

Using IoT Sensors to Prevent Commercial Property Insurance Claims

The Internet of Things (IoT) refers to a network of devices equipped with advanced software and processing capabilities (e.g., sensors, trackers and actuators) that can connect and exchange information online or via other communication platforms. This technology can provide a wide range of benefits to businesses.

For instance, IoT sensors can significantly enhance companies' visibility of their commercial properties, allowing them to identify and address possible issues before they lead to major losses. This, in turn, can make all the difference in helping businesses mitigate commercial property insurance claims and related expenses.

With this in mind, it's important for businesses to have a better understanding of IoT sensors and how this technology could play a role in keeping commercial property damage and associated claims to a minimum. This article provides additional information on IoT sensors and outlines the benefits and challenges of using such technology to minimize commercial property insurance claims.

IoT Sensors Explained

By installing IoT sensors throughout their commercial properties, businesses can collect information on various building components. This wireless technology possesses vast data collection and transmission abilities, permitting businesses to monitor their properties from virtually anywhere in real time through mobile applications and receive alerts about potential problems via email or text message. From there, businesses can

promptly handle these concerns and limit related damage, therefore reducing the risk of commercial property insurance claims.

There are several types of IoT sensors, but some of the most common include the following:

- **Equipment sensors**—This technology uses vibration, noise and energy consumption sensors to evaluate the overall system performance and health of workplace equipment, delivering maintenance and repair reminders as needed.
- **Fire and smoke sensors**—Such technology works with a property's existing fire suppression system to send instant alerts regarding fire and smoke detection and coordinate with emergency responders to ensure swift remediation of associated damage.
- **Water sensors**—This technology leverages leak and moisture sensors to identify signs of water flow as soon as they arise and determine the source(s) of such issues (e.g., burst pipes and broken valves). These sensors may also be connected to shutoff devices that can automatically halt water flow and prevent further property damage.
- **Motion sensors**—Such technology uses facial recognition, infrared and magnetic detection sensors to track movement in and around a property, triggering alarms and alerting authorities in the presence of trespassers.
- **Temperature sensors**—This technology measures temperature and humidity throughout a property and delivers warnings of any abnormal conditions to address possible HVAC issues. After all, prolonged heat and humidity can often damage certain building systems and materials.



Using IoT Sensors to Prevent Commercial Property Insurance Claims



Benefits of IoT Sensors

Businesses can benefit from the utilization of IoT sensors in many ways, particularly as it pertains to mitigating commercial property insurance claims. Specifically, here are some initiatives businesses may accomplish with such technology:

- **Improved risk management capabilities**—Through ongoing data collection and continuous monitoring of different building parameters, businesses can leverage IoT sensors to bolster their awareness of possible property concerns and adopt a more proactive approach to risk management. In doing so, businesses can better care for and maintain their properties, therefore lowering the likelihood of costly issues (e.g., equipment breakdowns, fire hazards and plumbing leaks) that could go on to cause widespread damage and related claims.
- **Fewer large-scale claims**—If businesses do experience property damage, IoT sensors can ensure early detection and provide immediate alerts of such damage. In many cases, this can allow businesses to quickly address the cause(s) of property damage and stop these problems before they lead to catastrophic losses and large-scale claims. For example, if a pipe bursts in a high-rise commercial building and begins spraying water throughout the top floor, IoT sensors could promptly detect this moisture and notify the property manager. This would permit them to remedy the problem before water damage spreads to multiple floors and results in an expensive claim.
- **Bolstered overall security**—IoT sensors can vastly improve companies' security infrastructures, allowing them to both deter trespassers and identify these individuals if they end up burglarizing or vandalizing their commercial properties. By setting up this technology across building access points, businesses can be alerted of suspicious activity and respond accordingly, halting trespassers in their tracks. If burglaries or vandalism occur, businesses can utilize IoT sensors' facial recognition features to help the authorities identify and catch perpetrators, reducing the risk of associated property damage and claims going forward.

- **Reduced premiums**—Since IoT sensors can help businesses mitigate their exposure to commercial property damage, this technology may also result in lower insurance premiums. According to the latest industry research, IoT devices have prompted some commercial property insurers to reduce policyholders' premiums by as much as 25%.

Challenges of IoT Sensors

Although IoT sensors carry a number of benefits for businesses, this technology also comes with challenges to consider, including the following:

- **Cybersecurity concerns**—Because IoT sensors coordinate with other systems and connect to the internet, this technology could increase companies' digital exposures and possibly make them more vulnerable to cyberattacks. Without proper precautions in place, cyberattacks stemming from IoT sensors could ultimately lead to technology failures, undetected property damage, operational disruptions and major financial losses.
- **Data privacy and sharing complications**—In addition to posing cybersecurity concerns, IoT sensors' information collection and transmission capabilities could pose data privacy and sharing issues. In particular, this technology gathers a range of data and shares it across many different digital spaces (e.g., workplace networks, operational systems and mobile applications). This data may include sensitive company records and stakeholder information. If this data is left unprotected and exposed to other parties or platforms, businesses could be held liable for any resulting losses and face significant regulatory penalties for noncompliance with applicable data privacy legislation.

Conclusion

IoT sensors could help businesses better manage their commercial property exposures, reduce potential losses and limit related claims. Yet, businesses should be sure to carefully consider the benefits and challenges of implementing this technology before moving forward. Contact us today for further commercial property risk management guidance and insurance solutions.