

IoT Insurance Market Assessment, By Component [Solution, Service], By Insurance Type [Auto Insurance, Life and Health Insurance, Home Insurance, Property and Casualty Insurance, Travel Insurance, Others], By End-user [Retail and Commercial, Residential, Automotive, Industrial, Healthcare, Logistics and Navigation, Others], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global IoT insurance market is projected to witness a CAGR of 25.44% during the forecast period 2024-2031, growing from USD 30.27 billion in 2023 to USD 185.57 billion in 2031. The market has experienced significant growth in recent years due to the increased adoption of IoT devices and technological advancements in AI and machine learning.

IoT insurance refers to insurance based on the Internet of Things. This system of insurance policies and services harnesses the possibilities of IoT technologies in improving the assessment of risks, customer experience, and operations. By incorporating IoT devices such as sensors, wearables, and smart home systems, an insurer may collect data in real-time to assess various risks. A well-informed risk assessment means support for personalized policy offerings and proactive risk management.

One of the major reasons for the market expansion of IoT insurance is the mounting scenario of connected devices across the world, such a vast number of devices are acting as a massive data bank of collection points. After going through the process of analyzing and processing, this information enables businesses or organizations to make critical decisions, optimize user processes, and enhance customer experience. Other factors that are expected to drive growth in IoT with the launch of 5G include faster and more reliable connections for real-time data processing.

IoT has been highly adopted by sectors such as manufacturing, healthcare, and agriculture, along with smart cities. IoT in the manufacturing sector facilitates automation, predictive maintenance, and real-time monitoring of production lines. Healthcare organizations can leverage IoT for better patient monitoring, telemedicine, and remote diagnostics. In addition, IoT in agriculture is extensively used for crop monitoring through sensors and drones, which monitor crop health, disease, and nutrient status. Also,

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it may have applications in precision farming, livestock monitoring, smart greenhouses, equipment monitoring, and others. For instance, in June 2024, Westfield, a United States-based property and casualty company, announced the launch of Ting, an innovation that will be useful in supporting customers intending to improve their fire safety. Collaborating with Whisker Labs is offering the Ting sensor and three years of fire prevention service for free. Ting uses advanced smart plug-in sensors to monitor the electrical network of a home to help detect electrical hazards, alert homeowners, and lead them through timely repairs to avoid potential electrical fires.

Expanding Role of IoT in the General Insurance Market

The future of IoT in the global market, especially in the realm of general insurance, is profound. IoT is revolutionizing insurance practices, leading to innovative products and underwriting methods. The potential for IoT to transform the insurance landscape is huge, according to the projected expansion of the IoT insurance market. IoT technology, such as telematics devices, is utilized in monitoring behavior, vehicle location, and assessment of road conditions in the case of automotive insurance. Wearable devices and health monitors track data related to a person's physical activity, vital signs, and overall health. This information allows underwriters to provide personalized health plans, good behavior incentives, and better management of long-term conditions. In the industrial context, IoT sensors track equipment performance, environmental conditions, and safety metrics. This data aids in predictive maintenance, reduces downtime, and enhances risk management. In several other ways, IoT technology is driving the growth of multiple types of insurance.

For instance, in December 2023, the Ministry of Heavy Industries reported that a total of 22,717,562 vehicles were registered in a year, encompassing electric, petrol, and diesel vehicles. This substantial number of vehicles on the road raises concerns about potential accidents. To enhance safety and streamline investigations, vehicles can be equipped with sensors connected to a computer or smartphone. These sensors can quickly analyze data using an AI operating system, providing crucial information needed during investigations and assisting insurance companies in assessing damages and determining payouts when necessary.

AI, ML, and Data Analytics Fuels IoT Insurance Market Growth

Some of the principal mechanisms through which AI, ML, and data analytics drive the evolving role of IoT in insurance include improving risk profiling by analyzing IoT device data from vehicle telematics and smart home sensors to come up with more accurate and personalized policies and premiums based on real-time information. These technologies, in addition, aid fraud detection by discovering patterns and anomalies indicative of fraudulent behavior, hence cutting costs. In the processing of claims, AI accelerates the speed of resolution of claims by automating tasks such as document verification and damage evaluation, increasing customer satisfaction. Besides, IoT devices make predictive maintenance possible as they monitor the conditions of assets and forecast potential issues so that insurers can offer preventive services that will minimize claims and increase customer loyalty. Ultimately, AI and ML aid in improving customer engagement with targeted recommendations and proactive support that can bring the firm closer to clients.

For instance, in April 2024, MetLife Life recently introduced an advanced artificial intelligence-based Optical Character Recognition (AI OCR) system that accelerates the insurance claim review and payment process. With the implementation of this new technology, MetLife Life can process and payout simple, non-hospitalization-related insurance claims in under five minutes. The system leverages sophisticated tech that reads printed text and comprehends natural language found in documents such as doctors' diagnostic reports and written opinions.

Dominance of IoT in Property and Casualty Insurance

The dominance of IoT in Property and Casualty (P&C) insurance would be driven by the potentially transformative power over both auto and home insurance. In auto insurance, this change will be driven by telematics, which can track the driving behavior of the policyholders to the seller to offer usage-based insurance policies. This approach enhances risk assessment by providing detailed insights into individual driving patterns. While helping to prevent and mitigate losses, IoT devices in areas such as home insurance, specifically smart smoke detectors, water leak sensors, and security systems, protect homeowners more effectively. P&C insurers, on the contrary, apply IoT to embed connected ecosystems, allowing for richer user engagement, which drives down losses through the analysis of user behavior at the micro level. This use of IoT enhances the management of risks and influences the general customers' experience in the P&C insurance sector.

For instance, in December 2020, Progressive unrolled its program, Snapshot, using telematics to track driving behavior. With data measured on variables such as speed, braking, and the time-of-day driving takes place, Progressive is able to offer custom

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insurance premium quotes that truly reflect the customer's real driving behavior. This approach helps in providing fairer pricing and encourages safer driving habits, reducing the number of accidents and claims. Additionally, it enhances customer engagement by providing feedback and rewards for safe driving.

North America Dominates IoT Insurance Market Share

North America dominates the IoT insurance market due to increasing awareness and rapid implementation of IoT in various industries in the region. In addition, the rising use of smart devices that deliver real-time insights allows insurance companies to develop advanced insurance solutions. Also, the presence of international players, such as Google LLC, Microsoft Corporation, IBM and others, drive the market in the region. On the contrary, Asia-Pacific is expected to grow at a high rate in the forecast period, owing to the increase in the usage of the Internet of Things devices such as drones, Wi-Fi dongles, wearables devices, and inbuilt sensors among end-users proving to be informative data.

For instance, in September 2022, State Farm agreed to a USD 1.2 billion investment in North American-based ADT Inc. to acquire 133.3 million shares of ADT's common stock at a share price of USD 9. This investment goes beyond partnership, giving the insurer a new way to reach customers and level up its risk prevention programs.

Future Market Scenario (2024 - 2031F)

It is expected that health, property and casualty, and auto insurance will form the largest part of the growth. In 2023, the property and casualty insurance segment dominated the market and is anticipated to dominate during the forecast period.

Advanced technologies in IoT devices, such as machine learning and artificial intelligence, will optimize risk assessment, policy pricing, and personalized coverage. This will lead to more efficient operations and improved customer engagement.

North America is likely to dominate this market further in the forecast period due to its high adoption rate for IoT technologies and huge investments by insurance companies.

Although the market needs to overcome various issues, such as data security and privacy concerns, increasing investment in this technology by insurance companies provides excellent growth opportunities.

Key Players Landscape and Outlook

Several key factors shape the competitive landscape of the IoT insurance market. Technological innovation plays a central role, with companies leveraging advanced technologies such as artificial intelligence (AI), machine learning (ML), blockchain, and big data analytics to enhance automation, analytics-driven insights, and real-time monitoring. Effective data utilization is crucial, as insurers who can analyze data from IoT devices for personalized policies, accurate risk assessments, and efficient claims processing gain a competitive edge. Customer experience is a significant factor for companies that offer personalized services and proactive risk management. Security and privacy are paramount, with companies that provide robust security measures and maintain customer trust. Additionally, forming strategic partnerships with technology providers, IoT device manufacturers, and other stakeholders can enhance a company's offerings and expand its market reach.

In August 2024, IBM-Developed Algorithms, ML-KEM, and ML-DSA were announced as the National Institute of Standards and Technology's First Published Post-Quantum Cryptography Standards. The official publication of these algorithms marks a crucial milestone in advancing the protection of the world's encrypted data from cyberattacks that could be attempted through the unique power of quantum computers, which are rapidly progressing to cryptographic relevancy.

In May 2024, Accenture and Oracle announced that they are investing in new generative AI solutions, tools, and training to help organizations maximize the value of their data to drive next-level growth and continuous innovation. Together, Accenture and Oracle will help clients across industries reinvent their businesses with generative AI, moving from experimentation to adoption at scale. The companies will leverage Oracle Cloud Infrastructure (OCI) Generative AI to help increase efficiency, improve resilience, and deliver superior customer and employee experiences while keeping client data private and secure.

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