

AUGMENTED AND VIRTUAL REALITY: POTENTIAL USE CASES FOR INSURERS

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Summary

Augmented Reality (AR) and Virtual Reality (VR) are among many evolutionary technologies making inroads into conversations at all levels of technology leadership. These separate and distinct technologies may represent another channel through which insurance companies can serve digitally immersed stakeholders. They have potential real-world implications that span risk mitigation, improved efficiency and loss ratios, and enhanced customer experience. The effect of VR and AR on the insurance industry will be most impactful over time, and their potential to influence and enhance the customer experience is thought-provoking.

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INTRODUCTION

Augmented Reality vs. Virtual Reality

Augmented and virtual reality are often discussed in tandem, however, they are distinct technologies that represent two unique sets of possibilities. Augmented and virtual reality are both nascent technologies whose possibilities are still being explored, and their full potential is yet to be understood. Even so, these technologies have been around in one form or another for decades.

- **Augmented Reality (AR)** involves overlaying digital elements onto the physical world in real time. Among the most well-known recent examples is Pokémon GO, an AR, smartphone-based game that superimposes a digitized environment onto the physical world in which players can catch and battle Pokémon in real time. However, along with gaming, AR has found numerous applications in industries including the military, medical, travel, and advertising. While the foundational elements have been around for years, the phrase “augmented reality” was coined by Professor Tom Caudell in the early 90s while he was working as part of Boeing’s Computer Services’ Adaptive Neural Systems Research and Development project in Seattle.
- **Virtual Reality (VR)** is the *simulation* of a real-world setting in a computer or digital environment. The term “virtual reality” was coined by Jaron Lanier in 1987, who, three years prior, founded [VPL Research](#)—one of the pioneers of researching virtual reality and 3D graphics. VPL Research patents were later acquired by Sun Microsystems in 1999. This technology has already taken off in the education, training simulation, and gaming worlds, with companies like Google, Samsung, Oculus, and Microsoft offering headsets for virtual reality applications.

Why Insurance?

As insurers strive for digital nativity, AR and VR represent another channel through which companies can reach digitally immersed consumers. In an industry as risk-averse as insurance, AR has the potential to predict risks either before they happen or as they happen, and VR presents an opportunity to prepare for and model risk in an essentially zero-risk environment. Most applications and use cases for AR and VR are likely to be seen in property/casualty insurance, with more rare use cases in life and annuities.

AR and VR in the Long Term

Ultimately, AR is likely to be the technology with the most potential in insurance. By adding digital immersion to the real world in real time, AR has the potential to change how reality is experienced and perceived. Within insurance, augmentation of the real world has implications that span risk mitigation, improved efficiency and loss ratios, and enhanced customer interaction. VR simulates reality, but its results do not necessarily translate to an actual physical environment. It currently seems to have less potential in insurance than AR with the exception of training applications such as a claims adjuster training simulation. However, given that it has not yet fully evolved, this is not to say that there won’t be significant future applications of VR in the insurance marketplace.

Despite the potential for AR—and to a certain extent VR—the technology is still relatively immature even outside of the insurance industry. It will require preexisting, robust digital capabilities to successfully implement and take advantage of this technology.

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