Industry Insights

Evolution of a Canadian Telehealth Risk

Derek Dow • December 22, 2022

Telehealth and digital healthcare has existed in Canada for some time, starting out life as simple phone consultations, but in recent years, the Canadian and global telehealth space has grown significantly, with countless new entrants into the market. These businesses can vary enormously in both size and requirements.

As a digital health insurer, we see insureds 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 will in turn 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.

For many startups and first-time buyers, the owner/operator handles all day-to-day operations initially. These insureds may be seeking coverage to meet minimum licensing or contract requirements, but they are 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 the best insurance 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 accounts though. 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 is happening in the current year. It is 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, and they have the coverage they need. 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 is happening today and likely to materialize throughout the policy term.

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 are not always thinking about tech and cyber liability. Conversely, tech startups might understand that they need full cyber protection, but they do not always recognize their medical and bodily injury exposure. Appreciating where the exposure lies and not neglecting either side can be tricky for newcomers to this space, so these clients often need assistance with developing a more sophisticated understanding of the risk landscape.

For practitioners, compliance is also a balancing act from the outset.

The Canadian Medical Protective Association (CMPA) provides primary insurance for doctors in Canada, and they will assist telehealth providers with matters related to virtual care. However, each province has its own college of physicians that regulates doctors, and each took a different stance at the start of the COVID-19 pandemic as to who could be treated. This lack of regulatory coordination is now creating challenges for telehealth services, as insureds need to ensure appropriately licensed physicians are in place to treat patients in the provinces and territories served. There are also the added challenges of Canadian physicians practicing while physically outside of Canada, as well as the treating of non-Canadian patients.

As the business grows, opportunities emerge to reassess needs.

Most digital health, telemedicine, and medical technology insureds show slow and steady growth and have had 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, an insured is likely to become a higher touch client if their operations expand, which creates 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 is at this point that clients may have to seek coverage elsewhere entirely. As they mature and take on more business, required coverage minimums can vary and it is important to understand exactly what is needed to meet the requirements. Are increased limits needed on all lines or just Professional Liability and Cyber? As underwriters ask these questions, they also look to learn more about any expanded services, as this is an inflection point where smaller operations could make changes – offering more physicianheavy care (cardiology/neuro/radiology), shifting to a more pediatric-focused approach, or providing higher acuity remote patient monitoring.

When needs become more complex, underwriters begin working with the insured to develop a more bespoke policy that is tailor-made for the insured’s needs. At this stage, companies typically have more in-house risk management support or understanding as their business has matured, so their exposures and operations are a bit more clear and often more stable. They often want more of a relationship with the broker, 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 more robust renewal discussion.

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

When early-stage telehealth clients first seek insurance policies, they generally are not thinking about what their coverage needs might be years down the road; they are simply looking to get over the hurdle of an initial insurance need. But even if they are not looking that far ahead, their carrier partner should be. At Beazley, we have the infrastructure in place to service digital health and wellness 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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