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Reducing Risk With RFID

Last week, *RFID Journal* reported that "insurance company Hartford Financial Services Group—also known as The Hartford—is recommending that its customers employ Intelleflex's RFID system for tracking the conditions under which fresh produce is transported throughout the supply chain." The goal is to "improve visibility into the conditions of perishable-food shipments, thereby reducing spoilage and helping to lower the cost of insurance premiums" (see Hartford Encourages Its Food-Industry Clients to Deploy RFID Temperature Tags).

The Hartford has a financial incentive to promote the use of RFID. Hartford Ventures, a venture capital division of The Hartford, is focused on early- and expansion-stage opportunities strategically relevant to the insurance and wealth-management industries. It has partnered with Intelleflex to offer the solution, though Hartford Ventures has not invested in the RFID provider.

Still, I find it interesting that insurance companies are starting to catch on to the very salient fact that better information lowers risk, and lower risk should lower insurance premiums. In the case of food producers and sellers, using RFID to reduce the risk of spoiled products reaching consumers would enable them to qualify for discounts on their insurance or get policies they would otherwise not qualify for.

There are many other industries where RFID might reduce risk. The pharmaceutical industry is similar to the fresh produce industry in that some drugs need to be maintained at a certain temperatures. Selling drugs that have been exposed to higher or lower temperatures in the supply chain could lead to lawsuits. RFID technology could prevent that and also prevent losses associated with spoilage in the supply chain. If shipments are insured, RFID could reduce insurance costs.

The technology could also reduce risk by monitoring assets and parts. A few years ago, BP tested RFID-based sensors on motors within large oil tankers. Instead of having inspectors check the level of vibrations periodically, sensors could do so continuously and reveal when ball bearings or other parts within the motor might need repair. By having the data in real time, maintenance managers could replace parts before they failed and caused a bigger problem.

The airline industry has had issues with counterfeit parts being used on plane. By attaching secure RFID tags to parts, airlines could verify that only genuine parts are being used, thereby reducing the risk of a fatal accident.

And RFID could help reduce the risk of theft by monitoring items in real time—from luxury cars on dealership lots (see RFID Halts Theft at Toronto Car Dealership) to precious objects (see RFID and the Arts) and copper electrical wires (see RFID Prevents Copper Theft).

No doubt, as RFID technology becomes more pervasive, its role in reducing risk will increase. But for now, it's nice to see a forward-thinking company like The Hartford promoting the use of RFID for the purpose of reducing risk and insurance costs.

Mark Roberti is the founder and editor of RFID Journal. *If you would like to comment on this article, click on the link below. To read more of Mark's opinions, visit the RFID Journal Blog, the Editor's Note archive or RFID Connect.*

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