

Risk Adviser

Get Smart

Brokers play an important role for both underwriters and their clients by understanding and reporting on the benefits of smart home technology.

As the main driver of home automation and smart home technology, the internet of things has turned common household products—such as air conditioners, garage doors, thermostats, alarm systems and refrigerators—into high-tech devices that can communicate, provide security and even assist with daily chores.

Meanwhile, insurance underwriters and brokers are eager to keep up with the rapidly changing technology, to understand its vulnerabilities and benefits and develop solutions that can mitigate any potential risks.

With the number of smart homes in North America expected to reach 73 million by 2021, from 31 million in 2016, according to market research firm Berg Insight, the insurance industry must be prepared to help homeowners and tenants address the expected rise in property and liability exposures.

In recent years, underwriters have generally embraced smart home security products like security alarms, IP security cameras and locks, offering varying degrees of premium discount—as much as 15% in some cases—to homeowners.

Meanwhile, homeowners, too, are saving money with energy management devices like smart thermostats and lighting systems, and benefiting from a reduction in risk by having the ability to control and communicate better with the devices.

Despite the progress made, underwriters and homeowners often find themselves on different wavelengths when it comes to fully recognizing the benefits of smart home technology. There is still suspicion over whether the technology actually reduces risks.

Part of the problem has to do with limited data

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Brokers can help bridge the information gap by providing critical data on the benefits of certain smart home devices, and the different ways homeowners can address cyber and privacy risks.

on the effectiveness of certain devices, which prevents underwriters from offering full premium and underwriting credits. In many cases, underwriters view smart devices as high-value articles that are susceptible to theft, loss or damage, and require additional coverage.

The growing concern over cyber and privacy risks has also forced some homeowners to resist smart home technology. Many homeowners worry about hackers discovering vulnerabilities within systems and gaining unlawful access to security and data.

Recent reports of successful hacks of smart garages and front door locks, televisions, baby monitors and smoke detectors, have only increased such concerns.

In addition, many homeowners are uncomfortable with providing third parties access to private information.

A good example of this occurred last year, when the Amazon Key service was unveiled. The service allows delivery couriers to drop packages inside homes even when the homeowner is not physically present. It uses smart lock technology and raises a host of issues for both home security and insurance experts.

Going forward, brokers are in a unique position to help insurers and homeowners leverage smart home technology by providing critical data

on the benefits of devices and how best to address cyber and privacy risks. Brokers can also advise on the hidden dangers of specific smart appliances and recommend qualified vendors for servicing devices.

Brokers will play a critical role in improving underwriters' understanding of how homeowners are reducing their exposure with smart home devices and some may even create new insurance products, linked directly to smart devices, which are capable of providing real-time reports on claims and losses. **BR**