Evolution of a Telehealth Risk

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In recent years, the telehealth space has grown significantly, including countless new entrants into the market. These businesses can run the gamut in size. As a virtual care insurer, we see insured go from the pre-revenue phase, through IPO, and eventually to billion-dollar revenues. As these companies grow, their risk profile may shift and their insurance coverage needs may change. Coverages should be adjusted as needed to better fit their requirements throughout the business lifecycle.

The relationship often begins with a first-time buyer.

Many startups and other first-time buyers don't have a Risk Manager on staff; in fact, the owner/operator is often handling all day-to-day operations at this stage. These insureds may be seeking coverage to meet minimum licensing or contract requirements, but they're not always thinking about the wide spectrum of exposures that may exist for their business. They may rely primarily on an insurance agent or broker to help them identify needs, exposures, and best placement for their business. For the most part, insurance can be "lower touch" with these buyers than with larger businesses. They usually want a policy that checks all the boxes and does not require much, if any, specifically tailored coverage.

There are still a few important touch points even for these "lower touch" accounts. Optimism and the drive to do more can be hallmarks of startup companies. They have great plans and ideas for the future, but it can take years for these plans to materialize, if ever. Underwriters, meanwhile, are mostly focused on what's happening in the current year. It's helpful to understand an insured's future plans, but carriers are insuring the current operations, and that often means helping insureds to find the balance between realism and optimism to ensure that the application is properly completed. Projecting exposures can be a challenge at these early stages, and many startups are accustomed to speaking to investors about future numbers, but from an insurance perspective, we look for numbers that reflect what's happening today.

Education is also a key need at this stage. Telehealth newcomers have diverse business backgrounds, and though each may understand their own traditional coverage needs, they might not identify or fully understand the breadth of their exposure. A medical provider, for example, may understand needing medical professional liability and general liability, but they're not always thinking about tech and cyber exposures. Conversely, tech startups get that they need full cyber protection, but they don't always recognize their medical and bodily injury liability. Appreciating where the exposure lies and not neglecting either side can be tricky for newcomers to this space, and these clients often need assistance with developing a more sophisticated understanding of the risk landscape.

As the business grows, there become opportunities to reassess needs.

Virtual care, telemedicine, and medical technology are seeing not only vast organic growth, but also a highly active M&A market. Most insureds show slow and steady growth and have fairly static risk exposures for a few years. Some may fizzle out or never actually "go live," while others may take off much faster than expected and have tremendous early success. Regardless of the speed of the trajectory, as businesses keep growing and their services expand, soon enough they need a policy with the capacity and flexibility to meet their current and future coverage needs. At this stage, the insured is often becoming a higher touch client, given the need to make midterm adjustments and additions to their policy.

A request for a midterm contract for higher limits or endorsements is very common, and it's at this point that clients may be referred to middle market underwriter teams or have to seek coverage elsewhere entirely. As they mature and take on more business, required coverage minimums can vary and it's important to understand exactly what is needed to meet the requirements. Are increased limits needed on all lines or just Professional Liability or Cyber? Do Cyber limits apply to first-party or third-party indemnity only? As underwriters ask these questions, they also look to understand any expanded services, as this is an inflection point where smaller operations could make changes – offering more physician-heavy care (cardiology/neuro/radiology), shifting to a more pediatric-focused approach, or providing higher acuity remote patient monitoring.

Eventually, many accounts grow to Middle-Market size.

When needs get more complex, underwriters begin working with the insured to develop a more bespoke policy that's tailor-made for their needs. But though there's much more picking and choosing of how the coverage is placed at this point, staying with the same carrier offers an advantage in that everything else is still the same. Here at Beazley, the client remains on the same policy form, and coverages roll over just like any other renewal. They are simply assigned to a new underwriter.

At this stage, companies typically have more in-house risk management support or understanding, and their business is more mature, so their exposures and operations are a bit more clear and often more stable. They often want more of a relationship with the broker, carriers, underwriters, and claims management teams.

The personalized nature of these "higher touch" clients means that things look very different for each account at this stage. Insureds may choose to structure coverage differently by breaking out certain lines individually or taking on more retention. More manuscript language may be called for to cater coverage to a specific insured, including creative amendments to exclusions, retentions, and limits. They still could opt to add services. There may be more midterm changes such as Additional Insured requests, updates to schedules, locations, etc. And generally, these accounts require more communication throughout the term and require more robust renewal.

A single source of coverage across the company lifecycle, with support that grows as the business does.

When startup telehealth clients first seek insurance policies, they generally aren't thinking about what their coverage needs might be years down the road; they're simply looking to get over the hurdle of an initial insurance need. But even if they're not looking that far ahead, their carrier partner should be. At Beazley, we have the infrastructure in place to service Virtual Care clients from pre-revenue phase through even the largest publicly traded companies, using the same policy form and coverages throughout their ascent. At whatever pace and to whatever level our insureds build their businesses, we've got them covered.

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