

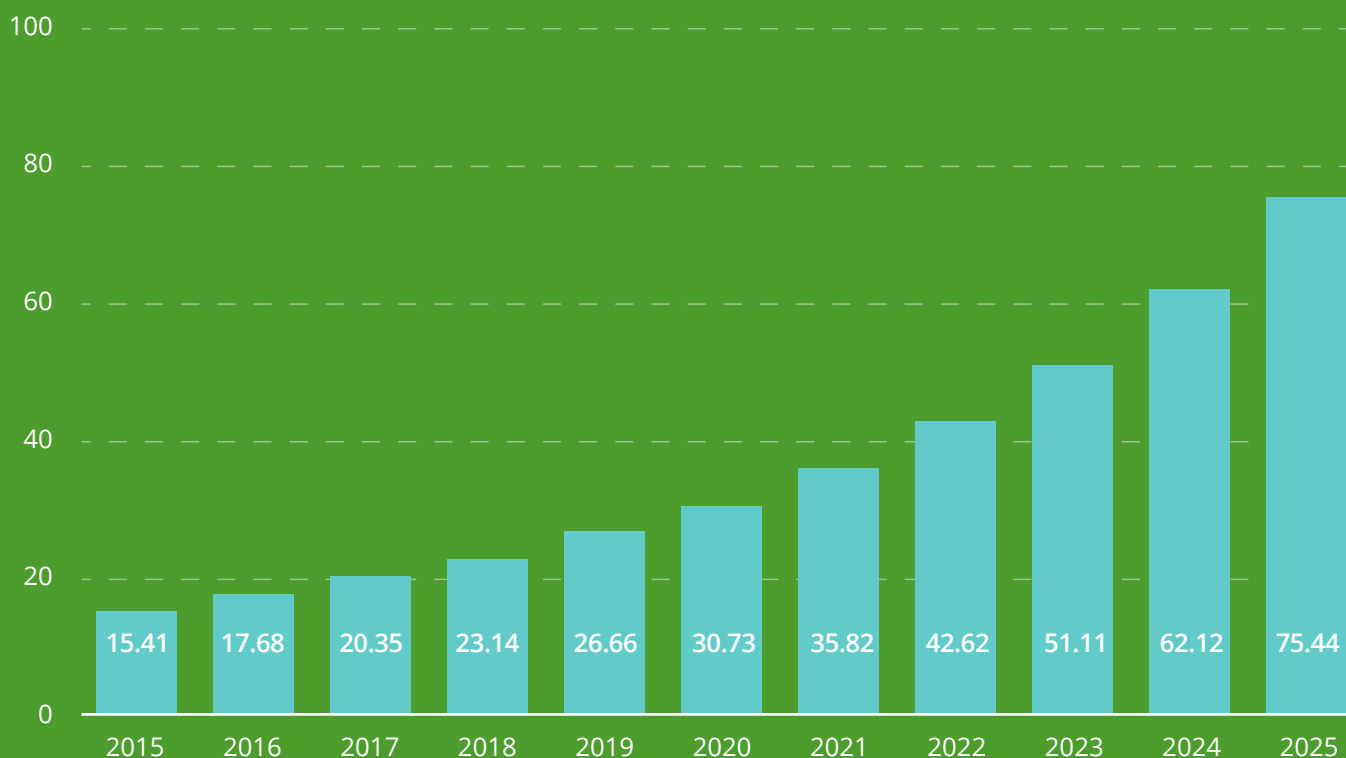


WHY Z-WAVE: INSURTECH

VOLUME 4



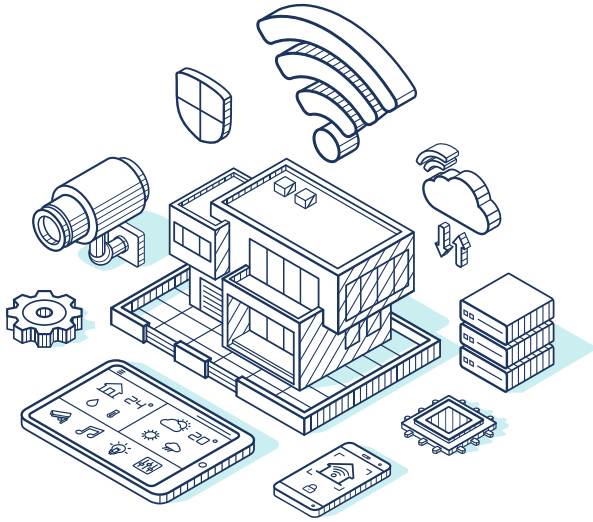
Internet of Things (IoT) connected devices installed base worldwide from 2015 to 2025 (in billions)



Source: *Strata*

Technology to Prevent Damage: How IoT is the Gateway for Insurance Providers

Growth of the Internet of Things (IoT) has been trending for the last several years. Smart home devices including sensors, security cameras, thermostats, door locks, lighting, as well as the popularity in smart speakers, have been core drivers of homeowner adoption. According to a recent [Statista report](#), there will be 75.44 billion IoT devices installed worldwide by the end of 2025. Insurtech has emerged at the cross section of insurance and technology to ignite an opportunity for insurance providers. This digital transformation brings cooperative changes to the industry landscape as insurers take on a new role, transitioning from seeking reimbursements for damages to incentivizing homeowner behavior to reduce risk. Prevention and mitigation are today's frontier in home insurance, and there is nothing but opportunity in this emerging market.



About one in 50 insured homes has a property damage claim caused by water damage or freezing each year.

-According to the Insurance Information Institute

The IoT is a Powerful Ally to Insurance Providers

The chain of events with simple IoT device intervention is vastly different than today's insurance model. Smart and connected devices in the home can reduce both the impact and frequency of certain claim types within home insurance. This is a win-win for the industry. Mitigation benefits both the insurer (by reducing expensive claim payouts) and customers (by preventing or reducing loss and damage from theft, fire, and water). Simple sensor implementation with push notifications can give homeowners and renters contextual information about the conditions of their property and provide insurers valuable insight into the properties they protect.



Water is a leading cause for homeowner insurance claims.

Homes continue to deteriorate when water sits, and as the timeline extends, damages and costs mount. On any given day, home water emergencies effect 14,000 people in the U.S. with an average claim of \$11,098.

29.4%



The leading preventable insurance loss is non-weather property damage claims related to water damage or freezing. This one policy event makes up 29.4% of all non-weather claims.

Source: [Insurance Information Institute](#)

\$11,098

Average cost of a home insurance claim due to non-weather property damage related to water damage or freezing.

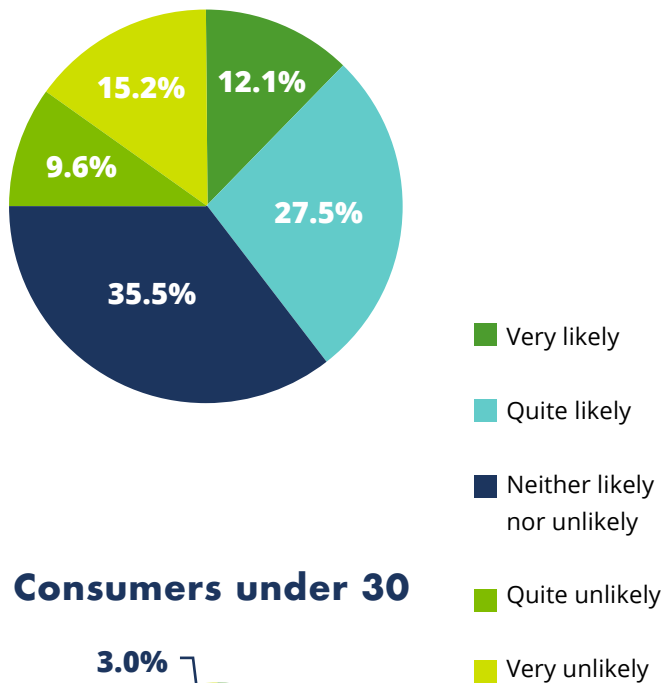
Source: [iProperty Management](#)

Insurance providers can be the biggest winners in preventing water damage in customer properties. The smart home can disrupt this damage; a water sensor can send homeowners a push notification if moisture is detected. Placed in key, at-risk areas of the home such as under sinks, behind washing machines, in the basement, etc., a water sensor makes it easy for a homeowner to investigate signs of water. Water damage statistics follow a general timeline that starts with saturation within minutes to unsalvageable over months. With clean water leaks and frozen pipes, the second most common damage claim, minutes are everything. Advanced smart water devices today include water shut-off valves, which can be activated both at home and away to turn off the home's main water pipe if a leak, or worse, a burst is detected. This example of investment in IoT for insurance applications reaps the largest return for insurance providers; the opportunity to stop the flow of water from a pipe could eliminate what now amounts to 29.4% of non-weather water claims, or an estimated \$13 billion annually in the U.S., alone.

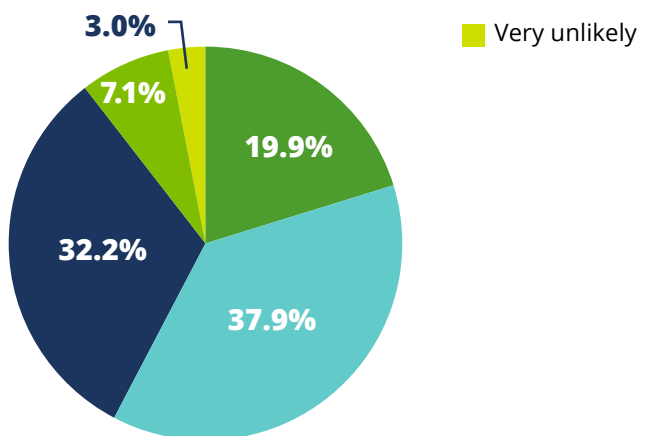
IoT devices could change the dynamic of the insurer-insured relationship, bringing a new model leveraging smart home technology to impact home care, damage prevention, and homeowner action.

Likelihood of consumers sharing data from a smart home device with their insurer, 2021

All consumers



Consumers under 30



Uniting In Home Protection

The chain of events with simple IoT device intervention is vastly different than today's insurance model. The mutual benefits of proactive home management using smart home devices can create a new dynamic with a better partnership and more regular communication. An insurer with access to data from a home's smart device, can process claims, suggest preventative home maintenance, or relay an alert to a local service provider. According to the [GlobalData 2021 UK Insurance Consumer Survey](#), 39.6% of home insurance policyholders with smart home devices would be either quite likely or very likely to share the data with an insurer in return for financial rewards. With consumers under 30, the number rises indicating 57.8% in that demographic are willing to share data gathered by these devices with their insurer. This creates a growing number of opportunities for insurers to target this younger audience with smart device-oriented policies. Devices earning nods from insurance providers include smart security cameras, water leak detection sensors, water shut-off valves, and smart smoke alarms.

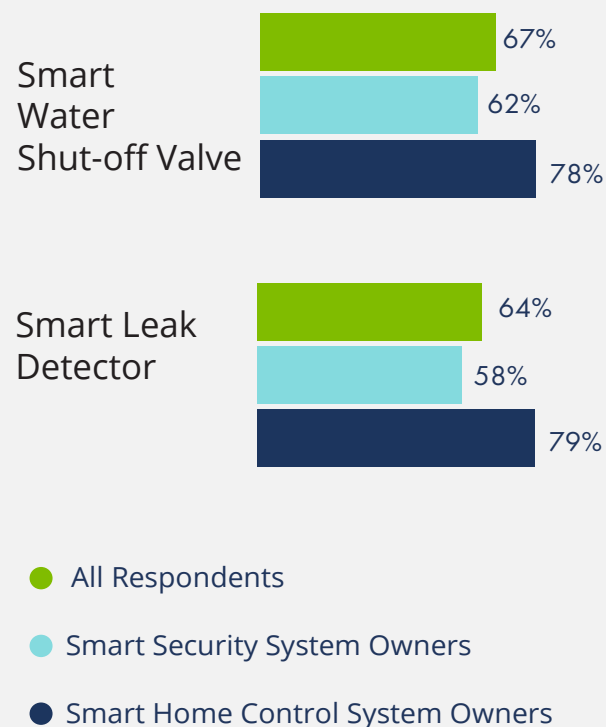
Potential for Growth

As the baseline of an IoT-led insurance experience is built, there's growth opportunity to further benefit insurer-customer partnership. In compiling data for the [2022 Z-Wave Alliance State of the Ecosystem Report](#), researchers found that greater than 40% of respondents already had one Z-Wave-certified water shut off valve, and for those security system owners surveyed, more than 60% indicated purchase interest in both smart water shut-off valves and smart leak/humidity detectors. With home control system owners, the purchase intent ballooned to 79% for the same devices. This represents a staggering opportunity for insurance providers to reward customers for their good behavior. As demonstrated by their relationship with the security system industry, the insurance industry has long history of incentivizing policy holders leveraging tech solutions. To increase uptake of smart home devices, insurers could offer free or discounted devices as well as reduced insurance premiums upon correct installation. Survey data indicated that over 65% of respondents would share data for financial savings. This new dynamic between policyholder and provider extends service touch points outside of claims to offer an integrated experience customized to the individual, the family, and the property in ways never before achieved.

Data compiled from the Z-Wave Ecosystem consumer survey, all respondents, including Owners and Non-Owners of Z-Wave devices, and regardless of whether they already owned a security system or smart home control system, indicated strong purchase interest in a wide array of devices, but smart water devices including Smart Water Shut-off Valve and Smart Leak Detector scored resoundingly high for interest in adding these devices to their home.

Interest in Adding More Z-Wave Devices

Among all respondents in each group



Across surveyed owners of smart home devices, the top five Z-Wave owned devices include:



Smart Water
Shut-off Valve



Smart Security
Systems



Smart Home
Control Systems
(Hub)



Chair or Bed
Pressure Sensor



Flood Sensors
and/or Leak
Detectors

The IoT has brought the most promise for homeowners and renters to monitor their home and mitigate causes of insurance claims. IoT technology can become the thread uniting insurers and the insured in the common goal to reduce home damage and the rising costs that come with it. In the insurtech model, the title “insurer” could even be adjusted to “home technology partner,” as coverage and technology further intertwine to keep properties protected. The IoT can create a seismic shift in the insurance model as claims-mitigating programs with smart and connected devices become the pathway to the next generation of homeowners.

Source: [2022 Z-Wave Alliance Ecosystem Report](#)

Join and Develop

Z-Wave Alliance is a member-driven standards development organization (SDO) dedicated to market development, technical Z-Wave specification and device certification, and education on Z-Wave technology. Members work together to develop the open-source standard. To start the process of becoming a member of the Z-Wave Alliance, please download the [Membership Application Agreement](#) and return it to administration@z-wavealliance.org.



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