4 Insurance Technology Trends Changing the Industry

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As technology becomes more sophisticated and, in many cases, less expensive, insurance companies are incorporating it more to help improve their businesses and bottom line.

Among the most significant trends are drones and bots used by insurers to gather details from customers about potentially insurable events, while also creating new products to fit the tenor of the on-demand economy. All this has increased cyber risk, spurring other technologies designed to ensure that clients still feel protected in a more technological environment.

As providers of these technologies fine-tune their products, and their use widens, insurers can address customers' needs with greater speed, safety and precision – ultimately helping to reduce operating costs and improve customers' experiences.

Here are four insurance technology trends affecting the industry now.

Unmanned technology

Insurance companies are engaging drones for claims inspections, whether it's to photograph a roof without needing to send adjustors up a ladder or flying over an area impacted by a natural disaster. Kespry, which targets clients in the insurance and construction industries, raised $16 million in Series B funding in 2016. The Menlo Park, Calif.-based company's drones can fly about 20 minutes at a stretch and generate crisp 3-dimensional images. Among Kespry's main rivals in this burgeoning field are start-ups Airware, PrecisionHawk, Betterview, and Skycatch. These companies and others in the commercial drone sector should benefit from FAA guidelines that are supposed to improve training and safety, and should subsequently help legitimize drone operations in the public eye.

Chatbots use artificial intelligence to help insurers gather useful information faster and easier from customers online. Palo Atlo-based Next Insurance uses a Facebook Messenger chatbot to provide insurance to personal trainers and photographers. According to Crunchbase, which tracks the funding of technology startups, chatbot companies raised more than $170 million in capital in 2015.

Peer-to-peer insurance

In recent years, peer-to-peer lending has gained traction in the financial services industry, a result of the increasing capability and accessibility of technology. Many startups now look to online crowdfunding campaigns for capital.

Peer-to-peer insurance is similar: people form groups to pool their premiums and unspent claims money is returned to policyholders who made no claims by year's end. The idea behind peer-to-peer insurance is that there's less perceived conflict of interest in paying out claims, and less overhead. Using social pressure, peers recommend the product to those they think will be a good match, and share ideas on lowering risk. This product still relies on reinsurance to cover claims above certain amounts.

On-demand insurance

To reach Millennials and other younger generations more effectively, a number of companies have created technologies that make it easier for consumers to purchase renter's insurance or to target specific items, often for limited periods of time. The on-demand insurance provider and Nationwide partner, Sure, enables consumers to research renter's insurance quotes, purchase a policy and pay the premiums all within their app. In 2016, the New York-based company raised $2.6 million in funding.

Danville, Calif.-based Trōv allows consumers to switch coverage on and off for electronics, heirloom and other personal valuables via their mobile devices. The company raised $25.5 million in 2016. Slice Labs operates along a similar model but focuses on the sharing economy, offering pay-per-use coverage for homeowners in the Airbnb network. It has plans to offer the same type of coverage for Uber and Lyft drivers, who can turn on coverage during their shifts. The New York-based company raised $3.9 million in 2016.

Cyber insurance data modeling

Cyber insurance is a sought-after product by companies, who continue to get hit with hacking incidents that are dangerous and expensive to their businesses. The challenge has been understanding the risk factors, including probability. But providers also struggle with forecasting loss ratios, profitability, and allocating the right amount of capital for the risk. Historical data is lacking and not effective in predicting future events.

Companies like SecurityScorecard Inc., BitSight Technologies and Cyence are looking at different ways to understand and limit a company's cyber risk.

Cyence's economic cyber risk modeling platform uniquely labels the risks in dollars and probabilities. The platform helps insurance customers manage their cyber risk along the sales and management pipeline – starting with prospecting and pricing, moving to exposure management. It uses machine learning, public and proprietary data and economic models to predict the risk of a cyber attack. Cyence raised $40 million in one round of funding, launching in the fall of 2016 from the San Francisco Bay area.

As technology continues to evolve, grow and become more prevalent in everyday life, so too will it be a more prominent fixture for insurance providers seeking to reduce risks, increase efficiency, and meet consumer demand. Visit Nationwide Ventures to learn how we're delivering next-generation experiences for Nationwide's members.

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