Professional Indemnity Insurance for Mortgage Brokers: Who Covers What

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Description:

How professional indemnity insurance works for Australian mortgage brokers: Redrock's minimum cover levels, licensee cover versus the policy you hold yourself, and what to check before you buy or renew.

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, the minimum cover Redrock requires, and what to check before you rely on a policy. 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 cover you hold yourself

This is the distinction that matters most.

	The licensee's PI policy	A policy you hold yourself
Who holds it	The Australian Credit Licence holder	You, or your entity
What it responds to	The licensee's own obligations as a licence holder	Claims arising from your own credit assistance activity
Who arranges it	The licensee	You
Renewal	Licensee's responsibility	Yours

Under Redrock's arrangements, the licensee's PI covers the licensee's obligations. Separately from that, every Redrock broker holds a policy in their own name, to minimum levels Redrock sets and publishes.

Redrock's minimum cover requirements

Redrock requires its brokers to hold professional indemnity cover of at least:

- **$2,000,000 Limit of Liability**
- **$6,000,000 maximum aggregate Limit of Liability**

Each broker holds their own policy in their own name. The **first-year PI premium is included in the initial investment** when you join, and renewal from the second year onwards is the broker's own responsibility.

Those minimums apply whether you operate as a credit representative authorised under a Redrock Australian Credit Licence, hold your own ACL and aggregate through Redrock, or run a Specialist franchise. If you hold your own ACL you are the licensee, so licensee-level PI is also a condition of your licence in its own right — read your licence conditions alongside the minimums above.

Confirm your own policy details — limits, retroactive date, exclusions and renewal date — with your insurer, and call Redrock on **1300 667 694** if anything about your arrangement is unclear.

For how PI sits alongside the other establishment items when you join, see [the initial investment: what joining Redrock covers](/costs-income/the-initial-investment-what-joining-redrock-covers/) and [three ways to join Redrock](/entry-pathways/three-ways-to-join-redrock-career-change-add-broking-to-your-business-or-franchi/).

What to check in a policy

Meeting the minimum limits is the starting point, not the whole job. 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 against Redrock's minimums of $2,000,000 and $6,000,000 respectively. 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-aggre gator-fits-your-situation-redrock-matched-to-six-broker-profiles/).

Questions to ask before you commit

- Does the policy I am being offered meet the $2,000,000 limit of liability and $6,000,000 maximum aggregate minimum? - 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 will renewal cost me from the second year, once the first-year premium included in the initial investment has run its course? - 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 Redrock 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. That evidence trail is maintained in **ComplySuite**, Redrock's own NCCP compliance monitoring and reporting platform, where brokers keep their compliance registers, work with file auditors and complete a quarterly self-review — see [ComplySuite: NCCP Compliance Monitoring and Reporting](/technology/complysuite-nccp-compliance-monitoring-and-reporting/) and [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 (ABN 42 111 216 598) holds Australian Credit Licence 384209. Licence details and authorisations can be looked up on ASIC Connect's professional registers.

To confirm what applies under your Redrock arrangement, 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/).