



**RiskBox**



25th March 2020

## **How to review your Hiscox Direct policy**

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**A Short Guide**

# How to review your Hiscox Direct policy



## Note on this Short Guide

Please note this guide is not endorsed by Hiscox and is just a collection of observations we at RiskBox have made during the last 5 years reviewing and adapting policies held with Hiscox Direct for our clients.

These are our observations, with our clients, so we cannot guarantee they hold true for every business in every circumstance. These should just be used as a starting point, and at least allow you a few quick wins to enhance your cover

We like Hiscox. We regularly recommend them as an insurer to our clients and believe they are a competent insurer. Our comments are purely to help understand the complexities of transacting commercial insurance directly, suitability of an insurer in relation to your activities, and where they are the right insurer, ensure you maximise the protection available to your business.

## Introduction

Over the last ten years, we've worked with over 100 clients who were with Hiscox Direct. First things first, Hiscox Direct isn't impartial. They're the insurer, which means there are certain things they can't advise you on.

These areas include: if there's a more suitable insurer with a better product, if their premiums are uncompetitive, or whether or not your claim is correctly presented with no missing information. Ultimately, they aren't doing anything wrong – far from it. But as the insurer, they're only able to operate within that remit.

Although sometimes Hiscox *might* be the right insurer for your business, that's not always the case. And if you go direct, you can't be sure, as your options will be limited. We believe going direct to any insurer is rarely in your best interests and doesn't give the premium advantage that's often perceived.

Having reviewed scores of Hiscox Direct policies, we wanted to highlight some areas that may need extra consideration. Hopefully, this guide will help you to check that your Hiscox cover is appropriate, so you can stay protected whether you remain a direct customer or work with a broker.

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## What does my business do?

Ordinarily, insurers operate through a quote engine where you select a description for your business. But there's always a danger with this method, as descriptions can be vague.

One of the most common descriptions we've seen with Hiscox Direct was 'IT consultancy'. It's been used for companies designing websites, delivering SaaS solutions, providing digital marketing, creating FinTech software, building apps, developing games, and even one who built technology directly installed into race cars. Are any of these companies insured properly? Will they be paid out if there's a dispute about their deliverables?

Our view is that these organisations shouldn't have been insured as IT consultancies. The insurer isn't necessarily to blame, as they can't have infinite options. Nor is the insured, as they may not appreciate the consequences of getting the business description wrong. It actually isn't a case of fault, it's just an example of issues that can arise without independent advice from a broker.

## How do I make sure the business description is accurate?

If you're with Hiscox Direct, send them an exact description of your business activities. If it turns out they can no longer insure you, it's best to know now rather than once they've rejected your claim.

## What about when things change?

Making changes to a policy is an important function of any commercial insurance programme, as businesses can grow and start to offer new services. Simple alterations such as increasing a value insured, or getting a limit increased due to contract, are normally easy to do and shouldn't trip you up.

When your business has to pivot and deliver something completely different, you should contact your insurer and explain your plans in detail. A risk here would be if the insurer doesn't fully understand, if they've made assumptions about your company's new direction, or if they've asked the wrong questions.

We've seen direct clients adapting their businesses to deliver different digital services, advising insurers, then having a claim rejected as it was outside the scope of services provided. That's despite the insurer being best positioned to obtain accurate information on the activities in the first place. Again, this is less likely to happen with a broker, as they'll ask more varied questions than an underwriter, gaining a deeper understanding of what your company does.

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## How do I know I'm giving the right information?

Insurance is a legal contract, so it's vital to ensure that the information it's based upon is accurate, otherwise claims can be rejected.

Like many direct insurers (and brokers), Hiscox Direct relies on [Statement of Facts](#) documents. This has many advantages in respect of getting quicker quotes and keeping premiums down. But there can be dangers when taking the policy out, at each renewal, and anytime your risk itself veers outside the parameters agreed.

You have to make sure the answers on the document are accurate and up to date at each renewal. But what happens if you're unsure about a question that's been asked? What happens if you carry out activities that haven't been explicitly asked for? And how do you know if the questions you have answered leave you fully protected?

### Do I just need to answer the questions asked?

One of the core principles of insurance is the Material Fact. These are aspects that materially alter the risk of insuring your business, and therefore whether an insurer would be willing to cover you, and on what basis.

Material Fact can be subjective, so it can be difficult to know what constitutes this. You might be able to identify more straightforward points to notify, such as if you've been declared bankrupt or you've made a large claim previously. But it can be a little more obscure.

Maybe your business is changing its model to rely more on freelancers, or shifting from using your own terms and conditions in contracts to using your clients' – do those things need to be advised?

Without commercial insurance experience, you might struggle to know. This is one of the biggest dangers in going direct, with Hiscox or anyone else.

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## How do I know I have all the types of insurance my business needs?

Unless you've got experience insuring a range of organisations with different exposures, it's difficult to know – and it's not as simple as a quick Google search.

We've seen businesses insured with Hiscox Direct that don't have crucial cover like Employers' Liability, which could lead to [heavy fines, prosecutions and legal costs](#).

Not only that, we've seen instances where the business clearly requires that insurance, whether due to the turnover size or from the details on Companies House.

### Whose responsibility is it to know what insurance is required?

As the business owner the responsibility is yours.

Beyond the cover legally required, it isn't Hiscox Direct's responsibility to identify your key exposures and how to manage them through various types of insurance. For example, how could they know that marketing agency A holds large client funds for social media spend, and would be at greater risk of a cyber attack than marketing agency B?

They're the insurer, and whilst they may publish some content to help, they can't act as your broker.

That's why independent advice is so important.

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## Is my premium competitive?

Financial Conduct Authority regulation on dual pricing has only just come into effect, so it would certainly be unfair to be too critical with Hiscox Direct here. However, we've seen many cases that are arguably more expensive than they should be.

We look after numerous agencies, and can make quick premium comparisons against their clients. As a result, we know it's more common than you might expect for Hiscox Direct premiums to be higher. Often, this is because it's never been challenged by a broker, who would get regular premium comparisons from competitors.

### Premiums and growth

In our experience, excessive premiums seem to be more common with longstanding Hiscox Direct clients who have grown. An integrated marketing agency could easily have started as a freelancer in a bedroom several years earlier, and still subject to those initial rates charged, having not been discounted for the many years claims free.

If you're with Hiscox Direct, look for regular alternatives every couple of years, or anytime the business changes considerably. If the premium stacks up, great. If it doesn't, you can use that alternative quote to negotiate with Hiscox Direct, or switch to the other provider. Using a specialist insurance broker will take that problem away from you, as they can regularly benchmark your premium and terms with the rest of the insurance market.

## How do I know my limits are sufficient?

Without independent advice, it's difficult to know what limits you should insure for. It might be fine to be guided by contract stipulations, but that's not always the case.

### Employers' Liability

For example, the commercial insurance market has generally agreed to provide a minimum limit of £10,000,000 for Employers' Liability insurance.

This isn't new, in fact, it's been the case for over 20 years. Yet some direct insurers, including Hiscox Direct, still provide options for this cover at £5,000,000.

This isn't advisable, as the limit itself is there to comply with statute, not contract. So if the statute requirements change, your business could inadvertently be breaking the law and subject to prosecution.

If you have Employers' Liability with Hiscox Direct, make sure it's on a £10,000,000 limit basis immediately.

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## Other types of insurance

As an insurer, Hiscox Direct is unlikely to be allowed to advise your business on what limits you should purchase, beyond suggesting it should comply with your contract.

That's another reason to get independent advice from a broker who works with other businesses in your sector. They can assist you with that, plus they have other similar clients they can compare against.

## What happens if I have multiple claims in a single year?

Another Professional Indemnity-specific issue we need to address on Hiscox Direct cases is the limit type.

### Limit types

Generally, Professional Indemnity limits fall into [two types](#): the 'any one claim' (AOC) basis sees your limit reinstated after each claim, whereas the 'aggregate' limit reflects a total amount of cover for the year, with each claim eroding that limit.

The AOC basis is the one we recommend whenever possible.

The concern with the aggregate basis is the situation where you suffer an unexpected challenging period, maybe when multiple team members have left, leading to legal action from a number of clients for contracts that haven't been delivered. In those scenarios, an AOC basis could quite literally save your business.

We found scores of Hiscox Direct policies on an aggregate basis when an AOC basis would be available – often at little, if any, cost difference.

As we've explained before, Hiscox is the insurer, so they can't advise that the AOC basis is the right one for your business. It's down to you to know that that's the better option, and to select it.

Remember, though, some higher-risk businesses wouldn't be able to get quotes on an AOC basis – though this is a rare exception for agencies. Hiscox Direct normally focuses on lower-risk sectors such as marketing, technology and management consultancy, all of which are usually quoted on an AOC basis by default through a broker.

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## Limit basis

The next item to check regarding your limit is whether it's 'costs inclusive' or 'costs in addition'. Limits that are costs inclusive are inferior, as it means that the limit you have needs to pay for everything (including your legal defence costs), eroding your limit.

Costs in addition is better, as the legal defence costs are in addition to whatever limit you've purchased. Again, we've seen dozens of Hiscox Direct clients with the inferior costs inclusive basis, despite the default through the broker channel normally being costs in addition.

If your Hiscox Direct policy is on an aggregate basis, we recommend contacting Hiscox Direct to change to AOC immediately. If it's on a costs inclusive basis, change to costs in addition straight away. This will significantly enhance the quality of your limits purchased.

## What about variations in the small print?

Your policy schedule details what limits you've selected, what excess applies, and any unusual terms insurers might include. The policy wording, however, provides the small print – it's a large document that includes all the finer details of your insurance.

Policy wordings can vary from sector to sector. Professional Indemnity for a recruitment consultant is different to what a branding agency would have, so the basic covers aren't the same. However, many businesses insured with Hiscox Direct probably don't realise that the policy wordings themselves actually vary within their own industry.

Take the Professional Indemnity wording used to insure a marketing agency with Hiscox Direct. It could be reasonable to assume that the core protection would be the same for each agency, but that's not true, and it can vary quite a lot.

## Policy version

Firstly, policy wordings don't remain the same forever – they're generally overhauled every two to three years. Although Hiscox Direct may intend to provide you with the most up to date policy wording at renewal, the reality can be different.

With that in mind, we suggest reviewing the policy wording version, found at the end of the Professional Indemnity section (it will be in small print in the footer). If the year displayed is over two years ago, check with Hiscox Direct that you're on the current policy version.



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## Negligence only

The next area to review is whether Hiscox Direct has given you the most comprehensive Professional Indemnity cover available, as that isn't automatic.

Sometimes, there's a choice between the comprehensive product, normally provided as standard through a broker, or the 'lite' version, often called negligence only. For some industries it isn't an issue, but it can be a problem for marketing and technology businesses.

Take the example of a software design house. Projects may be based on deliverables, and failure to complete these could result in an action for breach of contract, even if there's no question of the agency being negligent. If the agency wasn't negligent, then the Professional Indemnity policy wouldn't protect the business if it was sued for a breach of contract.

This is a potentially massive exposure, so we recommend businesses in the creative, media or digital sectors check their policy wordings to ensure breach of contract cover is included. If it isn't, ask Hiscox Direct to move your insurance to a more appropriate wording.

## Wrong product

Then there's simply being insured on the wrong policy in the first place, which would most likely be from selecting the incorrect industry option when getting the original quote.

Hiscox Direct is limited on the advice it can give, and that's accentuated by most of the process being digitally driven, meaning there's less opportunity for the insurer to really understand what your business does. We've seen marketing agencies who should be on the wider industry-specific policy (incorporating breach of contract above) being insured under management consultant policies, with the narrower and less suitable protection.

In such situations, the person obtaining the quote could have simply interpreted their marketing services as advising their client's management on how to grow their business. Whilst that's not a million miles away from the activities undertaken, it makes a difference in the quality of protection.

We recommend checking what type of business your policy wording is designed for. If it doesn't match what you do, ask Hiscox Direct to amend or speak to an independent insurance specialist.

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## How high should my excess be?

As with limits, excesses can vary quite a lot, and it's often misunderstood and overlooked.

### Excess levels

With Hiscox Direct, most excess levels are low, so the majority of policies don't require any action.

However, a small number of businesses may have grown, or changed services to something the insurer is less comfortable with, which will have higher excesses applied. Sometimes they can be so high that they're out of step with other providers.

Ultimately, and as you'll now be aware, it's the company's responsibility to seek alternative comparative terms. We suggest doing this every two to three years anyway, ideally using a specialised broker.

### Excess basis

Some policies offer excesses on a 'costs inclusive' basis, which means an excess would apply to any legal costs provided by Hiscox Direct. So, if an agency had a dispute with a client and needed legal assistance refuting an allegation which then went away, they would have to pay any amount below the excess.

The other basis is 'Costs Exclusive', which means no excess is applied for the legal costs for services provided by the appointed solicitor. Instead, the excess only applies if a settlement is made to the other party, or amounts awarded against you, should it go to court.

Clearly the Costs Exclusive basis is preferable and what we would recommend.

We also suggest checking the basis of the excess on your Hiscox Direct schedule, and if it's on the more restrictive costs inclusive basis, ask them to amend it.

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## What if I have clients based overseas?

Often, Hiscox Direct cover can be quite narrow for services provided outside the UK. In fact, this is one of the most common problems we've found with their policies.

### Geographical limits

For Professional Indemnity, this aspect relates to where your clients reside, and not the legal contracts you operate under. Whilst not an industry standard, most decent insurers will provide this on a worldwide basis, with restrictions only relating to contract jurisdiction itself (see below).

With Hiscox Direct it can vary – sometimes being on a worldwide basis (excluding US and Canada), and sometimes restricted even further to EU only. Public Liability cover with Hiscox Direct is also often restricted to EU only.

Ideally, the geographical limits for all covers should be worldwide wherever possible. That way, if you accidentally caused someone to be injured when attending an exhibition in Florida for example, you would be protected, and wouldn't have to pick up the bill for legal costs or damages awarded against you.

### Jurisdiction

This one is most concerned with Professional Indemnity, and relates specifically to the jurisdiction that your client contracts fall under. If you only ever work under your terms and conditions governed by UK law, then the jurisdiction will almost always be fine. However, if you're working with overseas clients, it would be reasonable to assume they may want to contract under their jurisdiction.

Insurers are relatively relaxed for most territories, but they get more cautious when the work is under US and Canada jurisdiction. We've found a number of Hiscox Direct policies to be restricted to EU jurisdiction, leaving businesses uninsured for working with anyone else, including some European countries such as Switzerland and Norway.

We recommend making sure the jurisdiction scope is set to 'worldwide excluding US and Canada' as a minimum. If you work under US jurisdiction contracts, get that changed to full worldwide cover (though there will be a charge and some changes to terms applied).

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## What do I need to do about my retroactive date?

This element primarily relates to Professional Indemnity, though it can also apply to some other covers, such as Management Liability.

If your business has continuously held Professional Indemnity insurance for a period of time before moving to Hiscox Direct, it's important to confirm that insurers have matched your [retroactive date](#), otherwise your business could be exposed for latent actions arising from past work.

It's standard insurance market practice for insurers to match a previous retroactive date on the replacement policy, and they generally don't charge for that, especially in the technology, marketing and digital sectors.

We therefore recommend checking the retroactive date on any Hiscox Direct policy, and instructing them to amend it if incorrect.

## Support from RiskBox

Our advice is not to use Hiscox Direct for your commercial insurance, or any other direct market for that matter. If you do want to be insured by Hiscox, it's just as easy to arrange through a broker. This won't impact the premium charged and has the added benefit of someone being on your side should a dispute arise.

If you're with Hiscox Direct and struggling to get these problems resolved, or you no longer feel comfortable going direct without the support of an independent expert, get in touch with RiskBox today.

You can reach us on 0161 533 0411 or email [info@riskboxuk.com](mailto:info@riskboxuk.com).



# Get in touch with us

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