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Wearables Data – Beyond Customer Engagement

The path to disrupting the market with a simpler, more frictionless purchase journey

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The growing popularity of wearables presents insurers with an unparalleled opportunity to better assess risk – yet many carriers are not fully realizing the value of data from these devices.

The adoption of wearables technologies such as fitness trackers and smartwatches have been steadily growing, with a recent spike spurred by COVID-19 as consumers turned to devices to help support their health and wellbeing during the pandemic. A recent study showed that 30% of adults in the U.S. use health-based wearables, with nearly half turning to these devices every day[1].

Unlike the step-counters of earlier years, wearables now resemble mini-supercomputers capable of capturing a wider range and higher quality of health and fitness information. Currently, insurers mostly harness this data to connect with and reward policyholders for healthier lifestyle decisions through wellness programs or, in some cases, to identify high-value leads for cross-sell and upsell opportunities.

Despite the capabilities of these devices, the insurance industry has yet to widely use data from wearables to underwrite applicants. A typical smartwatch measures key health metrics such as heart rate data, physical activity, respiration, blood oxygen saturation, VO2Max, measuring cardiovascular fitness and aerobic endurance, sleep quality, stress, and more. These inputs could be used to augment the application process, resulting in a simpler and more accurate depiction of an applicant's health and activity level.

Meeting Customers Where They Will Be

There have been significant advancements in the breadth and depth of health and fitness metrics captured by wearables, but this market is still maturing. There continues to be variability in measurements and not all information captured is U.S. Food and Drug Administration (FDA)-approved and credible for clinical use, adding complexity to the risk assessment process.

On top of this, one of the greatest barriers to advancement facing insurers is the cost and complexity of securing, normalizing, and analyzing the data while responding to a fast-moving and dynamic market. The pace of change will require regular recalibration of models and/or underwriting philosophy and rules as product manufacturers innovate for growth and insurers are forced to react.

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Despite these challenges, the most compelling reason for insurers to push forward and make a strategic investment in utilizing data from wearables for underwriting is best described by a famous quote from Wayne Gretzky: “A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.”

The puck – or in this case, the wearables market – continues to grow at a rapid pace, with a projected CAGR of nearly 20% by 2025. The fastest growing cohort of adopters for these devices are between the ages of 15 and 34: the future buyers of insurance. This generation of digital natives expect companies to offer customized products and services that can interact seamlessly with their devices. The under 40 age segments have been the most difficult for insurers to attract, hence the strategic importance of meeting them where they will be ‘technologically’.

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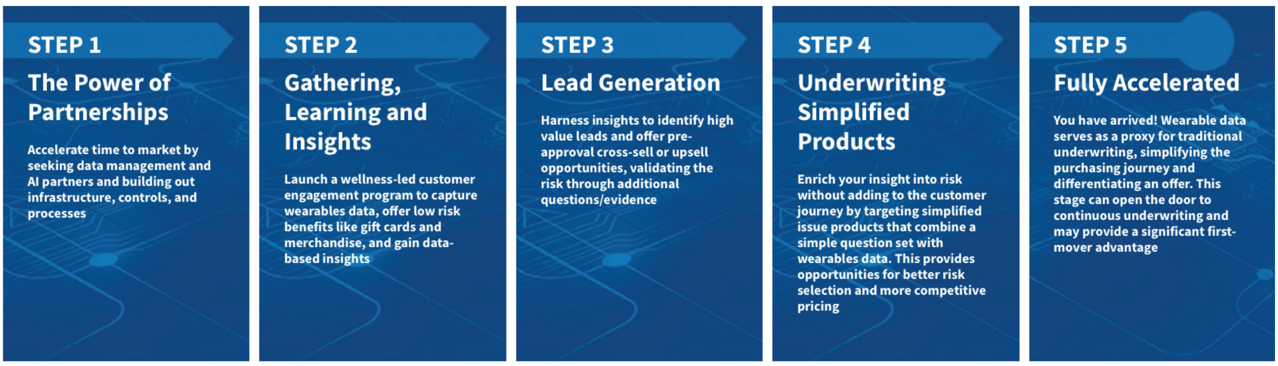
Based upon the growth projections of the wearables market, and the rich pools of health data that is available, it’s not a matter of if someone will crack the code to unlock the value of this data for underwriting; it’s a matter of when. Insurers must balance the drive to make strategic strides in this area with the need to remain agile enough to scale up, scale down, or pivot based upon learnings and experimentation.

Adopting Data from Wearables in Five Phases



To direct this effort, insurers must learn, iterate and test – while managing risk and cost. RGA has identified a five-phase pathway to get started on this journey

Phase 1: The power of partnerships

Launching any large, complex, multi-functional project can be a challenging undertaking. An initiative requiring insurers to bring together technology, actuarial science, data science, risk management, legal, compliance, and underwriting expertise to leverage wearable data is no exception. To help mitigate market entry risk, companies should consider partners who can bring specialized expertise.

As the wearables market has grown, so too have managed services to support the infrastructure and capture of consumer data. These providers can be key partners, enabling the insurer to avoid absorbing the overhead expense to build infrastructure, data structures, controls, and processes alone. A partnership between an insurer and managed service provider empowers each participant to focus on respective areas of expertise and provides greater flexibility to scale up or scale down as needed.

Phase 2: Gathering, learning, and insights

Once the infrastructure and data enablement is in place, insurers can engage with clients and gain access to wearables data. Many insurers are already at this stage, offering wellness-driven client engagement programs that deliver rewards in exchange for health-related data.

Rewards-based programs enable the insurer to acquire pools of data without assuming the increased risk of making long-term commitments prematurely. Launching a client engagement program linked to wearables data can be an effective strategy to enter the market, while improving customer engagement overall.

Phase 3: Lead generation

By analyzing internal data from wearables, as well as performing external research, insurers with active wellness programs can strengthen customer engagement and generate data-driven insight into policyholders' health and wellness behaviors. This information can also help insurers identify growth opportunities. Specifically, insurers could identify high value leads to cross-sell and up-sell new products on a pre-approval basis and still maintain a traditional underwriting process before binding the risk. This approach can enable insurers to test data insights against the traditional underwriting process to measure decisioning alignment.

Phase 4: Underwriting simplified products

As insurers' understanding of wearables data matures, they can integrate this information into the underwriting process and begin making risk decisions using the data.

In this phase, the focus would be on underwriting for simplified products by enriching the current application process without lengthening the customer purchase experience. Simplified issue products are priced based upon the limited information collected from an applicant. Incorporating wearables data into the application process could lead to more competitive pricing, providing a better understanding of risk without sacrificing processing speed.

Phase 5: Fully accelerated underwriting

In the final phase, insurers' data management process has matured, historical data and experience is available, and more research and studies have been conducted to support mortality and pricing assumptions. Insurers can now further accelerate the application process by applying wearables data as a proxy for traditional information collected as part of full underwriting.

This stage has the potential to disrupt the customer purchasing experience by enabling a simpler, more frictionless experience. To simplify and accelerate the process, it will be essential to determine what traditional evidence can be replaced by information collected through wearable devices. This, in turn, requires adopting a new underwriting philosophy incorporating wearables data. This stage can also serve as a catalyst to launching a continuous underwriting program with the potential to offer discounts and new products to policyholders as they demonstrate ongoing healthy behaviors.

In Summary

The improved sophistication of wearable device technology presents insurers with a compelling opportunity to gain deep insights into consumer health and wellness and simplify the customer purchasing experience. Seizing this opportunity will require a practical building-block approach that can reduce time-to-market and empower insurers to actively experiment and learn while managing investment and risk along the way. Using wearables data to augment underwriting is the ultimate destination, but arriving there will require direction and discipline throughout the journey.