



Insurance game-changer: Rewards for private data

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Would you let your life insurance company track your every move if it meant receiving a discount on your policy? One major U.S. insurer is betting you will.

In what could be a potential game-changer for the insurance industry, John Hancock, a division of ManuLife, is offering discounts and rewards to any consumer who agrees wear a Fitbit fitness monitor.

Essentially, the healthier you become, the more you save on premiums and greater reward points accumulated at partners including Amazon, Hyatt, and Whole Foods.

Of course, the trade-off is the life insurer now has the ability to track your every movement via fitness monitor.

Giving Out Private Data for Discount in Insurance

On Wednesday John Hancock told CNBC's "Power Lunch" their customers' private data is secure.

"Our policyholders' personal information is treated confidentially. Life insurance companies have a long history of receiving and safeguarding personal information. Our customer research tells us that people are willing to share limited and relevant personal information if they feel they are getting good value in return."

Alex Tabarrok, economics professor at George Mason University, doesn't think rewards for private data is such a bad trade-off. "This is the wave of the future. While privacy is one of the major concerns, the passing of many information asymmetries will lead easier trade, higher productivity, and better matches of people to jobs and to each other."

Julia Horwitz, consumer counsel at the Electronic Privacy Information Center, calls John Hancock's move a dangerous precedent. "This grab for private information with monetized offers is taking advantage of unwitting consumer, she said. "It is nothing short of selection bias and a bribe to perhaps those in less fortunate circumstances."

incentives among life insurers is not a new concept. For instance, auto insurance giant Progressive offers customers an dashboard tracking device called Snapshot, to monitor driving behavior. Those deemed "good" drivers receive discounts on their premiums, while aggressive, "bad" drivers face rate hikes.

Driving OK with insurers monitoring them

In the end, Tabarrok thinks the world of ubiquitous information is here to stay. "I'm not so worried about what an insurer collects from me. If you think about it, they just want me to get off the couch, hit the gym, get in shape, and get free stuff. So it's a win-win for me."