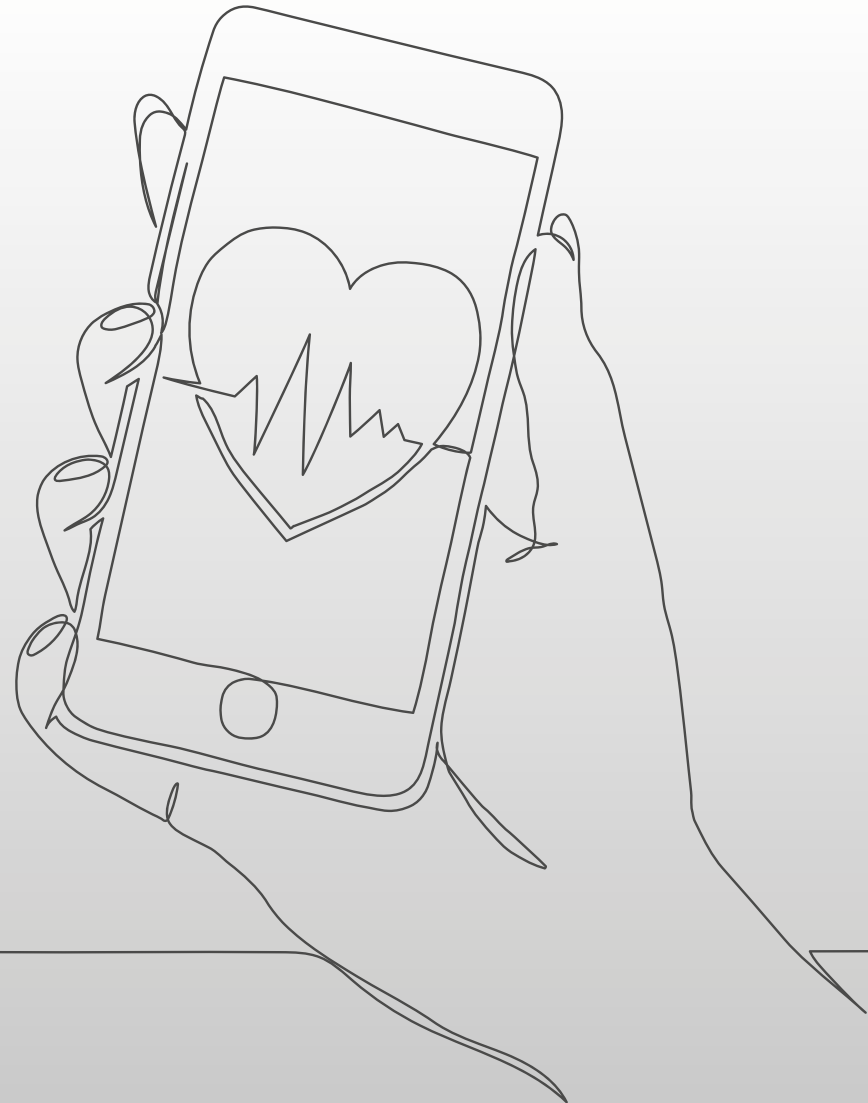


Spotlight on: Digital health and wellness

Industry attitudes to risk and insurance
in Asia, Europe and North America



beazley

SPOTLIGHT ON DIGITAL HEALTH

Contents

Executive summary

The global pandemic has forced governments around the world to balance looking after the economy with maintaining public health. It has driven significant change in society that is likely to outlast this health crisis, and nowhere more than in healthcare.

Amid heightened health risk and social distancing, consumers have become far more receptive to digital health and wellness offerings, while public policy is changing to accommodate new modes of healthcare delivery.

Against this backdrop, every aspect of digital health and wellness services, including telehealth, telemedicine, mHealth, health software platforms and technology and life science technology, has grown exponentially – fueled by a solid track record of innovation, a wave of fresh capital, international expansion plans and demand.

The potential for the digital health and wellness sector at this time is considerable, yet so are the risks it faces. Among businesses in this sector:

- **Over two thirds lack insurance coverage for medical malpractice due to remote care provision, data breach, or cyber hack resulting in bodily injury**

- **70% have only one or two of the key insurance coverages they need**
- **On average one third struggle to get the right coverage, to understand the risks they face or to understand their insurance policies.**

These findings, taken from a global survey of 376 digital health and wellness practitioners conducted on behalf of Beazley, demonstrate there are barriers to the sector's growth. They also suggest the trajectory for the industry may not be as rapid as stakeholders, including business leaders, consumers, governments and investors, require.

But while health and wellness providers recognize they need better leadership if they are to shape their future more effectively, our findings also demonstrate that the insurance industry has a significant job to do.

Specifically, our industry needs to improve communication, knowledge transfer and collaboration in order to deliver more appropriate cover, more effectively, to meet fast-changing customer needs. As insurers handle more claims and get more familiar with what can really go wrong for this sector, this experience needs to be used to better inform and support our clients on risk management and risk mitigation needs.

Five key takeaways for the insurance industry:

1. There is high optimism with nine in 10 businesses expecting to grow this year
2. There is also a perception among 89% that the level of risk they face is relatively high
3. Over two thirds lack insurance coverage against bodily injury claims as a result of a cyber hack
4. More support is needed – a third want more education on the risks they need covered
5. Simpler is better – 30% of digital health leaders require clearer policy language from insurers.

The scale of the opportunity for digital health businesses and the insurance industry is unprecedented, and the time to act is now.

Beazley partners with the digital health and wellness industry around the world. By providing the risk mitigation and risk transfer needed to strengthen businesses and facilitate capital raising, we can help the digital health industry to mature and deliver solutions that will play a key role in enabling future economic growth.

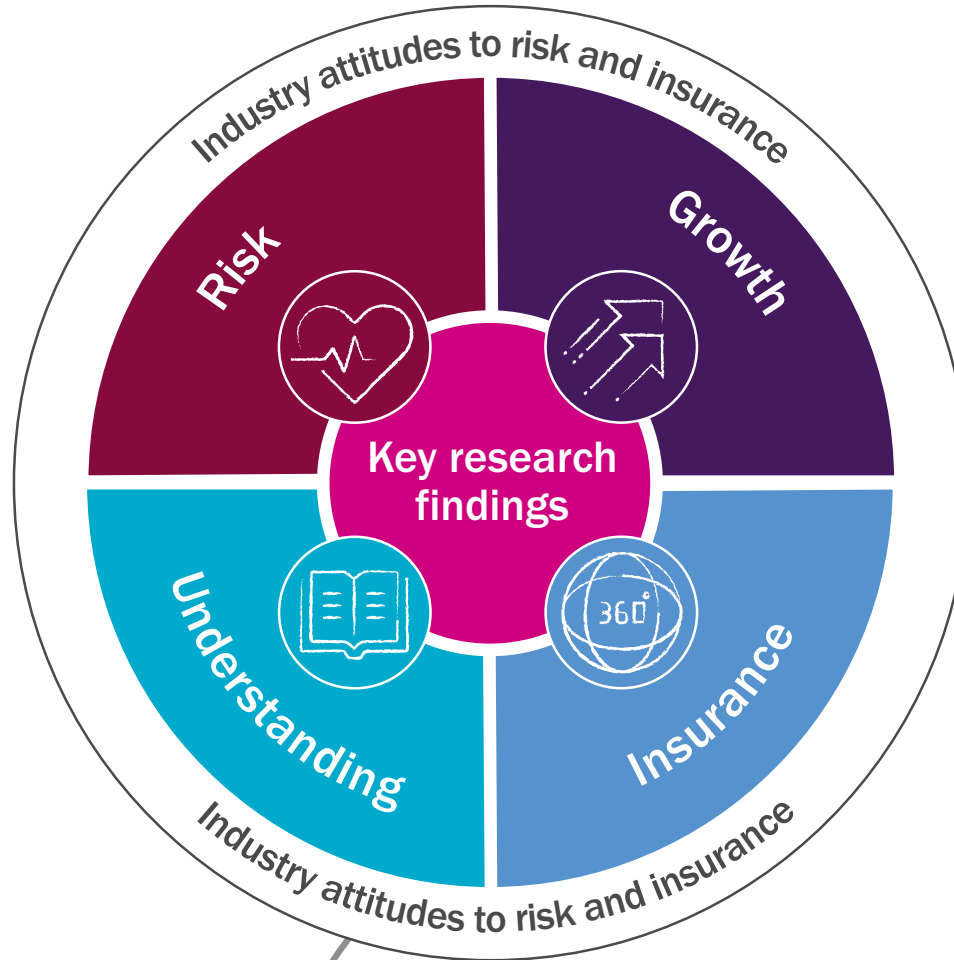


Jennifer Schoenthal
Global Product Leader, Virtual Care

Digital health and wellness

- 89% of businesses operate in a moderate to high risk environment
- 85% say they are confident they know what insurance coverage they need
- But 70% have coverage for just one or two key risks
- Top 2 risks overall:
 - Client complaints due to misrepresentation
 - Cyber attack or system failure.

- 33% of leaders don't know what types of risk they need coverage for
- 30% struggle to read and understand insurance policies
- 36% find it hard to find coverage that is right for their specialist business
- 24% want to establish more robust risk management and insurance frameworks.

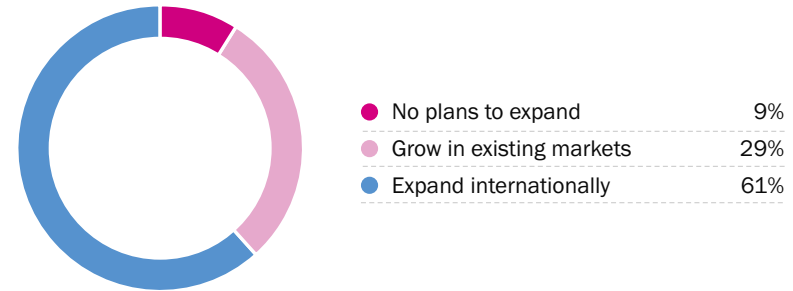


- 90% of businesses plan growth in 2021
- 33% are innovating new services and products
- 62% are raising capital
- 58% are experiencing growth due to COVID-19.

- Lack of coverage for existential risks is striking
- 68% of businesses have no coverage for loss of personal medical data
- 68% have no coverage for system failure or hack resulting in bodily injury
- 67% have no coverage for medical malpractice due to remote care provision.

What does the digital health and wellness industry need to sustain rapid growth?

90% of digital health and wellness companies planning growth



The global digital health and wellness sector is at a point of inflection. The public is receptive. Health systems are keener than ever to harness the cost and efficiency gains it promises; new and incumbent market players are eager to make the most of the opportunities.

But fresh capital, new technology and robust risk management are essential if the sector is to meet its potential.

Growth expectations are significant

Some 90% of digital health and wellness firms expect to grow this year and 58% say they have experienced an increase in demand directly due to COVID-19 and its impact on consumer behaviour, according to our research.

Against this backdrop, the US experienced a 50-175 times increase in the number of telehealth visits¹ during 2020 and in the UK only one in 10 patients saw a doctor face to face.² Visits to Singapore's MyDoc digital health platform rose more than 160% in the first quarter of 2020 alone.³

Not only are more established telehealth organizations much busier, but a proliferation of mHealth apps, fitness trackers, telehealth systems and wearable devices has boosted the broader health and wellness sector.

Unsurprisingly, such growth is also drawing in many new players – with engineering businesses exploring options for medical ventilators,⁴ distilleries producing hand sanitizer and specialist medical centers repurposing as vaccination hubs, for example.

No wonder that an industry that in 2019 was estimated to be worth US\$106bn was projected to top US\$640bn in 2025,⁵ even before the arrival of COVID-19.

Ambition is global

In terms of geographic ambitions, our findings are very telling. Three-fifths (61%) of digital health and wellness businesses globally expect to expand internationally, and 29% in domestic markets in 2021.

Digital health firms in Spain were the most ambitious in terms of geographical expansion, where 79% favor international growth, followed by Canada (77%) and the UK (70%). Territories that are more focused on domestic markets include the US, where 41% plan overseas expansion and Asia (Hong Kong and Singapore) (40%).

90%
of digital health and wellness
businesses expect to expand in 2021.

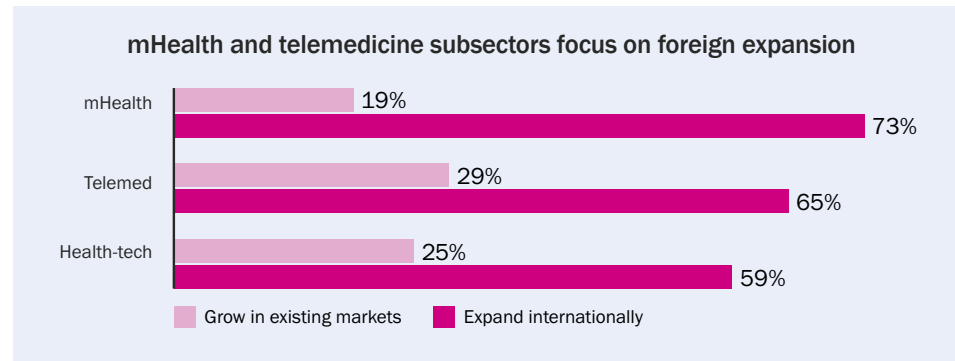
What does the digital health and wellness industry need to sustain rapid growth? *Continued*

73%

of mHealth firms have the strongest global expansion ambitions.

New sub-sectors leading the charge

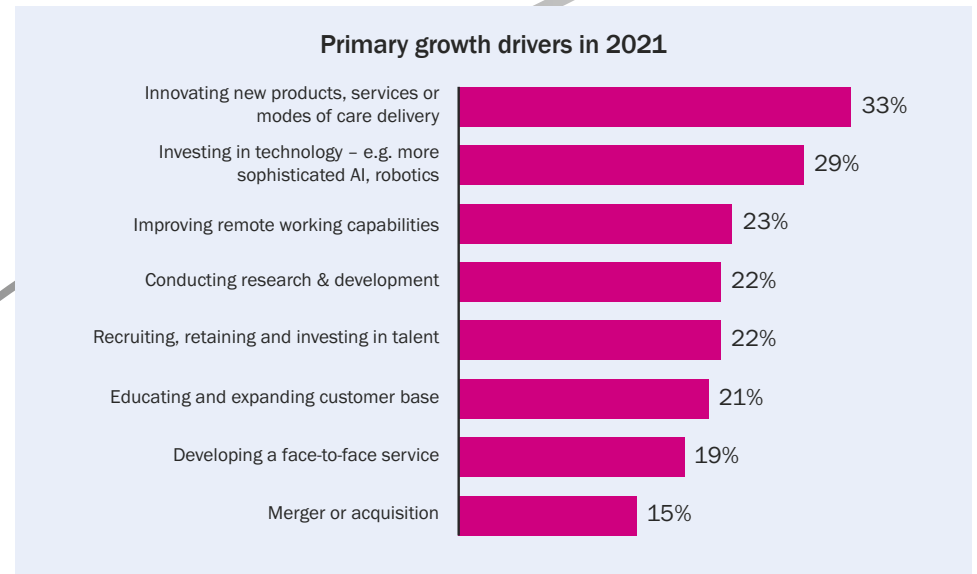
In terms of industry sub-sectors, companies operating within the comparatively new area of mHealth (73%) showed the strongest ambitions to expand globally, followed by telemedicine (65%) and health technology (59%) businesses.



What are your geographic growth plans in the next 12 months?

Technology is the enabler

With demand for digital health services off the scale, technology is the enabler expected to underpin much of this market growth in 2021.



What are your priorities for driving growth in the next 12 months?

What does the digital health and wellness industry need to sustain rapid growth? *Continued*

33%

of digital health and wellness business leaders cite innovation of products and services as their top priority for driving growth.

Innovation is key

One third of businesses cite innovation of products and services as their top priority for driving growth. Innovation can contribute to making care more efficient, optimizing systems, improving patient outcomes, reducing human error, and lowering costs through web and mobile interfaces.

Technology investments are also seen as a key growth driver by 29% of respondents.

AI-enabled medical devices, and blockchain electronic health records are just a few concrete examples of digital transformation in healthcare that are reshaping how we interact with health professionals, how personal data is shared among providers and how decisions are made about treatment plans and health outcomes.

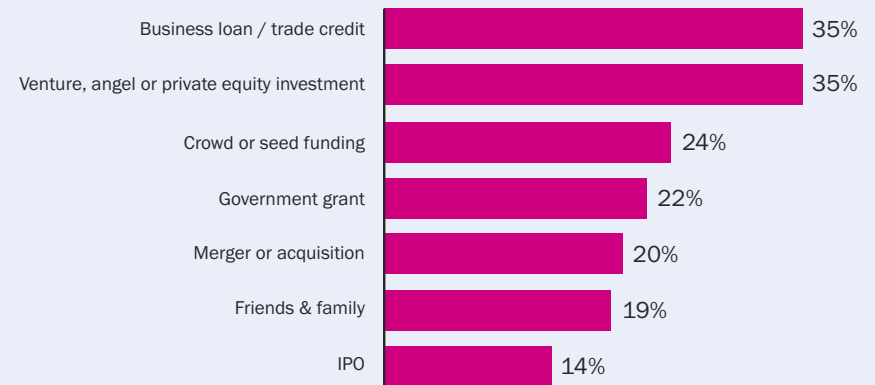
Capital injection is needed

Almost two thirds (62%) of the companies surveyed plan to raise capital in the next year, but regional variations are substantial. In the US, 89% have capital raising on their radar for 2021, compared to 70% of businesses in the UK and only 50% of businesses in Europe and Asia.

Globally, over one third of businesses plan to take out loans, request trade credit or approach private equity and other professional investors. Crowdfunding is also on the radar for a quarter of businesses, with mergers and acquisitions (M&A) an option for one fifth. Only 14% are considering a full IPO.

In terms of the types of business most likely to be raising cash – the research points clearly to established businesses that have been trading for at least three years within more established industry segments – particularly life science technology businesses.

Businesses have a range of plans to raise capital



What are the most likely sources of capital for your business?

What does the digital health and wellness industry need to sustain rapid growth? *Continued*



Businesses that need to raise cash to fund future growth plans will need to demonstrate they are well protected against a complex range of insurable risks.

Risk transfer is essential

The digital health and wellness industry meets many criteria that make it ripe for investment.⁶ It has grown extensively in recent years and outside investment has increased. Consequently, there has been a notable increase in venture capital firms, private equity houses and other investors targeting the digital health space.⁷

Companies with reasonable histories of financial performance, scalability and sustainability generally present the most attractive opportunities for investors, particularly as countries around the world look to reconfigure their health systems to include a higher proportion of digital health and wellness provision.

However, as competition for investment intensifies, businesses that need to raise cash to fund future growth plans will need to demonstrate they are well protected against a complex range of insurable risks that includes:

- medical malpractice
- regulatory risk
- products liability
- cyber and data protection
- technology errors and omissions (E&O)
- media liability
- bodily injury.

Risks are interconnected



What risks could derail digital health and wellness sector growth? *Continued*

31%

of established businesses rank cyber their top concern.

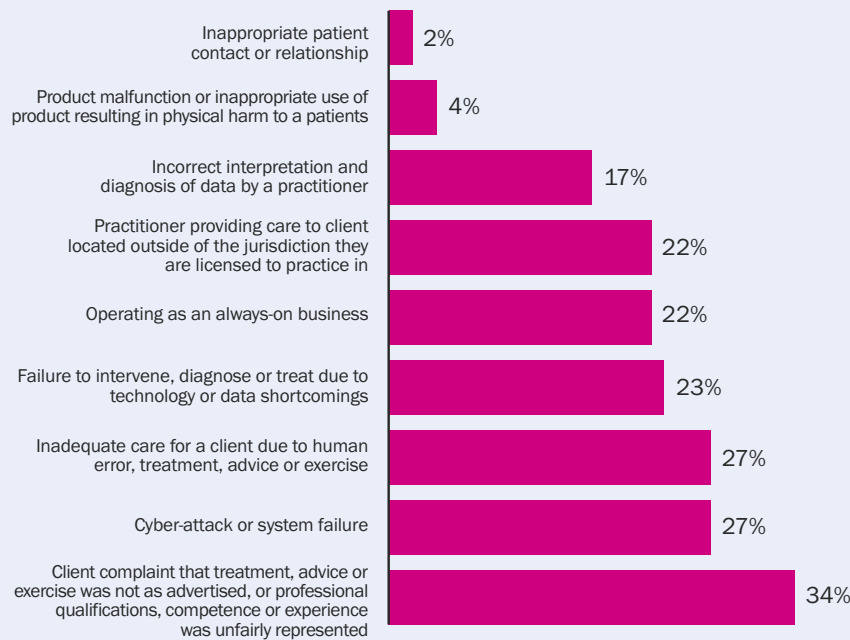
Our research shows that the perception of risk is running high in the digital health and wellness sector.

Fully 89% of respondents feel they are operating in a moderate to high-risk environment. They are concerned about both insurable and uninsurable risks, those that affect the sector as a whole and risks that are particular to their types of business.

Client complaints are the top digital health and wellness industry risk

In an industry based on digital offerings, it is telling that the sector risk that most concerns executives is that online advertising unfairly misrepresents the service they are offering or the competence of their practitioners.

Businesses worry about a wide range of risks particular to this sector



Which risks concern you most from an industry sector perspective?

Larger businesses worry more about cyber

Beyond the headline findings, there are some interesting nuances in the business risks that keep different executives awake at night.

- Established businesses trading for over three years are substantially more concerned about the threat of cyber attacks or system failures with 31% rating cyber as their number one risk compared with only 25% of start-up businesses.
- The top concern within life science technology businesses – the most established of the digital health sub-sectors – is inadequate client care due to human error, cited by 29% of business leaders.
- Well over a third (39%) of telemedicine, telehealth and health technology businesses were most concerned about media liability risk.
- Because the industry is not yet mature, the pattern of insurance claims in the digital health space is still emerging.

[Read more here about the types of claim Beazley handles](#)

What risks could derail digital health and wellness sector growth? *Continued*

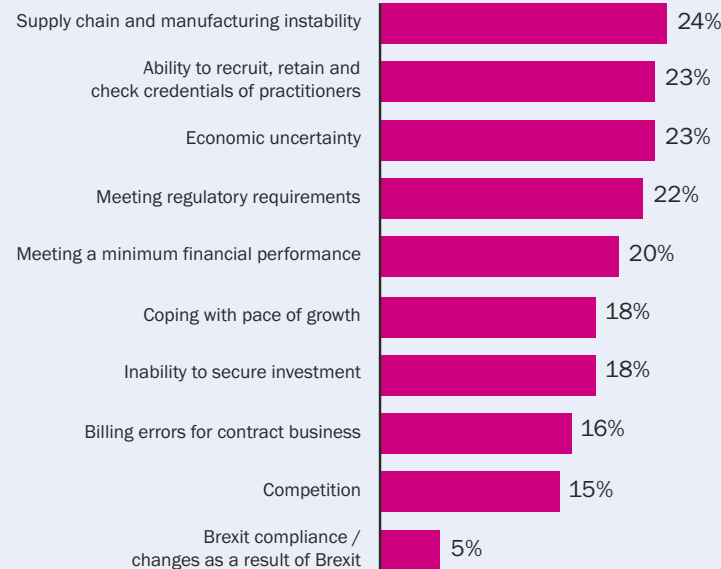
39%

of businesses in the telemedicine, telehealth and health technology sub-sectors rank media liability as their top concern.

Individual company risks cover a broad range

At the individual company level, business leaders are highly concerned about the stability of their company's manufacturing operations and the reliability of their supply chain. Even in a digital world, sub-sectors including life science technology, medical technology platforms and mHealth wearable devices have a fundamental reliance on technology and on physical production chains.

Supply chain and manufacturing instability are top company risks



Which risks concern you most from your individual business perspective?

Different regions, different risk focus

It is important to note, however, that there were significant regional variations in the business risk rankings.

- **Canada** is the territory most concerned by the risk of manufacturing and supply chain instability with 36% of business leaders identifying this as their top concern.
- **In the US**, businesses were more concerned about economic uncertainty and (in a more litigious society) the ability to recruit and check the credentials of practitioners. These risks were ranked joint highest by 28% of business leaders.
- **In the UK**, the top concern of businesses by a substantial margin is compliance with regulatory requirements, selected by over a third (34%) of business leaders.

These concerns suggest business leaders are alive to the threat that a shifting regulatory landscape can create significant risks. As we move beyond the current crisis, credentialing and regulatory requirements may drive significant exposures as the industry grows.

What risks could derail digital health and wellness sector growth? *Continued*

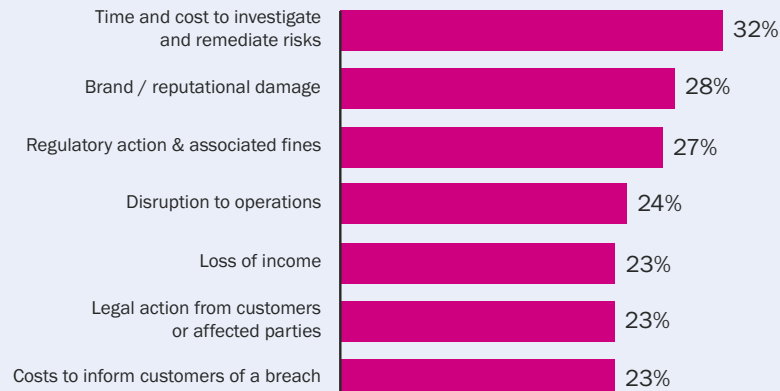
Businesses worry about time and cost to remediate risk

Executives worry about the time and expense involved in managing industry and business risks. They are also concerned by regulatory action and fines that in turn run the risk of causing brand or reputational damage.

29%

of life science technology businesses rank inadequate client care due to human error as their top concern.

Top concerns regarding consequences of risk



Which consequences of risk are you most concerned about?

Significant sub-sector variations

There were significant variations in responses between sub-sectors.

- One consequence of risk cited by a third of respondents was brand or reputational damage followed by the associated risk of regulatory action, fines and disruption to operations (all 29%).
- The mHealth sector seems substantially less concerned about the cost involved with informing customers of a data breach. Just 16% of mHealth leaders rank this as their top concern - lower than in every other sub-sector.

Claims picture is evolving

Fundamentally, we are yet to see the claims outcome of the pandemic on the digital health sector. Many courts remain closed or are operating on a reduced basis and a deep stock of goodwill towards the medical profession in light of its response to COVID-19 may have delayed potential claims.

[Find out more here about claims](#)

Do digital health and wellness businesses lack essential insurance cover?

70%

of businesses have coverage for only one or two key risks.

The vast majority (85%) of digital health and wellness businesses say they know what insurance cover they need – particularly larger businesses with global operations.

Confidence levels are high

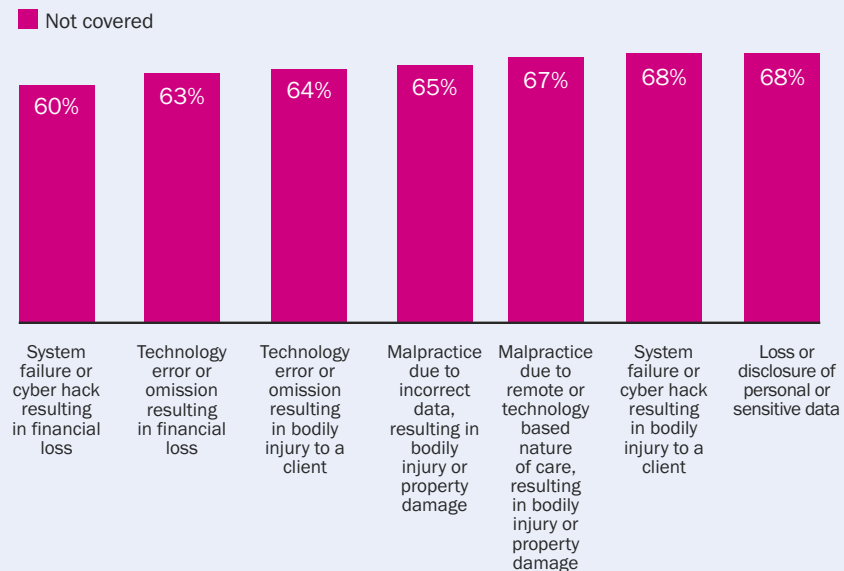
- Longer established businesses with higher revenue report the greatest levels of confidence in understanding their business insurance needs.
- Companies in the life science and health technology sub-sectors are also notably confident (92%).
- Businesses in the UK and US display strikingly high confidence levels (99% and 100% confident, respectively).

However, businesses in Asia report lower confidence levels with only two thirds (67%) very or moderately confident – and a third (32%) not very confident.

Lack of essential cover is striking

Despite these high levels of confidence, underinsurance in critical areas is worryingly high.

Two thirds of digital health businesses lack cover for existential risks



Which risks are you insured against?

Across the digital health and wellness industry, over 66% of businesses lack cover for existential risks including:

- Loss of personal medical data.
- System failure or cyber hack resulting in bodily injury.
- Medical malpractice due to the provision of remote care.

Over 60% of businesses also lack cover for:

- Medical malpractice due to incorrect data.
- Technology error resulting in bodily injury or financial loss.
- System failure or cyber hack resulting in financial damage.

Although only 2% of businesses have none of these coverages, 70% of respondents have only one or two of their key risks covered.

We will explore the issue of underinsurance further in discussions with specialist brokers and our digital health clients.

Do digital health and wellness businesses lack essential insurance cover? *Continued*

85%

of digital health and wellness business leaders say they are confident they know what insurance cover they need.

Why is insurance penetration so low?

Although industry leaders feel they understand the risks they face and the insurance coverage they need, one of the reasons that insurance penetration is so low is the sheer complexity of risk in this industry.

Risk profiles are changing

Risks are evolving and the pace of change has been accelerated by the pandemic. For example:

- Telehealth clients that previously covered the bulk of their risk under a product liability policy form have expanded their online presence because they are now providing more advice, exposing themselves to professional liability risks.
- Disease testing and monitoring via track and trace or similar systems is now widespread and attracting the attention of hackers. This puts stress on service providers' data privacy policies and technology product liability policies.

- Laboratory risk is well established and was a standard cover but recently the focus has shifted to COVID-19 testing and the manufacturing and distribution of home testing kits, creating a more complex risk environment.
- Motor manufacturers in the US and engineering firms in the UK, including Dyson[®], adapted their production processes to make ventilators to treat COVID-19 patients. Others are supplying oxygen monitoring kits for patient use at home. Developments like these challenge insurers to think hard about the nature and the quality of the risk. What is the life expectancy of the business? Is it a sustainable risk? What limits do they want?

Risk picture is complex

In our experience, very few digital health businesses have a 360° view of the risks they face. The new and unique combination of risks within digital health creates a complex web of interconnected exposures that can be hard to get to grips with for brokers and insurers new to the digital health landscape.

The variety of organizations in this sector heightens this complexity. Healthcare and lifestyle professionals are well-versed in medical malpractice, bodily injury and professional liability exposures. However, many are unaware of the risks that arise when they move their business online, such as data privacy and protection, cyber risk, technology product liability and media liability risks.

On the other hand, technology businesses typically understand cyber and data breach liabilities and product liability, but may not be aware of the bodily injury, medical malpractice, or the professional liability risks they may face if the technology fails or malfunctions.

What does the future hold?

Looking ahead, ongoing pressure to innovate to achieve profitable growth is going to push the insurance 'ask' even harder. The creation of new digital health products and services, the adoption of new models including more remote working, and investment in technology and AI are all strategies identified by digital health businesses to sustain growth in 2021. Such developments, while essential to the future of the digital health industry, will add further pressure on the insurance industry to adapt and evolve new covers.

Why is insurance a difficult conversation for digital health and wellness leaders?

Globally, digital health and wellness is a new, economically and socially significant industry, led by people from diverse backgrounds – medical, healthcare management, technology, lifestyle, wellness and financial. Some are young entrepreneurs, others are seasoned health or technology veterans.

[Read more about the evolution of this sector in this recent interview](#)

This melting pot of people and experience is essential if the industry is to create the innovative virtual care solutions that are vitally important, both in countries where it is harder for aging populations with chronic disease to see practitioners face to face; or in territories where a combination of difficult terrain, low incomes and inadequate public healthcare systems complicate the provision of affordable, accessible care.

But given the variety in the skills and backgrounds of industry leaders, and the diversity of businesses within the sector, it is perhaps unsurprising that there is also huge variation in terms of how business leaders understand and buy insurance.

Over a third (36%) of digital health business leaders globally struggle to find insurance that is right for their specialist business.

One third have difficulty knowing what types of risk they need to be covered for.

Perhaps most challenging of all for insurance leaders, 30% of digital health executives think the hardest thing about buying insurance is reading and understanding the policies.

Hardest things about obtaining insurance



What are the hardest things about obtaining business insurance?

Why is insurance a difficult conversation for digital health and wellness leaders? *Continued*

Regional variations are striking

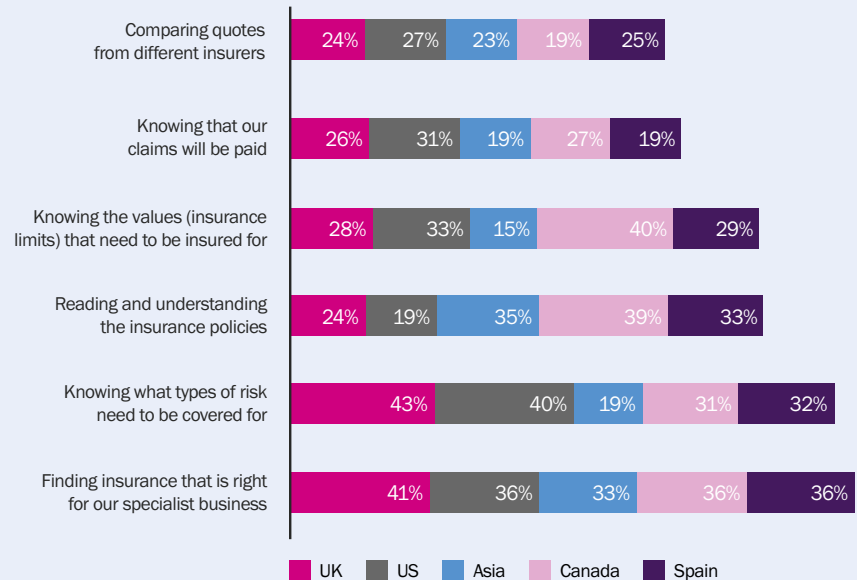
In Asia (Hong Kong and Singapore), over a third (35%) of digital health executives struggle to understand insurance policies and 33% worry about finding appropriate cover. In Spain, likewise, concerns center on finding the right insurance (36%) and reading and understanding policies (33%).

By contrast, in markets where specialist insurance cover has a longer history, very few UK and US digital health leaders report difficulty reading and understanding insurance policies. Instead, their top concern is knowing the types of risk they need to be covered for, cited by 43% in the UK and 40% in the US. This is likely to be a particular concern for businesses that are expanding fast into new geographic territories or new areas of business.

US business leaders are also particularly worried over whether claims will be paid. Almost one third (31%) cite this concern, seven percentage points higher than the global average.

Canada also produces an unusual finding. Uniquely among the territories we surveyed, knowing the values (insurance limits) they needed to be insured for was the top concern, cited by 40% of respondents – despite this group of leaders having operated in the sector for longer than those in any other territory we surveyed.

Countries face different issues buying insurance



What are the hardest things about obtaining business insurance?

Why is insurance a difficult conversation for digital health and wellness leaders? *Continued*

One size does not fit all

It is not possible to provide cover for any business 'for every situation'. But it certainly is possible to design policies for different types of businesses and to ensure that policy documentation and wordings are easier to understand.

We have produced a video that helps address some of these concerns: [Watch the video here](#)

Pressures are unique

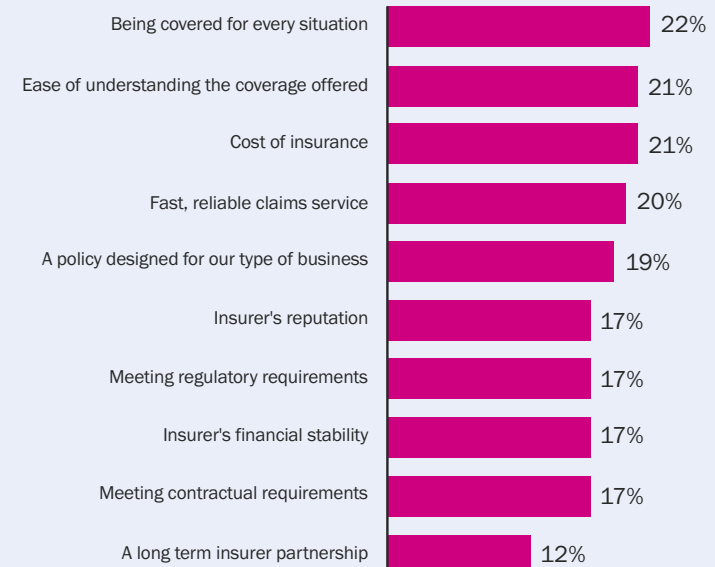
These findings suggest that industry leaders face a unique set of pressures. They are at the forefront of product, service and technology innovation, grappling with the challenge of managing and mitigating emerging risks; but also operating in a highly regulated space where regulations can vary both at the state and the country level. Compounding the issue, in some instances, government requirements can be very rigid.

This may explain the higher levels of concern in some territories and particularly among established (larger) players in finding insurance that is right for their business, cited by 45% of respondents.

Wide-reaching coverage is most valued

Globally, being covered for every situation is the most important factor guiding insurance purchasing, rather than any desire for long term partnership or support. Factors like insurer reputation, financial stability and even meeting regulatory requirements are considered comparatively less important. Conversely of course, developing those long-term insurer-client relationships might help in terms of improving risk management insight, innovating better tailored coverages and delivering enhanced support as the business grows.

Businesses want cover for every situation



Which factors are most important when choosing your business insurance?

Why is insurance so important for digital health and wellness businesses?

27%

want greater public-private patient record sharing and a more workable regulatory regime.

25%

want more government intervention.

Previously, many governments were less certain about the relative costs and benefits of supporting telehealth on a broad scale as part of their public health emergency response. But the benefits of digital health platforms became overwhelmingly clear when the pandemic struck, and governments rapidly made digital health platforms available to the general public as a tool to help contain the spread of the virus.

- Australia extended Medicare coverage for telehealth, South Korea eased restrictions on telehealth to treat COVID-19 patients remotely, and Japan launched a free government-backed remote health service using digital health tools.⁹
- In the US, many states relaxed regulations surrounding the types of providers that may be reimbursed, services that are covered and distant and originating sites that are permitted.¹⁰
- In the UK, NHS doctor consultations moved online and in 2021 the government is seeking views on whether to make the choice of telehealth permanently available.¹¹

But as the industry moves progressively center stage as part of public healthcare provision, so expectations of digital health and wellness providers will increase. As US states look to improve access to care, for example, they are also seeking to incentivize greater provider accountability for outcomes.¹²

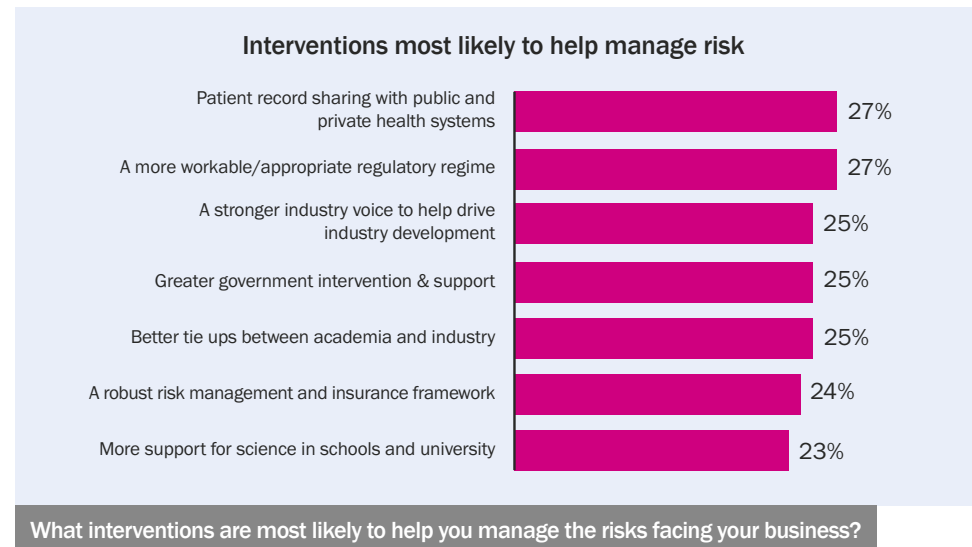
Connecting more effectively

The findings of our research demonstrate that the insurance industry has significant work to do in order to support the digital health and wellness industry more effectively. We need to think harder about communication, knowledge transfer and industry collaboration. In particular, there is a need for brokers to focus more closely on the risks facing these clients – which don't naturally fit into traditional insurance silos – if the insurance industry is going to better support this burgeoning sector.

Digital health leaders need to step up

As countries everywhere move from emergency disaster response to long-term restructuring of healthcare provision, it is inevitable that questions around risk and safety will come increasingly to the fore. Our research shows that digital health and wellness providers are considering moves to help themselves.

Over two thirds (68%) globally lament the lack of an industry leader or influential organization in this sector and a quarter (25%) believe a stronger voice is needed to help drive industry development. Other interventions, however, including broader patient record sharing, will require careful consideration, ideally in conjunction with insurance partners if they are not inadvertently to increase risk.



Industry attitudes to risk and insurance in Asia, Europe and North America

For more information

[UK](#)
[Europe](#)
[US](#)
[Asia](#)

Next steps for brokers and insurers to better support the digital health & wellness sector

- Work better together to design and deliver more bespoke coverages that meet the particular requirements of these businesses
- Help business leaders to understand the risks they need to be covered by improving engagement, education and information-sharing
- Make our policy language easier to understand, especially in countries or markets where specialty insurance coverages are less common
- Collaborate more effectively with clients to establish robust risk management and insurance frameworks
- As we handle more digital health and wellness-related claims, use the data and experience we gain to inform clients' and our own understanding of the risks.

References

- 1 [McKinsey report](#)
- 2 [The Times](#)
- 3 [Bain & Company](#)
- 4 [BBC News](#)
- 5 [Global Market Insights](#)
- 6 [Law 360](#)
- 7 [PitchBook](#)
- 8 [BBC News](#)
- 9 [Bain & Company](#)
- 10 [Centers for Disease Control & Prevention](#)
- 11 [The BMJ](#)
- 12 [National Governors Association](#)

Methodology

This report is based on a survey of 376 business leaders in the digital health and wellness sector in the US, Canada, the UK, Spain, Singapore and Hong Kong. Research was conducted in December 2020 by Opinion Matters on behalf of Beazley. Industry subsectors include: health and wellness software and platform providers; health-technology and life science technology companies, mHealth and telehealth and telemedicine providers.