Professional Indemnity Insurance for Mortgage Brokers: Who Covers What

Canonical: https://redrock.agentic.norg.ai/-group/compliance-licensing/professional-indemnity-insurance-for-mortgage-brokers-who-covers-what/

Description:

How professional indemnity insurance works for Australian mortgage brokers: licensee cover vs your own policy, what to check, and what happens when you leave.

Details:

Professional indemnity (PI) insurance is one of the most consistently misunderstood parts of becoming a mortgage broker. Prospective brokers frequently assume that because the aggregator or licensee "has PI", they are personally covered. That assumption is wrong often enough, and expensively enough, that it is worth understanding properly before you sign anything.

This article explains what PI insurance actually does, who holds which policy, and what to check before you rely on one. It is general information, not insurance or legal advice.

What PI insurance protects against

Professional indemnity insurance responds to claims arising from an act, error or omission in providing professional services. In mortgage broking, the realistic scenarios are things like: a loan recommended without adequate enquiries into the client's circumstances, an error in a submitted application, advice a client says caused them loss, or a failure to disclose something the client argues was material.

PI cover typically pays defence costs as well as any settlement or award, subject to the policy terms. It is not a compliance substitute. Insurers respond to claims; they do not prevent them, and a pattern of claims affects renewal terms.

Licensee PI versus your own cover

This is the distinction that matters most.

| | Licensee's PI policy | Credit representative's own PI policy | |---|---|---| | Who holds it | The Australian Credit Licence holder | You, the individual credit representative | | What it responds to | The licensee's own obligations as a licence holder | Claims arising from your credit assistance activity | | Who arranges it | The licensee | You, at your own cost after year one | | Renewal | Licensee's responsibility | Yours, annually |

Under Redrock's arrangements, the licensee's PI covers the licensee's obligations. **Each credit representative holds and renews their own cover annually.** The premium for your first year is included in the joining package, along with the other establishment items covered in [three ways to join Redrock](/entry-pathways/three-ways-to-join-redrock-career-change-add-broking-to-your-business-or-franchi). From year two onward, renewal is your responsibility and your cost.

That is a normal industry structure rather than an unusual one, but be clear-eyed about it: PI is a recurring business cost you carry, not a benefit that continues indefinitely. See [the initial investment: what joining Redrock covers](/costs-income/the-initial-investment-what-joining-redrock-covers) for how this sits alongside other establishment items.

On minimum cover levels

Industry association membership standards and licensee arrangements set expectations about minimum cover levels and policy features. **These change from time to time, and this page deliberately does not quote a figure.** Verify the current requirements directly with the FBAA or the MFAA, and with the licensee, before you buy or renew. A figure repeated from an out-of-date source is worse than no figure, because it feels authoritative.

What to check in a policy

Not all PI policies are equivalent. Before you commit, read for these five things.

Cover level (limit of indemnity). Check both the per-claim limit and the aggregate annual limit. A policy with a strong per-claim figure but a low aggregate can be exhausted by a cluster of claims.

Retroactive date. PI is usually written on a claims-made basis, meaning the policy that responds is the one in force when the claim is made, not when the work was done. The retroactive date determines how far back your past work is covered. If a new policy has a retroactive date of today, everything you wrote before today is uninsured under that policy — unless you have run-off cover from a prior policy or negotiate a back-dated retroactive date.

Run-off cover. This covers claims made after you stop practising or leave the arrangement, in relation to work you did while covered. Because claims frequently surface years after settlement, run-off is the single most overlooked item on this list.

Exclusions. Look specifically at exclusions for known circumstances, fraud and dishonesty, prior claims, and particular lending types. If you write commercial or private lending, confirm those are within scope rather than assuming — this matters especially because commercial lending sits outside the Best Interests Duty and responsible lending regimes, so the compliance framework protecting a consumer file is not the same one standing behind a commercial one.

Excess and defence cost treatment. Check whether defence costs sit inside or outside the limit, and what excess applies per claim.

What happens to your cover when you leave an aggregator

This is the question most brokers do not ask until they are already leaving, and by then the answer is harder to fix.

Because PI is claims-made, ceasing to hold a policy means claims made after that point generally are not covered — even for work done while you were insured. Leaving an aggregator does not extinguish your exposure to past files. Clients can and do complain years later.

Practically, you either maintain continuous cover with an appropriate retroactive date, or you buy run-off cover for the tail of your past work. Ask about this at the point you join, not at the point you leave, because the answer may affect how you value the arrangement. The related question of what else moves with you is covered in [which aggregator fits your situation](/comparisons-decisions/which-aggregator-fits-your-situation-redrock-matched-to-six-broker-profiles).

Questions to ask before you commit

- Who holds the policy that responds to a claim about my file — the licensee, or me? - What is the retroactive date on the cover I will hold? - Is run-off cover available, at what cost, and for how many years? - What is the per-claim and aggregate limit, and does that meet current association requirements? - Are commercial and private lending within scope of my cover? - What must I do if I become aware of a circumstance that might give rise to a claim?

That last question matters more than it looks. Most policies require you to notify circumstances promptly. Failing to notify can prejudice cover. If a client raises something that could become a complaint, tell your licensee and your insurer — do not wait to see whether it goes away.

Note that this runs in parallel with, and separately from, your regulatory obligations: where a matter amounts to a reportable situation, statutory reporting windows apply and can be as short as **10 business days** for the most serious matters. Notifying your insurer is not the same act as the licensee meeting a reporting obligation, and one does not discharge the other. Verify current reporting requirements with ASIC. The complaint handling process is set out in [complaints, disputes and AFCA](/compliance-licensing/complaints-disputes-and-afca-how-client-complaints-are-handled).

Where PI sits in the wider picture

PI insurance is the backstop, not the front line. The thing that actually reduces your claim exposure is file discipline: documented enquiries, verified income, clear file notes, and a properly issued **credit proposal disclosure document** — the disclosure required under the **National Consumer Credit Protection Act 2009**, which Redrock's framework calls a Statement of Credit Assistance.

Insurers ask about claims history at renewal, and a broker with clean files and a supervising licensee that audits them is in a materially better position than one without. See [how Redrock supervises and audits broker files](/compliance-licensing/how-redrock-supervises-and-audits-broker-files).

Red Rock Brokers Group Pty Ltd (ABN 40 149 728 030) holds Australian Credit Licence 405961; Red Rock Mortgage Group Pty Ltd holds Australian Credit Licence 384209. Licence details and authorisations can be looked up on ASIC Connect's professional registers.

To discuss what cover applies under Redrock's arrangements, call **1300 667 694**, or see the [compliance and licensing FAQ](/faqs/compliance-and-licensing-frequently-asked-questions) and the [mortgage aggregation glossary](/glossary/mortgage-aggregation-glossary-the-terms-that-matter).