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Errors & Omissions Insurance Requirements

All mortgage brokerages and administrators are required by law to carry errors and omissions (E&O) insurance in a form approved by the Superintendent, with extended coverage for fraudulent acts. This E&O insurance must cover a minimum of \$500,000 in respect of any one occurrence and \$1 million in respect of all occurrences in a given year. The legal requirements about E&O insurance are in Ontario Regulations 188/08 and 189/08 under the Mortgage Brokerages, Lenders and Administrators Act, 2006 (MBLAA).

The Superintendent has approved the policies of several E&O insurance providers. For a list of these providers, including contact information, refer to FSCO's [E&O insurance providers](#) page.

Since E&O insurance is a licensing requirement, the law requires all mortgage brokerages and administrators to have E&O insurance at all times, whether or not they are doing business, without exception. If a mortgage brokerage's or administrator's E&O insurance policy is cancelled or not renewed, the Financial Services Commission of Ontario (FSCO) must be immediately notified. Failure to comply with this requirement may result in an administrative monetary penalty and/or revocation of the licence.

Errors and Omissions Insurance Audits

2008 Audit

As part of its regulatory activities, in 2008 FSCO conducted audits of all mortgage brokerages to verify if they had the required E&O insurance. Following the collection of insurance information from insurance companies providing E&O insurance policies approved by FSCO, it was determined that as of October 15, 2008, there were a large number of mortgage brokerages that lacked the required coverage.

In response to this problem of non-compliance, FSCO issued 91 Notices of Proposal to take enforcement action against mortgage brokerages that did not have the required E&O insurance coverage. This resulted in 69 licences being revoked or surrendered, and 87 administrative monetary penalties being imposed.

2010 Audit

On October 15, 2010, FSCO conducted an audit of all mortgage brokerages' errors and omissions coverage. As with the 2008 E&O insurance audit, FSCO collected data from insurance providers and contacted those brokerages that did not appear to have the required insurance in place. FSCO took enforcement action - which included imposing administrative monetary penalties and/or revoking brokerage licences - on those brokerages that did not have an approved form of E&O insurance.

To learn more about the enforcement actions taken by FSCO, refer to FSCO's Mortgage Broker Enforcement Online page.

To learn more about E&O insurance, refer to FSCO's [FAQs on E&O Insurance](#).

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E&O Insurance FAQ - Mortgage Brokering Industry



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1. Does a mortgage brokerage require errors and omissions insurance?

Yes. Each mortgage brokerage requires errors and omissions (E&O) insurance with extended coverage for fraudulent acts. By law, the E&O insurance must provide a minimum of \$500,000 coverage in respect of any one occurrence and \$1 million in respect of all occurrences in a given year, involving the brokerage and any mortgage broker or agent authorized to deal or trade in mortgages on its behalf. If the brokerage is also applying for an administrator licence, the administrator must also have E&O insurance in the amounts noted above to separately cover losses involving administrator activities.

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2. Where does it say that a mortgage brokerage must have errors and omissions insurance?

Subsection 7(4) of the [Mortgage Brokerages, Lenders and Administrators Act, 2006](#)  (MBLAA), together with section 42 of [Ontario Regulation 188/08 - Mortgage Brokerages: Standards of Practice](#) , establish the requirement for licensed mortgage brokerages to have errors and omissions insurance with extended coverage for fraudulent acts.

3. Do mortgage agents and brokers require separate errors and omissions insurance from their mortgage brokerage?

No. Mortgage agents and brokers do not require separate E&O insurance from their mortgage brokerage, as they are covered under the mortgage brokerage's errors and omissions insurance policy.

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4. My mortgage brokerage also holds a mortgage administrator licence. Do I need two errors and omissions insurance policies?

Businesses that are dually licensed as both a mortgage brokerage and administrator have the flexibility of choosing either one of the following options in arranging their E&O insurance coverage:

a) Obtain separate E&O insurance policies for their mortgage brokerage and administrator activities. Each policy must provide coverage of at least \$500,000 in respect of any one occurrence and \$1 million in respect of all occurrences in a given year.

OR

b) Obtain one E&O insurance policy that covers business activities of both the mortgage brokerage and administrator. This policy must provide coverage of at least \$1 million in respect of any one occurrence and \$2 million in respect of all occurrences in a given year. The combined policy may, but is not required, to allocate these limits between the mortgage brokerage and administrator. If there is no separation of limits between the two types of business, the total amount of coverage may be available to pay claims as needed, regardless of whether they arise from the brokerage's or administrator's activities.


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5. I already have errors and omissions insurance under another licence/registration that I hold. Will this insurance cover me for mortgage brokering?

No. Your errors and omissions insurance policy must be with an approved insurer that covers mortgage brokering activities. See [FSCO's list of insurance providers](#).

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6. Why does FSCO impose administrative monetary penalties?

An administrative monetary penalty may be imposed under section 39 of the [Mortgage Brokerages, Lenders and Administrators Act, 2006](#)  (MBLAA), and in accordance with Ontario Regulation 192/08, in order to:



- promote compliance with the requirements under the MBLAA; and

- prevent a person or entity from deriving - either directly or indirectly - any economic benefit as a result of contravening or failing to comply with a requirement established under the MBLAA.

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7. My mortgage brokerage is currently not conducting mortgage business. Why is errors and omissions insurance necessary?

This requirement applies to all licensed mortgage brokerages and is not dependent on whether or not your mortgage brokerage is conducting mortgage business. Having errors and omissions insurance is a condition of having a mortgage brokerage licence, effect on July 1, 2008.

Subsection 7(4) of the [Mortgage Brokerages, Lenders and Administrators Act, 2006](#)  (MBLAA), together with section 42 of [Ontario Regulation 188/08 - Mortgage Brokerages: Standards of Practice](#) , requires licensed mortgage brokerages to have errors and omissions insurance with extended coverage for fraudulent acts, as a condition of holding a licence.

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8. Does FSCO post information on its enforcement activities online?

Yes. [Enforcement Online](#) provides information on FSCO's prosecution activities, the decisions arising out of the hearings conducted by the Financial Services Tribunal, and other regulatory activities that help ensure consumer confidence in the financial services sectors that FSCO regulates.

If a mortgage brokerage has its licence suspended, FSCO will also update the information on [Licensing Link](#) – FSCO's online registry of licensed mortgage brokerages. [Licensing Link](#) should always be checked for current information.

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