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Industry Insights

Making the most of the new digital health risk environment

Carl Oliver • July 27, 2021

Before COVID-19 there was a burgeoning UK market for digital health products and services via tech-enabled health and wellness businesses. With demand now super-charged, the surge of digital health start-ups coming to market is likely to accelerate further. Carl Oliver, SME cyber underwriter at Beazley, explains how these innovators face a new set of interconnected and unfamiliar risks – an understanding of which will be essential if these businesses are to attract investment and operate safely and securely.

WHAT ARE DIGITAL HEALTH START-UPS?

The majority (84%) 1 of organisations operating in the UK digital health industry are small companies employing less than 50 people. The range of business models and services is wide, including:

- App developers or product manufacturers supporting detection or management of disease – for example, blood sugar monitoring services for diabetics, or skin scanners for dermatologists.
- Digital monitoring specialists providing support for care homes or domestic settings.
- AI-led platforms offering IT tools, analytics, portals and software for use by medical professionals, lifestyle coaches and others. Producers of wearable devices to support lifestyle choices, for example around diet, exercise or sleep.
- Counsellors, health and wellness coaches providing their services remotely.
  GPs, therapists and pharmacists offering mobile or digital consultations and monitoring services for private patients in the UK or overseas.

Many of these businesses are new – and not all will make it. Some have obtained seed funding; others are established businesses working their way through later funding rounds. Smart businesses will have realised that they need to consider their risk exposures to protect their

business, which insurance can help with. The trouble is the exposures they face are complex and so they may not realise what sort of insurance cover they need.

WHAT ARE THE RISKS THEY FACE?

Digital health services and products create a specific set of risks that traditionally have not always been linked together – cyber, tech and reputation, data breach and product liability, and medical malpractice (med mal) and media liability, as well as professional indemnity. This combination of risks reflects the reality of the digital health sector.

We know tech businesses typically understand cyber and data breach liabilities and product liability, but they are perhaps less aware of the med mal, professional indemnity and bodily injury risks they may face, for example.

In an era where social inflation is rampant and group legal claims are increasing, a lack of knowledge about the full risk environment and associated reputation risk is both an opportunity and a threat for tech and cyber brokers.

WHAT'S THE 'FRANKENSTEIN' ISSUE BROKERS ARE GRAPPLING WITH?

The insurance industry response to this burgeoning new sector has been varied, which means that in a market prone to siloed specialist underwriting, brokers are having to work hard to join up the dots to avoid there being gaps in cover. In the US, the practice of shoe-horning various separate covers together to meet new and unique market needs has been described as 'Frankensteining'.

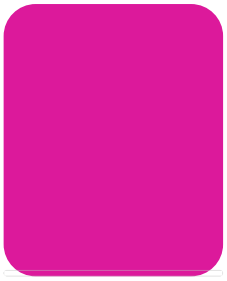
We all know how that story ended.

WHAT'S THE SOLUTION?

We decided to tear up the established rule book and create a bespoke, modular and seamless coverage package, 'Virtual Care', designed specifically to provide comprehensive cover for the wide array of risks that digital health firms face. By creating a modular approach, insureds – guided by their broker – can pick and choose the coverages that they need now, and add other covers as their business or service or product range develops, comforted that there are no hidden gaps in the coverage.

We firmly believe this digital health sector offers a huge opportunity. Being able to demonstrate risk awareness and good mitigation strategies is likely to help new businesses along the road to success, and to exemplify the qualities that are likely to attract investment and allow them to operate safely and securely.

To find out more about our integrated Virtual Care product offering, which is underpinned by a dedicated claims team please click here.



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Sources:

1 ABHI HealthTech for Life, (2020)

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