# Lemonade, Drones & Cyber Business Interruption

I am sure this headline has you thinking, what do a nice summer drink, a low humming sound and an insurance policy have in common? Absolutely nothing, but in this article, we'll see how all three are changing the age-old insurance industry on a daily basis.

If you have not heard of lemonade, there is a good chance that you do not live in the South. While we Southerners enjoy a fresh squeezed glass of lemonade during our hot summers, there is another type of lemonade that is disrupting the personal lines insurance industry. Lemonade (yes, that's the company name) is a Property & Casualty carrier founded in New York in 2015 that serves the renters and homeowners market. They are currently writing policies in eleven states and have plans to roll out nationwide.

What differentiates Lemonade from 'traditional' carriers? There are many differences, but it is their technology that is truly changing the marketplace. Lemonade coverage is purchased through an iOS /Android app on your smartphone or through their company website. While e-commerce purchasing is not new, what Lemonade is doing with claims technology is fascinating and has the potential to disrupt the industry. When policyholders need to submit a new claim, it is as simple as opening the app and pressing the claim button. Lemonade is using smartphones to quickly receive and process claims and the associated payments to the insured. Additionally, Lemonade uses the camera and video feature of a smartphone to have their policyholders record a short video to assist in handling the claim. This short video gives the insured a chance to tell in their own words the important facts of the claim.

Lemonade also uses artificial intelligence in the form of chatbots and machine learning to provide coverage and pay claims. This greatly reduces their overhead and reduces the time to bind the policy as well as pay the claim. In 2016, a customer filed a claim for a stolen coat and A.I. Jim (Lemonade's chatbot) reviewed, approved and paid the claim in three seconds - a new world record!

While Lemonade is a fresh new drink in the personal lines industry, drones are changing the speed and efficiency for commercial insurance adjusters in handling their claims. Patrick Gee, Senior Vice President of Auto, Property and Catastrophe Claims at Travelers, states "We see the drones as really another technology tool in the quiver of our claim professionals."

BetterView, an insurance technology startup that captures and analyzes data from drones, stated in April 2017 that it has performed more than 6,000 roof top inspections for insurers since its inception in 2015. BetterView also shared, "While 2016 was a big year for testing drones, we have seen insurers allocate budget dollars in 2017 to move from concept to real

production use, and in 2018 we expect to see a significant ramp up in the use of drones by insurers and reinsurers."

For claim adjusters, drone benefits are two-fold: efficiency and safety. Drones have the ability to survey damage in real time and photos can be sent to smartphones, tablets or other electronic devices. From a safety standpoint, drones can be used to inspect very high or complex roofs. Previously, an adjuster may have come out, inspected a roof and either had to schedule a second visit where he brought the appropriate machinery to get on a roof or had to schedule a third party to inspect. With a drone, on the first visit the drone can fly and inspect the roof, further increasing the efficiency of the claim process.

There are still challenges to overcome with drones in the industry. First, there is a shortage of qualified and licensed drone operators. In a speech at the most recent Loss Executives Association meeting, panelists mentioned that drone technology was being used during the 2017 Hurricane season; however, finding licensed operators served as a bottleneck. Other issues with drones revolve around FAA and TSA regulations such as where you can fly, buffer zones and how close to individuals you plan on flying.

Even with the speedbumps in the short-term that are mentioned above, it is evident that drones have the ability to assist adjusters with their efficiency and safety while continuing to provide the same or better service to the insured.

While Lemonade and drones are new technologies that are creating ripples in the industry, cyber business interruption has become front and center due to the increased use of technology in our personal and professional lives. Entering the term 'Cyber Business Interruption' into a Google search returns 1,330,000 results in a mere .45 seconds. Cyber losses have occurred at: Equifax, Target, InterContinental Hotel Group, Arby's, Dun & Bradstreet, Saks, Chipotle, Gmail, Kmart, University of Oklahoma, Washington State University, BCBS/Anthem, Verizon, Deloitte, Whole Foods, Yahoo, Uber, eBay and many others.

While companies have had decades, and in some cases centuries, to work out the risks of fire, natural catastrophes and physical theft, cybercrime is relatively new, with more sophisticated schemes being developed every day. Forrester Research Inc., surveyed 4,103 organizations of varying size in the private and public sectors across five countries: the U.K., U.S., Germany, The Netherlands and Spain. Of the organizations surveyed, 45% were hit by at least one cyber-attack in the past year and two-thirds of those targeted suffered two or more attacks.

"Cyber risk has become a boardroom issue over the past years, following some high-profile hacker attacks," Paul Bantick, Head of Cyber Insurance at Beazley, said in an interview. "We haven't seen the big breaches at the retailers such as in 2015 or the large health-care breaches

that occurred in 2016. Yet, there's still a high frequency of smaller losses." One industry executive noted, "We are optimistic that it can develop into the industry's next blockbuster. Cyber insurance is our key growth area at the moment."

Although cyber business interruption still represents a small segment of the insurance industry, the number of policies being written is increasing, and cyber claims will continue to become more frequent and complex. Cyber policies are still evolving and each carrier's wording and definitions are different. Engaging a forensic accountant with experience working with these types of losses can ensure the specific wording is applied properly to the complex accounting issues that can rise on these claims.

Technology is evolving daily and how we choose to adapt, accept and apply those technologies in our personal lives and workplaces will dictate who changes and improves over time. There are still those who prefer an old school approach with a hard copy backup, but the insurance industry is clearly evolving through new technologies like Lemonade, drones, artificial intelligence and chatbots. Stay tuned for the next wave of advancements!

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