

US home insurers are using drones and satellites to spy on customers

Interesting Engineering

The practice has been criticized for breaching customer privacy and consumer rights.

Some U.S. home insurance companies are using drone surveillance to decide whether to insure people's homes, according to a report. In some cases, this has led to insurers refusing to insure homes due to perceived issues with the condition of roofs.

This new tactic, seen as a way to drop high-risk policies, has riled customers and some company employees. According to reports, many buildings in the United States have been photographed and cataloged for reference.

Around 99% of the U.S. population's abodes have been cataloged as part of the industry-funded Geospatial Insurance Consortium. What's more, computer models are being used to sort through a collection of photos to identify any issues affecting insurance policies, reported The Wall Street Journal (WSJ).

These issues could include damaged roof shingles, yard debris, overhanging tree branches, swimming pools, or trampolines that have not been declared. Any photos with red flags issue non-renewal notices to policyholders nationwide.

Insurers are spying on their customers

Insurance companies are allegedly commissioning private companies to provide the images. It has been reported that this is usually done without building owners' knowledge or prior consent.

Various aerial imaging tools include drones, manned aircraft, and high-altitude balloons. Satellite imagery is also likely to become increasingly more popular.

“We’ve seen a dramatic increase across the country in reports from consumers who’ve been dropped by their insurers on the basis of an aerial image,” Amy Bach, executive director of consumer group United Policyholders, told the WSJ.

Using flyby photos is becoming increasingly sophisticated as home insurers nationwide look to “derisk” their property portfolios. To this end, they are dropping less-than-perfect homes to recover from big underwriting losses.

Insurance companies claim customers consent to home inspections as part of their policy agreement. They argue that taking aerial photographs of properties is less invasive than conducting in-person inspections.

However, it has raised concerns over customer privacy. It may also conflict with their consumer rights. But insurers have defended the use of drones.

A worrying development

“If your roof is 20 years old and one hailstorm is going to take it off, you should pay more than somebody with a brand new roof,” Allstate CEO Tom Wilson explained to the WSJ.

The widespread adoption of digital surveillance in the industry has raised concerns among consumer advocates, especially regarding customers’ ability to challenge potentially outdated or inaccurate images. It has even forced some employees to quit their positions with insurance companies.

“It’s like they’re using anything as an excuse to get people off their backs,” said Nichole Brink, who quit her position with Farmers Insurance. Neil Pearson, a consultant working with imagery companies, says aerial images could be updated daily by 2030 if satellite launches go as planned.

“It could get interesting from a privacy standpoint as...a property could be monitored daily at high resolution,” he said. “It is a bit Orwellian,” he added.

Consumer groups express concern that inspections driving nonrenewals infringe on limited customer rights to challenge images or privacy intrusion. “The technology is way ahead of any consumer protections,” Douglas Heller, director of insurance at the Consumer Federation of America, explained to WSJ.