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# Accessory overload: Wearable technology's impact on the insurance industry

**According to a recent report by PricewaterhouseCoopers, one in five Americans presently own a wearable device and one in ten wear one every day. Based on wearables' rapid rate of integration into the societal fabric, Forbes dubbed 2014 "The Year of Wearable Technology."**

Wearable devices are a subset of the "Internet of Things" and are defined as accessories with embedded micro-sensors that can be worn or carried and are networked to provide continuous measurement and monitoring. They include fitness bands (Fitbit), "smart" watches (Apple Watch), "smart" glasses (Google Glass), "smart" clothes, wearable cameras and much more. Due to the smartphone boom and advances in cloud computing, micro-sensor technology has become cheaper and smaller than it was when Pulsar released its first calculator watch in 1975, or when the first Bluetooth headset was released (2000) and the GoPro camera was released (2004). And micro-sensor technology will continue to progress exponentially — in the next five to ten years, the number of consumer goods that are capable of embedding this technology will be incredible.

Experts estimate the global wearable device market should grow 250% to USD 12.6 billion by 2018. That figure may even be somewhat conservative, as wearable devices are already very popular with Millennials and are increasingly becoming fashionable

and affordable. In addition to personal use, the market for corporate/industry customers should grow remarkably over the next five years. As evidence that wearables will inevitably be as essential to the workplace as computers are today, a recent workplace productivity survey revealed that 58% of the surveyed employees (and 66% of Millennials) would agree to use wearable technology if it would help them to perform better at their job.

The growth of the wearables market has significant implications for the insurance industry. In fact, an Accenture survey of 200 insurance company executives (from multiple lines of insurance) found that 63% of those surveyed expect wearable technology will be widely adopted by the insurance industry in the next two years. For instance, wearables provide great benefits in terms of investigating and processing claims, such as where a claimant alleges that their physical activities have diminished since the incident that caused their injuries. Additionally, wearables allow field adjusters or property risk engineers when performing an inspection or appraisal to take pictures and videos, document notes and access information real-time. This would make post-catastrophic event investigations safer, as adjusters could climb ladders, inspect roofs and handle machinery, all while remaining hands-free. Moreover, we could soon see truckers using "smart" eyewear to record their journeys. This would benefit insurers by providing access to real-time information about, say, a collision, instead of having to rely solely on evidence collected after the event.



In addition to property and casualty insurers, wearables benefit health insurers by enabling them to effectively map trends in diet, fitness, sleep patterns and disease and, in turn, to better underwrite coverage. Accordingly, some health insurers are already offering companies corporate discounts if their employee participants agree to regularly transfer their personal fitness data. Life insurers are likewise offering significant premium discounts for policyholder accumulation of “wellness points,” the data for which is collected through the policyholders’ wearables.

Nonetheless, wearables pose significant challenges for the insurance industry. For example, they may pose serious privacy concerns as they increase dramatically the amount of personal data to be collected and stored. This could easily magnify the impact of data breaches. Similarly, with the tremendous amount of information becoming available, insurers also need to make sure they are able to manage the data. The changes in the volume and type of information will place even greater emphasis on insurers’ abilities to collect, interpret and utilize big data. Thus, the insurance industry will find it necessary to continue to evolve their technology platforms, such as partnering with digital and cloud technology companies, in order to better integrate their IT functions into their underwriting and claims processes.

Another privacy concern is the use of wearables to conduct unauthorized surveillance through geolocation technology. This capability is certain to result in claims for violation of privacy and alleged

violations of anti-surveillance statutes. Further, wearables used at work may increase the number of injuries due to their tendency to distract workers. There are similar concerns about whether excessive use of wearables—and smart glasses, in particular—could lead to headaches, double vision and dizziness. Finally, the legal standard for wearable use is far from settled. For instance, it is uncertain whether the companies that manufacture and sell wearables are subject to personal identification information and personal health information laws, even if they do not sell or distribute the information collected to third parties.

We are in the nascent stages of the “smart” transition from handheld devices to wearable technology. Insurance is right in the middle of it, as wearable technology has a variety of beneficial applications for the industry. Indeed, in the next five to ten years, we can expect that wearable technology will generate enough information to enable insurers to customize insurance for individuals, providing an immense benefit to insurers and policyholders alike. At the same time, this new era of big data provides increasing legal, technology and privacy challenges for the insurance industry.

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