

Trends in Smart Homes: What's Next?

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The smart home industry is beginning to take hold, and safety and security are going to play a key role. Consumers will be spending \$130 billion annually on smart home systems by 2020, according to [Strategy Analytics](#), and applications that focus on safety and security could generate in excess of \$26 billion for service providers.

This trend represents a major opportunity for insurers to back smart home monitoring systems that can flag problems early, potentially helping policyholders avoid incidents that would otherwise end in damage claims.

Adopting this technology will help insurers prevent losses, which has a positive impact on business, but it's also about being proactively customer-centric by taking steps to avoid the trauma of fires, floods, burglaries or other claim events.

The Potential of Smart Systems for Insurers

Smart home systems could have a major impact on the home and contents insurance market. Internet-connected doorbells with cameras, surveillance systems, and window and door sensors can help reduce burglary risk. Water sensors can guard against the threat of flooding. Smoke detectors can reduce fire damage by ensuring a quick response.

Commercial products such as the Ring Video Doorbell, Nest Protect smoke detectors and the Canary home security monitoring system that is controlled remotely by smartphone are good examples of carrier-subsidized smart gadgets already being offered to policyholders who are also being incentivized by policy discounts to adopt these smart devices.

There's also potential to hook into smart home systems with best practices and advice. Imagine if insurers could remind policyholders that their boiler needs servicing or the batteries in the carbon monoxide alarm need to be tested. Through sensor monitoring and devices like smartphones or Amazon Echo, that's eminently possible.

Perhaps insurers could even be granted access to systems to automatically turn off the stove, lock the door and activate the alarm when the homeowner goes out. They could randomize lighting timers or heating systems, reducing the risk of burglary or burst pipes in the winter. Access to in-home cameras could also help with digital inventories and claims processing.

Challenges to Overcome

There are still some barriers to widespread smart home system adoption. With major technology players offering different, often incompatible platforms, the search for common standards goes on. The lack of integration and interoperability means tackling the complexity of embracing multiple standards or picking just one. There are risks for insurers if they back the wrong technology and customers suffer from bugs or security and privacy breaches.

Data sharing programs must be transparent and secure. Insurers may find it difficult to persuade customers to share relevant data, particularly if it involves placing trust in a third-party smart home system manufacturer. Consent needs to be handled sensitively, and insurers must test

security. Aftermarket support is going to be essential, so prospective partners must have a strong track record in customer service.

Privacy is obviously a major concern for customers that could limit the impact of smart home monitoring on insurance. However, 78 percent of customers would be willing to share personal information with their insurer in return for benefits such as lower premiums or quicker claims settlement, according to [Accenture](#). While just 32-38 percent would share light sensor, motion detector and thermostat data or security video footage, 55 percent would be happy to share smoke or CO detector information, and 59 percent would share energy consumption data. If insurers can provide value and form partnerships with the right manufacturers, then these challenges can be overcome.

Driving Smart Home System Adoption

Two out of five insurers have already invested in a program with a connected device manufacturer, according to Accenture, and 45 percent agree that connected devices will be a driver of revenue growth in the next three years.

As the technology comes down in price, these systems will be within reach of more homeowners. The opportunity to get discounts on hardware and insurance breaks will be enough to tempt many.

The same principles that reward safe driving in auto insurance could soon become standard for home and contents through smart home system adoption and monitoring.

This trend has the potential to be a major win all around, offering reduced losses for insurers, incentives for customers, and increased safety and security for all.