



“Alexa, find insurance”

Tapping into the smart home





The smart home revolution is finally starting to take off. After years of saying “this is the year,” the market is starting to show significant signs that mass-market consumers are paying attention. And they have no shortage of options for how and where to get started.

From retailers to cable operators, tech giants to utility providers, incumbent home security companies to start-ups, everyone seems to be trying to enter the market—and it only gets more complicated from there. Full-home automation platforms, point solutions, voice assistants, and home entertainment devices all compete for mindshare, share of wallet, and an early toehold. The market is incredibly fragmented and shows no signs of slowing down.

The Internet of Things (IoT) promises not just interoperability among devices—but interoperability among industries. As product offerings and channels continue to emerge and evolve, property insurers are pondering their role in the smart home ecosystem. Most have limited experience with developing consumer technology solutions, let alone providing the levels of ongoing support required by IoT technology. They read about security breaches and digital attacks, and they fear the reputational risk associated with partnering too closely with pervasively connected device manufacturers.

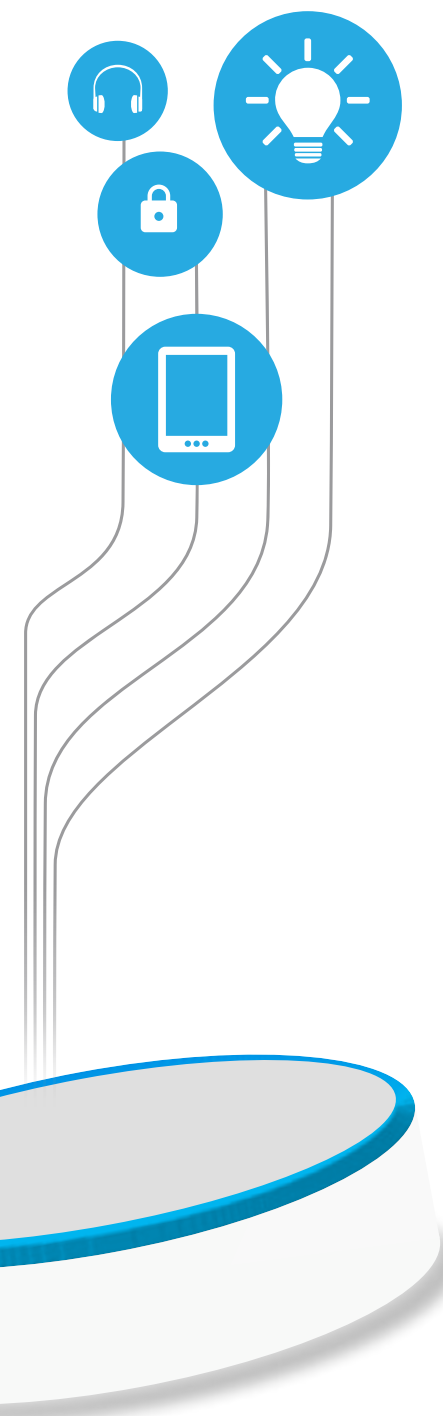
Perhaps the opportunities presented by the smart home will force property insurers to look at new ways of positioning themselves to capture data. Here are some market factors that justify such a model:

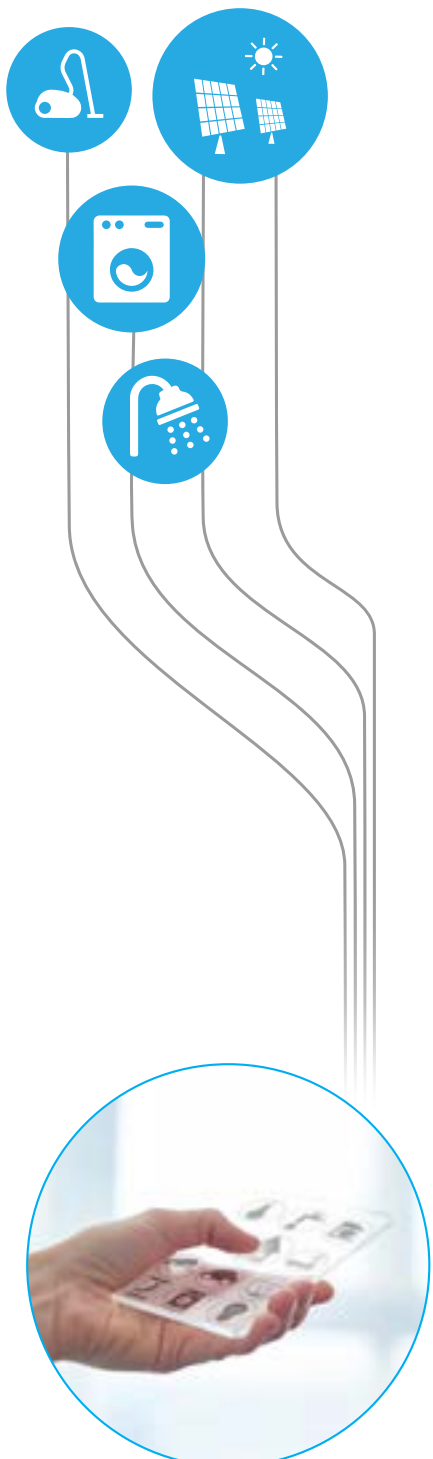
Many choices for channels and capabilities

The first way to recognize smart home growth is by examining the home security market. Parks Associates research estimates that 23 to 25 percent of U.S. broadband homes now have some form of monitored security.¹ This industry has been proactive in moving new and existing customers to upgraded interactive home security systems that merge professional monitoring with home automation. The synergy between the two has created a value proposition that has resonated well with consumers. Providers have been quick to embrace this model, led by brands including ADT with its popular Pulse product, Alarm.com and Vivint Smart Home.

Multiple service operators (MSOs), leveraging their existing pipelines into homes with cable and Internet offerings, have also established an early foothold in the market. Comcast recently announced that its Xfinity Home subscriber base has crossed 1 million households and is one of the fastest-growing segments of all Comcast’s lines of business. It’s a natural evolution for this industry which seeks to maintain a presence in the home despite shrinking revenues from “cord-cutting.”

1. *Approximately 42% of new security system installations include a smart home device*, Parks Associates, 2017 <https://www.parksassociates.com/blog/article/pr-09112017>





Elsewhere in the “pro” channel, traditional system integrators that have long focused on custom-designed, full-home systems in predominantly high-value properties are beginning to see traction farther down-market. Brands such as Lutron and Savant have introduced new product lines focused on this segment. These companies in turn have allowed CEDIA members to capitalize on growth in the “do it for me” segment, driven by more affordable technology.

Perhaps nowhere is the growth of Internet-connected products more evident than in voice assistants. Consumers have rallied around the usefulness of products springing from platforms such as Apple Siri, Google Assistant, Microsoft Cortana, and Samsung Bixby. VoiceLabs estimates that 24.5 million devices will be shipped in 2017, up from 6.5 million devices shipped last year.² These figures are led by the Amazon Echo, which has reached a point where “Hey, Alexa” is entering the common vernacular. Capitalizing on this entry point into the smart home space, Amazon recently announced the integration of onboard radios to connect to local devices, which could enable the Echo product line to become a new dominant platform.

The inventories of brick-and-mortar big-box stores and popular e-commerce destinations also point directly to smart home growth. Many are developing a portfolio of self-installed products, and many are piloting smart home-related services or expanding sales training to improve the consumer’s shopping experience. The sheer number of manufacturers already in the market—or trying to enter—can be overwhelming. Everything from platforms to specialty products have become available on Amazon, on popular crowdfunding sites, and through direct-to-consumer channels. It truly is becoming the “Internet of Everything” as more incumbent consumer electronics, home appliance, and specialty hardware manufacturers embed connectivity into their products.

A new blueprint for smart home success

Across all smart home market entrants, data is the consistent by-product and represents a unique perspective at unprecedented depth into occupant behaviors, personal possessions, and environmental changes within a home. Contact sensors, traditionally associated with home security, offer a glimpse into planned—and unplanned—activity, from family members to the uninvited. Connected smoke and carbon monoxide detectors provide up-to-the-second alerts about potential hazards. Leak sensors guard rarely monitored areas of the home against unexpected catastrophes. An inventory of connected electronics reveals high-value contents. The volume of chatter offers a new proxy for occupancy and vacancy patterns. These seem like compelling opportunities for the insurance industry to capitalize on both risk avoidance and new insights for policy personalization and sophistication. Yet, many insurers face a chasm between operationalizing such use cases and the status quo.

2. *The 2017 Voice Report*, VoiceLabs, 2017
<http://voicelabs.co/2017/01/15/the-2017-voice-report/>



Beyond the well-known challenges of developing an IT infrastructure and creating analytics-driven processes, insurers must not overlook the importance of positioning themselves closely to as many sources of data as possible. The swarm of vendors in the smart home ecosystem all but guarantees that insurers' books of business will represent homes with an array of connected devices and platforms from all manner of providers. To capitalize on the opportunity at scale, insurers must discover how to ingest data in brand- and partner-agnostic ways. Data standardization, the creation of models to capture end-user consent, and transformational processes that turn raw data into information are paramount to future success, possibly more so than early one-to-one partnerships.

Consumer demand for this technology will continue to rise, regardless of whether and how insurers position themselves as new, nontraditional channels. That's not to minimize insurers' potential role in marketing new technology to their insureds, but simply to acknowledge that it's naïve to think usable data can come only from a short list of sources. This is further exemplified by the inevitable churn in the property insurance market: consumers should continue to receive the insurance benefits of their technology of choice, even after switching insurance carriers.

Many now say that "data is the new oil." If that's true, it would seem advantageous for insurers to position themselves in close proximity to as many sources of data as possible. As the smart home market takes flight, consumers can choose from a tremendous range of smart home platform options from a variety of channels. To capitalize on this new source of data, insurers must recognize this market fragmentation, do not expect a "winner take all" or single dominant platform, and develop a thoughtful smart home strategy for long-term success.

The Verisk Data Exchange

Smart home data represents a range of transformational opportunities for property insurers to innovate across the customer journey – from purchase through renewal and claims. The Verisk Data Exchange makes it easier, faster and more efficient to enter a new era of property insurance that better serves the customer and improves the bottom line.

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