How preventive insurance services in the metaverse will emerge as the next big thing

On average, an American adult spends 10.5 hours in front of a screen every day. This explains why, according to CITI, 1 billion people by 2030 will wear virtual reality (VR) glasses daily. In fact, global consulting company McKinsey estimates that the transactional value in the metaverse will by 2030 be $ 5 trillion – equivalent to the third-largest GDP in the world.

Consumers will soon begin working, playing, socializing, purchasing, dating, and sharing religious beliefs in the metaverse – and this fundamental change in behavior will require insurance companies to completely rethink their product portfolios to continue to offer relevant and valuable services. Let's investigate how virtual worlds will influence the insurance industry by taking up an example.

Jill, who is 25 years of age, recently experienced a horrific fire that killed her entire family. They lived on the 11th floor in a large apartment complex, making it impossible to survive unless one knew the exact location of the emergency exits. Jill was the only family member who had learned the necessary evacuation procedures to safely exit the building in the event of a fire. But one thing know about this terrible story is this: it never actually happened. Jill participated in a simulation that her insurance company created to test whether she knew the mandatory procedures to follow in the case of a life-threatening event. Her ability to safely leave her building and comply with appropriate policies was designed to assess whether she was eligible for a reduction in her insurance premium.

This new interface between corporations and consumers in the metaverse is surging, and a PricewaterhouseCoopers study has just revealed that 58% of consumers already want to interact with healthcare providers in the metaverse[1]. The benefits are many, and soon insurance companies will be able to extract an unprecedented amount of human consumption data as mass adoption of augmented reality (AR) and VR glasses takes off. Through eye tracking and recordings of facial expressions, companies can understand how individuals respond to and are influenced by different mediums. The data can be used to simulate risks that emerge from certain consumption patterns, as insurance companies can replicate consumer behavior and compare it with behavior of thousands of peer customers who behave similarly, thereby modeling how a person will act in certain situations. While the art of predictive modeling has been around for some time, preventive insurance is a new practice in a very nascent stage.

Let's explore an example. In the future, VR devices will be leveraged to enhance patients' breathing, which could help reduce their insurance premiums. As a patient toggles on a VR headset and begins to breathe, a virtual tree will appear and either flourish with green leaves or wither with autumn leaves or broken branches, depending on whether the person is breathing correctly or not. This dynamic tree will help the patient to enhance their breathing while also reducing their insurance premium, as the risk of heart problems and infections in airways will presumably decrease. However, the negative consequences of the metaverse must also be considered because the high dopamine levels that people experience in virtual worlds might lead a significant proportion of the world's population to permanently migrate their lives into digital realms. This will entail significant increases in health-related challenges both psychologically (e.g., depression) and physically (e.g., diabetes). This is why it is instrumental to explore how insurance companies can create valuable and commercial successful services in the metaverse while operating on an ethical side of business.

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[1] https://www.pwc.com/us/en/tech-effect/emerging-tech/metaverse-survey.html

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