minimizing the damage once the pipe bursts, will save you tens to hundreds of thousands of dollars in property damages.

Since carriers “insure to risk”, these installed sensors become actors in the game of prevention and pre-loss scenarios. Eventually the cost for these sensors will drop. The industry will either subsidize the policyholder or offer incentives to encourage their use. You as the homeowner should see a decline in your insurance rates. The industry at large profits as well. A win-win for all.

The Internet of Things may be poised to cause some disruption for the insurance industry. All positive disruptions, since smart insurers will follow all things smart and into the homes of policyholders.

Jon McNeill sold his last company to Allstate and is CEO of [Enservio](#).