

Drones: an invaluable tool

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The insurance industry is developing and changing rapidly. Ironically, the changing regulatory regime compels the insurance industry to evolve in order to comply. Compliance necessitates the need for more data, data that is available quickly and that is accurate.

A reliable way

Drones have been used since the 19th century by the armed forces as they were an excellent way to gain intelligence for reconnaissance purposes.

Unmanned aerial vehicles (UAVs), or more commonly known as drones, are a reliable way to obtain valuable data to support the insurance industry. It is predicted that although drones may result in certain positions becoming redundant, they will also result in other positions becoming available. Do you fancy being an UAV operator or perhaps becoming an analyst of drone imagery and data?

Reinsurers investing in drones

Reinsurers have recognised how drones are an invaluable tool that their clients can use that would inevitably also result in fewer losses for reinsurers.

Maiden Reinsurance North America, Inc (US based) has invested in an insurtech start-up called Betterview. Betterview is a drone-based inspection company specialising in risk and damage assessments. The company uses computer software, including artificial intelligence, to process detailed imagery of properties that can be used to identify problems, assess damage and settle claims.

Munich Reinsurance America Inc, is also a supporter of Betterview. It has entered into an agreement that will refer its clients to contract with the company to use drone imagery, analysis and reporting for a fee.

Willis Re, the reinsurance broking arm of Willis Towers Watson, has a strategic partnership with a drone rental service called Measure (US based). The partnership is to advance the use of drones in the insurance industry and to bring the latest drone technology to Willis Re clients.

The benefits of the industry

Drones can be used to support the insurance industry as follows:

1. **Claims process** - Treating customers fairly principles require that settlement of claims is done swiftly. In addition, painless settlement of claims is paramount to enhancing customer experience. Insurers are guaranteed to keep customers, if customers have a good claims experience. The use of drones means (especially in the context of commercial and catastrophic claims), one loss adjuster (who is licensed to operate a drone) can cover multiple or even a vast insured area. Drones can capture and store multiple images and data that insurers can use to assess claims. In addition, drones can venture into places that are risky for humans. This also means that loss adjusters or assessors are not exposed to risky activities or situations that could lead to harm. International insurer, Erie Insurance in the United States, is seen to be one of the first insurers to use drones in its P&C insurance inspections.
2. **Risk assessment** - Drones can be used during the underwriting stage to accurately determine the risk and therefore the premium. Again, this creates a competitive advantage for the insurer. AIG in the United States actively uses drones to conduct inspections for risk assessment and loss control.
3. **Data capturing** - The more reliable and the more data is available for insurers, the better they can develop underwriting and catastrophe models.
4. **Fraud prevention** - Where drones are used at the risk assessment/underwriting stage and images of the insured area are captured, fraud is not likely to occur as there is a point of reference to consider possible fraud.

Of course, drones have certain limitations. Due to privacy issues and flight path restrictions they may not be used everywhere. In addition, drones are not humans and will not pick up on subtle detail and even claimant suspicious behaviour that a human loss adjuster or assessor would pick up. Drones will not replace loss adjusters or assessors, but they will be a valuable tool to determine an insurer's liability in an insurance claim.

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