

## BUYING PI INSURANCE FROM A BROKER VS DIRECT FROM AN INSURER

*Reviewed by Matthew Bartlett, Director · Last reviewed 2026-06-23*

Most UK professional firms buy PI insurance through a broker. A smaller proportion buys direct from an insurer. The mechanical differences are clear; the practical implications less so. This entry explains the position so you can decide which route fits your circumstances.

### WHAT A BROKER ACTUALLY DOES

An FCA-authorised general insurance broker arranging PI for a UK firm:

- Takes instructions on the firm's profession, services, claims history, contractual requirements
- Drafts the risk presentation that goes to insurers
- Markets the risk to insurers the broker holds capacity with
- Compares quotes — premium, limit, excess, wording, exclusions, conditions
- Presents shortlisted options to the firm with commentary
- Binds the chosen cover and issues schedule + IPID
- Handles any mid-term changes (turnover changes, new service lines, claims notifications)
- Handles renewal and re-marketing
- Acts on the firm's behalf in any dispute with the insurer

The broker's regulatory duties under FCA principles (ICOBS, IDD, Consumer Duty for retail/SME): act in good faith, provide fair presentation support, disclose remuneration, manage conflicts.

### WHAT BUYING DIRECT MEANS

Buying direct means:

- The firm completes the insurer's proposal form themselves
- The firm receives quotes from that insurer's product set only
- The firm handles renewal directly
- The firm notifies claims directly to the insurer's claims team
- The firm is on its own in any cover dispute

Common direct providers for UK PI include Hiscox (small business), AXA, Aviva (some product lines), and a handful of specialist mutuals (VDS for vets).

## WHERE DIRECT WORKS WELL

- Very small businesses with straightforward, low-risk service mix
- Sole traders in well-understood professions with no claims history
- Firms that fit cleanly into a direct insurer's standard product
- Firms that prefer self-service and don't need advisory input

For these firms, direct often offers a simple online quote, no fee, and an immediately-binding policy. The direct insurer's product is well-tested and the firm just plugs into it.

## WHERE A BROKER ADDS MATERIALLY MORE VALUE

- Multiple potential insurers — broker compares wordings, not just premiums
- Complex service mix that doesn't fit a standard product
- Claims history requiring sub-standard or Lloyd's market access
- Larger limits or contractual requirements requiring specific cover endorsements
- Disputed cover position requiring an advocate
- Mid-term changes requiring re-rating
- Run-off planning at retirement / sale
- Coordinated PI + cyber + commercial combined placement

For firms in these situations, the broker's market access and wording expertise are usually worth materially more than any modest premium saving from going direct.

## THE COST QUESTION

A common assumption: brokers add commission, so direct is cheaper. The reality is more nuanced.

- Direct insurers price their products at a margin sufficient to cover their distribution costs (marketing, customer service, technology) — they're not free of overhead
- Broker commission is paid by the insurer from the gross premium; the firm pays the same premium whether the broker is involved or not
- Some brokers charge an additional fee on top of commission — this is the genuinely-incremental cost of broker involvement
- Broker fees should be disclosed under FCA rules

For most commercial PI placements, the broker fee is the small incremental cost. The market access and wording advice usually pay for it many times over across a 5-year window.

## CLAIMS HANDLING

This is where the broker-vs-direct distinction matters most.

- **Direct insured:** notifies the insurer's claims team, deals with them directly, hopes for the best

- **Insured via broker:** notifies the broker, who frames the notification, supports the policyholder through the claims process, and acts as advocate if there's a coverage dispute

The broker is on the policyholder's side. The insurer's claims team works for the insurer. Both are governed by the policy wording and FCA rules, but the broker's role is to help the policyholder navigate the process.

#### REGULATORY PROTECTIONS

For commercial customers (most firms buying PI):

- Both direct and broker placements give access to the Financial Ombudsman Service for smaller commercial customers (turnover < £6.5m, fewer than 50 employees)
- FOS jurisdiction covers complaints about the broker as well as the insurer
- The Financial Services Compensation Scheme covers insurer insolvency at 90% for general insurance (no cap)

For larger commercial customers, FOS does not apply. Dispute resolution is via the courts. The broker's value here is largely in marshaling the policyholder's position pre-litigation.

#### ABOUT APEX INSURANCE BROKERS

Apex Insurance Brokers Limited acts as broker for UK professional services firms across PI, cyber, commercial combined and run-off. FCA firm reference number 724952. We disclose remuneration basis on engagement and explain when broker involvement is materially better than direct (most commercial cases) and when direct is fine (very small, very simple firms).

