

Policyholders Wary of Smart Devices with Insurance Discounts

A new study has found that a majority of policyholders would not install smart home devices or have a data-sharing device installed on their vehicle just to get a discount on their insurance premiums.

New technology can monitor your driving habits in real time — and many insurance companies offer savings to customers who install these devices in their vehicles.

As well, some insurers are now offering homeowner's and renter's insurance discounts for people who install smart home devices, like those that can detect water leaks, alarm sounds, extreme temperature changes and doors and windows opening.

The results of the survey by Policygenius show that policyholders don't want their insurer or other entity collecting too much data on them.

While discounts for these devices in homes and cars are not yet ubiquitous, they are gathering steam. For the budget conscious, a discount in exchange for some amount of tracking may be appealing.

Devices for your car

Insurers will offer what they call "telematics discounts" to policyholders who install an app on their smartphone or a device in their vehicle, that shares their driving location, how long they spend driving, their speed and braking data. The carrier will use that information to set the cost of premiums based on usage and safe driving.

Policygenius found that the average discount for installing such a device is 20% of the premium.

However, the survey found widespread reluctance about using these kinds of devices:

- 68% would not install an app or telematics device that collects driving behavior or location data for any insurance discount amount.
- 68% would not install a live dashboard camera for any insurance discount amount.
- Of those who said they would install a dashcam, 74% would only do it if it cut their bill by at least half.
- 11% said they would download an app regardless of the discount size.

So far, uptake has been slow, with only 16% of auto insurance customers saying they opted into their insurer's telematics program when available, according to a 2021 J.D. Power survey.

Home devices

More insurance companies are offering discounts for homeowners that install smart devices in their home. Different insurers have different devices and programs that can earn their clients a lower premium.

These devices can often detect problems and alert the homeowner to problems that could develop into more serious issues. Smart home devices include:

- Door and window sensors
- Flood/leak detectors
- Smart smoke detectors
- Smart CO2 emission detectors
- Motion sensors
- Video surveillance with night vision
- Noise detection
- Smart door locks
- Doorbell cameras.

Many insurance companies will offer discounts (which vary) depending on what type of smart device a homeowner has installed. If it's a propriety device that the carrier requires, the discount is often about 10%.

But just like telematics on vehicles, homeowners and renters are also reluctant to use these devices:

- 65% said they would not install a smart home device like a doorbell camera, water sensor or smart thermostat for any discount if these devices shared data with their insurance companies.
- Of those who said they would install such a device, 69% would only do it for a 50% or more discount.
- 11% said they would install smart devices for any discount.
- 77% said they would not install a smart doorbell camera that shares facial recognition data with third parties in exchange for a premium discount.

The takeaway

Obviously, many Americans value their privacy and do not want to share too much information with their insurers.

But discounts may appeal to some people who may not be concerned about any perceived privacy concerns. It's obviously a personal decision.

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