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Industry Insights

# Telemedicine’s rapid expansion is a challenge for insurers

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## INTERVIEW WITH EVAN SMITH, GLOBAL HEAD OF MISCELLANEOUS MEDICAL AND LIFE SCIENCES AT BEAZLEY, BY RASAAD JAMIE FOR INSURANCE DAY, FIRST PUBLISHED ON 11 FEBRUARY 2021:

## TELEMEDICINE’S RAPID EXPANSION IS A CHALLENGE FOR INSURERS

In 2006, when Beazley started underwriting its miscellaneous medical risk book of business in response to the emerging demand for insurance cover by operators of blood and human tissue banks, there was no real market because these risks fell somewhere between medical professional and medical products liability which were, and to a large degree still are, two very separate insurance markets.

It took a while to learn how to shape the coverage to fit the risk by combining and customising existing products, according to Evan Smith, global head of miscellaneous medical and life sciences at Beazley. But, since then, the portfolio has grown steadily to include other similarly ‘homeless’ healthcare risks such as those associated with nurse staffing and home healthcare services, drug and alcohol abuse clinics, ground and air ambulance services, eye and cosmetic surgery clinics and health spas. “There was a real need for products to fit these very special risks with their unique requirements, exposures and coverages,” Smith says.

In 2009, Beazley wrote one of the very first telemedicine risks, according to Smith. It was a cross border risk, between Canada and the US. Not all, but a great deal of the care was provided remotely, and the medical records were maintained electronically. “The insured, who had made a significant investment in technology to support the business, wanted cover in the event that the technology failed,” he adds.

The prospects for telemedicine cover pre-Covid were always promising but nobody, Smith says, anticipated the surge in growth of the

miscellaneous medical portfolio as the pandemic forced the healthcare and wellness sectors to turn to technology and remote service provision. This includes the exponential rise in the use of telehealth to gain access to care at a time when the pandemic severely restricted patients' ability to see their doctors in person.

In particular, the pandemic triggered a demand for Beazley's standalone telemedicine product, Virtual Care, a version of which was first launched in the US in 2017, and in the UK in 2019. "By testing the cover in the marketplace for years, we learnt what buyers needed," Smith says.

The experience of constructing the cover, for which there was no precedent, was highly instructive for Beazley, the biggest writer of specialist healthcare liability (including telemedicine risks), in the London market. "We pretty much bolted together a medical malpractice policy with a technology, media and telecommunication policy. It was a little cumbersome, a lot of clipping and stapling of wordings - but the client loved it and we were able to replicate the cover for other clients. It is amazing that we have gotten from a point of clipping and stapling policies together in order to meet a need to where we are now," Smith says.

## EXPOSURE

But although they have been highly encouraged by the exponential growth of the market over the last year, specialist medical liability carriers such as Beazley are only too aware of the potential exposures, the nature and scope of which are at present far from clear for underwriters who are concerned about a claims lag, as well as loss aggregation, as a result of Covid.

While a great deal of the risks insured in the miscellaneous healthcare and life sciences sectors during pandemic were associated with technology and remote service provision, the exposure for a carrier such as Beazley is broader than that, according to Smith. This is particularly the case with the new entities that came into the miscellaneous medical and life sciences insurance market for cover and, as a consequence, transformed the risk landscape, he says.

This includes extending existing covers to accommodate the requirements of personal protection equipment (PPE) manufacturers and distributors, field hospitals and pandemic testing centres which, depending on where the Covid hotspots were at any given time, were moving from site to site rather staying fixed in one location, thereby transforming the nature of the risk.

In addition, risks associated with oxygen ventilator manufacturers, which Beazley had not previously looked to write, started coming in as motor manufacturers in the US, including General Motors, adapted their production processes to make ventilators to treat Covid patients. "We really had to think hard about the nature and the quality of the risk. What is life expectancy of the business? Is it a sustainable risk? Will that company carry on making ventilators into the future? What limits did they want?" he says.

Smith and his team continue to think hard about how to insure and best mitigate the exposures represented by the transformation of the

risk landscape, “in part, because they are new risks, but also because the risks in our existing book of business have changed over the last year,” he says. “For example, many dialysis clinics in the US have now become centres for vaccination. So, a risk that we have written for 10 years as a dialysis clinic, is now storing and injecting vaccines into patients. This also involves the facilities having to hire and vet new staff with the relevant expertise.”

Indeed, during the pandemic, the nature of the risk changed even for existing telemedicine clients where the bulk of the risk was typically covered under a products liability policy form. “They were still creating the products, but they needed to make changes to websites and their online presence because they were now providing more advice, exposing themselves to professional indemnity risks, so what was really the same risk has now transformed to a different risk: the same online store, the same product but a whole new risk profile,” Smith says.

## EXPANSION

Demand for cover continues to rise, particularly in the UK and Canada, where healthcare professionals are typically insured through discretionary indemnity schemes such as the Medical Defence Union in the UK and the Canadian Medical Protective Association in Canada, which tend to provide more limited telemedicine coverage to members. “This opens up an opportunity for us, but also because of the extent to which telemedicine providers deliver services across borders. You have UK providers delivering services into France or German doctors providing services into Italy – when you start crossing boundaries like that you need a specialised healthcare insurance product,” Smith says.

Over the past year, Beazley’s Virtual Care offering has been further developed, including the addition of an online broker portal in October. It now provides medical malpractice and professional indemnity cover as standard, with a range of policy extensions that includes cover for products liability, including technology products liability, public liability, technology errors and omissions and media liability risks, as well as cyber cover and, in most jurisdictions, breach response services.

According to Smith, Beazley writes the three largest telemedicine risks in the world for US based organisations that provide behavioural health, dermatology, lifestyle management, pharmaceutical prescription and other related services and operate entirely online.

In addition to its presence in the US and the UK – the two biggest telemedicine insurance markets in the world, which respectively grew 53% and 63% in 2020, Beazley also provides a telemedicine offering in Spain, Singapore, Hong Kong, Malaysia, Colombia and Chile.

Having significantly exceeded the targets set for the miscellaneous medical and life sciences portfolio last year, Smith anticipates equally strong growth in 2021. Beazley’s Virtual Care product is set to launch in Italy and France by April and in Israel and Australia a bit later in the year. Mexico and Peru are also under consideration.

## PHYSICAL INTERVENTION

Along with the increase in demand for telemedicine cover, however, come fresh challenges. After a year of lockdown, the telemedicine service providers and their insurers are now grappling with the issue of

exactly when people should seek the physical care they urgently need.

“Patients of all ages will at some point need to see a physician. Patients are doing their own bloodwork, they are taking their own pulse measurements but the question of the standard of care is now coming under the spotlight, so what is the appropriate amount of time for a patient to be remotely monitored between actual physical visits?” Smith says.

On the face of it, this is not much of an issue for telehealth providers and their insurers because telehealth typically tends not to be involved in hospital based, acute care delivery. But, as with much else, the pandemic is in the process of changing that too. The management of some chronic diseases such as diabetes is increasingly being done remotely, typically through outpatient facilities that are insured by carriers such as Beazley. “As an insurer, we are now starting to test those boundaries. This is something we never knew we would do,” Smith says.

The big challenge right now for telemedicine (or any other form of remote delivery of care), if there is an acute event, is how do you intervene? “From a chronic disease and an acute event management standpoint, this inability to intervene creates higher risks, so, in the correctional or mental health space, somebody may commit suicide who's receiving behavioural healthcare remotely and there is nobody there to prevent it. So there are trade-offs with telemedicine. More people get better care, but the ability to intervene and stop an acute event is an issue, particularly for insurers,” Smith says.

To navigate this complex emerging risk environment, Beazley’s strategy is to intensify its global focus, but to develop products that cater to local requirements and are compliant with local regulations.

For Smith, the central issue is making sure Beazley’s distribution networks is rooted in the local culture, with access to local expertise. “To have somebody in the market, with the right product in the local language, supported by people that know how to educate on those products. The ability to speak to people in a way that is consistent with the local culture means we have a very believable and credible offering, but also better insight into that particular risk environment,” Smith says.

The main focus for Beazley at the moment is the training and the education of its underwriters and local broker networks. “We believe we do best when we work locally, source talent locally, and provide local support to our brokers and insureds, and to not to try to do it all from London, Toronto or Chicago,” Smith says.

“In any market, our aim is to have a mature, familiar organisation on the ground. We must have good roots in a jurisdiction to be successful there. The ability to flex from market to market is important. If you take a one-size-fits-all approach with this product, it won’t work.”

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