



Adapting together



A regulatory guide
for intermediaries
working with Hiscox



Introduction from our CEO

The Consumer Duty (the new Principle 12) sets clearer and higher expectations on the standards of care customers should receive. We must act to deliver good outcomes for our retail customers.

We believe the Consumer Duty presents an opportunity to collaborate with our trusted intermediary partners and differentiate ourselves through delivering higher levels of service, on top of our market-leading products, to deliver good outcomes for our mutual customers.

As you'll be aware, together we must satisfy the 'cross-cutting rules' which require us to:

- Act in good faith toward retail customers
- Avoid causing foreseeable harm to retail customers
- Enable and support retail customers to pursue their financial objectives

In addition, we have to be able to evidence the delivery of the four Consumer Duty outcomes:

- Products and services
- Price and value
- Consumer understanding
- Consumer support

Along with useful resources, our handy checklist provides some questions that your staff can ask to ensure the necessary outcomes are being met.

This regulatory guide is written for those responsible for the relationship with Hiscox, supported by regulatory compliance contacts.

It highlights increased areas of focus resulting from the Consumer Duty – as well as other regulatory changes – that may broaden the scope of your obligations, as outlined in our Terms of Business Agreement (TOBA). In due course we propose to update our TOBAs and the team will be in contact about this in time.

Whilst this guide does not replace reading the FCA guidance, it gives us the opportunity to collaborate and ensure the lines of communication within our partnership are open.

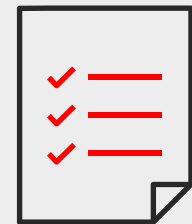
We expect you to consider this guide as part of your written engagement with Hiscox and highlight any gaps or concerns as we adapt to the ever-changing regulatory landscape together.

I hope that you find this document useful, please take the opportunity to discuss it further with your Hiscox contact. We appreciate your collaboration in delivering good outcomes for our mutual customers.

Jon Dye
CEO, Hiscox UK

Signing-up to the Consumer Duty together

The FCA guide sets out some key expectations on firms – these apply equally to insurers and regulated intermediaries – to illustrate our partnership. We hope that the following outline is helpful to show how our responsibilities interlink.



More information
FCA guidance

Hiscox (manufacturer)*

Product and service	Price and value
Product design and approval, target market statement, product reviews, also providing information on distributing the product.	Fair value assessment at product design stage, and then on an annual basis, including information from distributors.
Consumer understanding	Consumer support
Production and changes to policy literature* In addition, ensuring claims and complaint communications are understandable.	Equipping our brokers to support customers, e.g. with accurate and timely documents. Supporting customers at claim or complaint stage and avoiding foreseeable harm*.

Making it real

Three ways that we can immediately bring this to life in our relationship.

- We want to work together to try and resolve any situations that may lead to poor customer outcomes before they escalate, for details on our approach to notifications please see page 7.
- We have done a significant amount of work on our customer communications and are keen to share the best practice with you. This can be found on page 8.
- You can also find a summary of how we believe we can support our customers in vulnerable circumstances together on page 9.

Regulated intermediary (distributor)*

Product and service	Price and value
Implementation and review of distribution arrangements aligned to the target market, please see page 5 for more information.	Obtaining, and reviewing annually, key information to ensure distribution arrangements support fair value.
Consumer understanding	Consumer support
Ensuring sales and service communications with customers are clear, that customers fully understand the products and services that they hold, and that this can be evidenced through testing.	Ensuring that sales and service journeys meet the needs of customers, providing a positive and engaging experience and avoids causing foreseeable harm.

*Delegated Authority (DA) relationships are considered co-manufactured, meaning that some responsibilities are shared, whilst Hiscox maintains oversight of the coverholder. For more information please email delegatedauthorities@hiscox.com.

Understanding the world of PROD 4

As you will know, PROD 4 contains the FCA's rules on product governance, including fair value assessment. You and we have obligations under PROD 4 and if we meet those obligations we will have satisfied the products and services outcome under the Consumer Duty.



More information
[PROD 4 guidance](#)

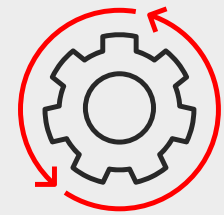
Key observations

Hiscox shall provide you with appropriate information on our insurance products, including target market statements, outputs of our fair value assessments and other distributor information. More information can be found here.

- **As an intermediary of Hiscox, it is your duty to regularly review your product distribution arrangements at least every 12 months.**
- **It is also your responsibility to ensure that your distribution arrangements enable you to identify:**
 - the value that the insurance product is intended to provide to the customer;
 - there is no negative impact from distribution arrangements (including any remuneration you or another person in the distribution chain, will receive) on the overall value of the insurance product to the customer.
- **We will ask you to send additional information to support our product assessments. Understanding the distribution chain is critical to assessing fair value.**
- **We also expect you to be confident that:**
 - your remuneration is reasonably reflective of your firm's actual costs, your contribution, level of involvement or the benefit added;
 - that remuneration arrangements do not incentivise staff to propose or recommend an insurance product which either does not meet the customer's needs (or not as well as another product would), or is not in accordance with the customer's best interests rule;
 - where the insurance product is distributed as part of a package, the overall price of the package bears a reasonable relationship to the overall benefits provided by the package.
- **Your wider responsibilities also include:**
 - you must have distribution arrangements that avoid causing foreseeable harm to customers, support management of conflicts of interest and ensure the needs, characteristics and objectives of the target market are taken into account;
 - you understand the products and services that you distribute;
 - you identify, create and communicate your distribution strategy.

What does this mean in practice?

We expect that our trusted intermediaries – and any other members in the distribution chain – meet their regulatory requirements under Consumer Duty, including the four customer outcomes and cross-cutting rules.



More information
PROD 4 guidance

Best practice

Examples of best practice include, but are not limited to, implementing new controls, or enhancing existing controls such as:

- evidence of understanding and aligning activity to customer outcome;
- ensuring that your distribution strategy covers your approach to commission rebating or foregoing;
- ensuring that a distribution assessment of fair value to the customer has been carried out and the level of remuneration bears a reasonable relationship to a firm's actual costs, or their contribution, level of involvement or the benefit added;
- consideration of customer access and ability to benefit from commission rebating to ensure that it supports fair customer outcomes;
- ensuring that there is a mechanism to provide Hiscox with any exceptions to standard remuneration arrangements, e.g. fee in lieu of commission on larger cases;
- compliance with pricing practices and therefore equivalent renewal pricing;
- ensuring that your arrangements enable customers to make informed decisions
 - by giving them appropriate information, at the right time, in a way they understand;
- ensuring that customers receive an appropriate standard of support, including those with characteristics of vulnerability;
- providing Hiscox with the following information, for both primary and secondary distributors (understanding the distribution chain is critical to assessing fair value).

Customer fees

Admin fees (£)
Cancellation fees (£)
Mid-term adjustment fees (£)
Other fees (£)
APR (%) if premium finance used
Overall fee or commission strategy and how it represents fair value to customers.

Complaints

Summary of your main complaints themes.
Actions taken in response to customer feedback.

Service information

Performance against metrics used to inform of the value offered to customers, e.g. SLAs, NPS, QA, mystery shopping results
Outline how you ensure good customer understanding, including for customers in vulnerable circumstances.

Other

Outline your services offered.
Please confirm your customer acquisition or distribution strategy, in the first instance. Provide an update if there are any changes to the strategy.

Sharing bright ideas and resolving issues

Hiscox and our trusted partners form a distribution chain to provide Hiscox products to our mutual customers. We hope that you and your Hiscox contacts are actively seeking ways to grow together.



More information
Principle 12

Resolving issues

We also want to work together to resolve any situations that may lead to poor customer outcomes as swiftly as possible and ideally before any poor outcome happens. We appreciate all of your efforts to deliver good outcomes for our mutual customers.

We would expect to be notified in any of the following scenarios:

1.

Circumstances that may adversely affect customers;

2.

If a product no longer delivers fair value;

3.

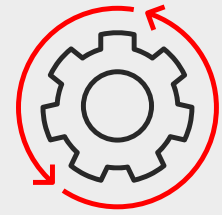
A communication that is no longer delivering good outcomes.

The most direct route for you to notify Hiscox is to complete a [notification form](#) and email it to conduct@hiscox.com.

Other notifications

Additionally, firms are required to notify the FCA if they become aware that another firm in the distribution chain is not complying with Principle 12.

What does this mean in practice?



More information
Principle 12

Best practice

We would expect you and your teams to notify Hiscox with any of the following.

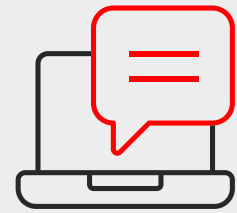
- Concerns about the product, e.g. if the product has been sold outside of the target market, or does not offer fair value.
- Financial concerns, e.g. if customers are being charged excessively high fees or premium finance rates.
- Customer understanding concerns, e.g. if customers have received unclear, incorrect or misleading documentation, information or advice, including if key information is missing.
- Service, or customer support concerns, e.g. if there are service issues or failures resulting in potential customer harm, e.g. differing pre or post-sale customer experiences, or customer service is inflexible and represents a barrier to customers in vulnerable circumstances.

The image shows two pages of a 'Consumer Duty Notification Form'. Page 1 includes sections for 'Broker, intermediary, partner or vendor' and 'Hiscox staff' with fields for name, company, office address, phone number, and email. Page 2 includes sections for 'Impacted product(s)', 'Notification event summary', and 'Please explain the impact, for example'. A red arrow points from the text 'Click here to download a notification form.' to the form.

Click **here** to download a notification form.

Customer communications

One of the changes through the Consumer Duty is the need to evidence the effectiveness of our communications.



More information
FCA guidance

Shining a light on our customer communications

Testing with customers, and using behavioural science insights, has given us some broad principles (below) we are applying to updating existing communications, and when writing new ones.

Chunking	Reducing block text and increasing useful chunks of information. Using bullet points and other techniques to increase readability.
Plain numbers	Removing unnecessary figures, emphasising pounds, not pence, and doing any maths for the customer.
Salience	Making headings, important questions or points, calls to action emphatic using bold text, red colouring, tables and boxes.
Framing through questions	Arranging information as the answers to questions your target, and existing customers, are already asking themselves.
Removing and reducing	Removing parts that serve no purpose for the customers renewal decision, not legally required or is repetitive.
Plain language	Removing technical language and using plain language where possible.

Consumer testing

Testing has shown that while most of our communications are effective (with no red flags that had to be addressed urgently), that had to be addressed urgently, there is scope for improvement in terms of language and structure and we are implementing this through a cycle of continuous improvement.

Some selected quotes from the consumer testing:

“I look for excess more than anything else and make sure the dates are correct”.

“The important thing is anything that is tailored to me: making sure the name of the business and start date is correct”.

“The first thing I look at was obviously the price of this year’s premium compared to last year”

Supporting our customers in vulnerable circumstances



More information
[FCA guidance](#)

Who is responsible for customers in vulnerable circumstances?

As brokers, you are subject to the same FCA regulation on treating customers in vulnerable circumstances fairly that we are. This means that if the vulnerability would not affect the service we provide to the customer, then we do not need to be made aware of it, as we would expect the you to manage this in situations where you are acting as the customer's agent.

However, if the vulnerability means that Hiscox needs to adapt its service to prevent customer harm, such as issuing documents in braille, or when handing a claim or complaint, then this would of course be our responsibility to do so.

The responsibility will very much depend on the specific situation. The guiding principle would be, if Hiscox are responsible for the action, we are also responsible for adapting it for customers in vulnerable circumstances so will need you to let us know about it as soon as possible to prevent customer harm.

What if we have a delegated authority with Hiscox?

Delegated authority arrangements are different because in these scenarios you as the broker will usually be acting as our agent rather than the customer's, and we retain ultimate responsibility for the customer when we appoint a third party to act on our behalf.

In this scenario we would be responsible for supporting you in respect of safeguarding a vulnerable customer.

If you are in any doubt – please contact us at conduct@hiscox.com to discuss the matter further.

Our regulatory landscape is ever-changing and we are keen to collaborate in order to continue to deliver good outcomes for our mutual customers.

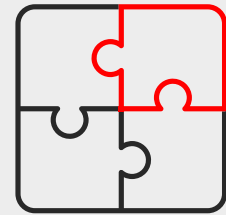
We are keen to remain on the front-foot so may proactively contact you with any further addendums to this guide or if our expectations of intermediary partners change.

We would also welcome your feedback, ideas and opportunities to work together.

For any additional questions, please see your regular Hiscox contact or email us at conduct@hiscox.com.

Multi-occupancy buildings insurance changes

For all contracts of multiple occupancy buildings insurance policies inceptioned from 31 December 2023, residential property leaseholders (as policy stakeholders) must receive more information on the buildings insurance they pay for along with the roles of the parties in the distribution chain, and the appropriateness and impact of the remuneration paid to them.



More information
[PS23/14](#)

Strengthening of remuneration rules and the customer's best interest

The rule changes require insurance firms to act in policy stakeholders' best interests, and require firms offering incentives to third parties to ensure this incentive does not conflict with those interests.

The FCA expects brokers to immediately stop paying commissions to third parties (including property managing agents and freeholders) where they do not have appropriate justification and evidence for doing so in line with rules on fair value.

The Department for Levelling-up, Housing and Communities (DLUHC) will be following the implementation of these rules closely and further intervention may be made to limit commissions and improve service charge transparency.

How has Hiscox adapted to the requirements?

1. Pricing information

As policies are bound we will provide the required pricing information giving the breakdown of premium by building.

2. Split premiums

The premium split will be for buildings cover only.

3. Summary disclosure

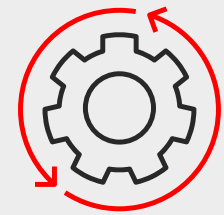
Policy summary disclosure information required, i.e. insurer information, main risks covered, sums insured, exclusions and excesses is found in both our existing policy summary and schedule.

4. Policy stakeholders

All policy stakeholders have been and will continue to be considered as part of our product governance framework.

What does this mean in practice?

Residential property leaseholders who pay towards the buildings insurance must receive more information about it. Some of this information the insurer must provide and some the intermediary.



More information
PS23/14

Best practice

A summary of the required information, who should produce it and provide to a policy stakeholder is set out in the table below.

Additionally, arrangements should be in place to receive and respond to queries from customers and leaseholders.

Read PS23/14 for more information on content.

Requirement	Item of disclosure	Production	Providing to customer
ICOBS 6A.7.3R@(a)	Summary of the cover	Insurer	Firm in contact with customer
ICOBS 6A.7.3R@(b)	Pricing information	Insurer	Firm in contact with customer
ICOBS 6A.7.3R@(c)	Remuneration information	Any insurance intermediary involved with the distribution	Firm in contact with customer
ICOBS 6A.7.3R@(d)	Placing and shopping around information	Insurance intermediary in contact with the customer	Firm in contact with customer
ICOBS 6A.7.3R@(e)	Conflicts of interest information	Insurance intermediary	Firm in contact with customer

Oversight and Governance
of Delegated Authorities

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