



Fannie Mae Multifamily Insurance Requirements

Updated: 10/30/2025

General Policy Requirements

- Cancellation provisions must afford the Lender notification of cancellation at least 30 days prior to any policy reduction or cancellation; except for instances of non-payment where at least 10 days' notice is acceptable
- Policy should be for a term of no less than one year; unless coverage is provided on an existing policy that has less than 12 months remaining in its current term
- ACORD 28 forms for property and ACORD 25 for general liability will be considered acceptable evidence of temporary insurance at closing and upon each subsequent renewal, with full policies due to lender within 90 days of renewal
- Coverage must be provided by insurance companies that carry an AM Best rating of A- or better with a financial size category of VII or better, except for State-sponsored insurance programs and insurers participating in NFIP
- Property address must be clearly identified on all evidence; with mortgagor listed as a named insured on all policies
- Premiums covering the first full year, or remainder of the policy term must be paid in full at closing. Premiums are required to be paid in full at each renewal, with copies of paid in full receipts provided to lender
- Lender is required to be listed as Mortgagee and Loss Payee on property coverage and Additional Insured – Mortgagee, Assignee, or Receiver on liability coverage.

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Property

- Peril form must be written using Special Peril Coverage (without exclusions for Wind/Hail and Named Storm) and contain an Inflation Guard Endorsement
- Limit of coverage must be at least 100% of the insurable value for single building properties, or 90% of the insurable value for properties with multiple buildings
 - If coinsurance is present, limit must be equal to 100% of the insurable value and be offset by an agreed value endorsement.
- Property form must be Replacement Cost, actual cash value is only acceptable for roofs
- Deductibles may not exceed:
 - \$50,000-policies less than \$10M
 - \$100,000-policies \$10M or greater
 - \$250,000 for Blanket Policies with shared limits
- Wind/Hail (unrelated to catastrophic peril) may not exceed 5% of the TIV or required property deductible if expressed as a dollar amount.

Business Income

- Coverage for business income must be included for all required coverages including windstorm, flood, earthquake, terrorism, etc.
- Required in an amount equal to Actual Loss Sustained for 12 months, Effective Gross Income from most recent annual reporting, or NOI plus continuing expenses
- Deductible cannot exceed the maximum deductible allowed for the property insurance policy or 3 days (72 hours)
- For loans >\$35M, a 90-day extended period of indemnity option must be included



Ordinance or Law

- Ordinance and Law is required for properties that represent “non-conforming” uses under current building, zoning or land use laws or ordinances and must be included for all perils, even if insured via a standalone policy
 - Coverage A (loss to undamaged portion) must equal the insurable value minus the damage threshold
 - Coverage B (demolition cost) & Coverage C (increased period of restoration) must equal 10% of the insurable value each or 20% when combined
 - For properties housing any buildings 5 stories or taller, coverage must include Coverage D (Increased Period of Restoration)

Equipment Breakdown or Boiler & Machinery

- Required for any buildings with high-pressure, centralized HVAC, boilers, or other vessels in operation
- Coverage must be equal to 100% of the Insurable Value of the building(s) that house the equipment
- Deductibles are subject to maximums outlined in property section above
- If coverage is provided by a policy separate carrier, both the property and equipment breakdown policies must include a joint loss agreement

Terrorism

- Coverage must be provided at 100% of the insurable value for both property damage and liability exposures
- Deductibles may not exceed the maximum deductibles outlined in the above property section

Flood

- Coverage is required for any improvements located in a SFHA starting with ‘A’ or ‘V’ that either produce income or support amenities
- Required coverage should equal at least 100% of the insurable value for the first 2 floors above grade, in addition to any improvements below grade
- Contents coverage must be provided for any borrower-owned contents or business personal property
- Business Income required in an amount equal to at least 12 months of effective gross income or rental values for buildings located in SFHA
- Private/Excess Flood deductibles are subject to the following limits:
 - First Layer building coverage cannot exceed
 - \$50,000 per building for properties with 10 or less buildings located in SFHA
 - \$500,000 per occurrence for properties with more than 10 buildings located in SFHA
 - Business Income/Rental Value deductibles cannot exceed
 - 15 day waiting period, when expressed as number of days
 - \$100,000 per occurrence when expressed as a dollar figure

Earthquake

- If coverage is deemed required by Fannie Mae, the amount must be equal to at least 100% of the insurable value
- Waiting period cannot exceed 15 days
- Deductible cannot exceed the greater of 7.5% of the collateral’s total insurable value or the maximum deductibles outline in the property section above



Named Storm

- The property must have separate windstorm insurance if the Special Causes of Loss Form excludes any type of wind related catastrophic event and is located in a Tier 1 named storm county (as defined by the insurer)
- Coverage must equal at least 90% of the total insurable value on a standalone policy, and the largest individual property on a blanket policy
- For any buildings located in the 500-year flood zone, the policy providing named storm coverage must cover costs due to flooding as a result of storm surge or maintain flood coverage equal to the maximum available through NFIP
- Deductible cannot exceed 7.5% when expressed as a percentage, or the maximum deductibles outlined in the property section above if expressed as a dollar figure

Localized Perils

- Coverage is required for properties located in areas prone to localized perils such as sinkhole, mine subsidence, volcanic eruption, and avalanche (states with known sinkhole/mine subsidence risk and insurance programs include IL, KS, WY, PA, CO, IN, KY, and WV)

Liability

- All liability policies must provide coverage outlined below without sub limits or exclusions for bodily injury, property damage and personal injury
 - This includes, but is not limited to, exclusions for Assault & Battery, Abuse & Molestation, Animal Attacks, and Firearms
- General Liability coverage must provide at least \$1M per occurrence & \$2M aggregate limit
- Aggregate limits must apply per location if the policy covers multiple locations.
- Excess/Umbrella liability is required in amounts listed below, based on aggregate units covered by the policy:
 - \$1M for policies that cover up to 250 units
 - \$2M for policies that cover 251 - 500 units
 - \$3M for policies that cover 501 – 1,000 units
 - \$5M for policies that cover 1,001 – 2,000 units
 - \$10M for policies that cover 2,001 – 5,000 units
 - \$15M for policies that cover 5,001 – 10,000 units
 - \$20M for policies that cover more than 10,000 units
- Maximum deductibles or self-insured retention or combined deductibles or self-insured retention for both the underlying and Excess cannot exceed:
 - \$50,00 for total insurable value for specific limit policies
 - \$250,000 for total insurable values for blanket policies

Professional Liability

- Required for Senior Housing Properties providing any level of healthcare, at limits of at least \$1M per claim or per occurrence & \$2M aggregate limit
- Aggregate limits must apply per location if the policy covers multiple locations.
- If coverage is switched from a claims-made policy to an occurrence-based policy, consider adding retroactive or tail coverage to ensure past exposure remains protected.
- Excess/Umbrella required as follows:
 - \$2M for properties housing 1-100 licensed beds
 - \$5M for properties housing 101-500 licensed beds
 - \$10M for properties housing 501-1,000 licensed beds
 - \$20M for properties housing over 1,000 licensed beds



Fidelity Bond/Crime Coverage

- Coverage is required for properties owned by a cooperative organization, in an amount sufficient to cover cooperative maintenance fees for at least 3 months
- Maximum deductible cannot exceed \$25,000

Directors and Officers Liability

- Required for Cooperative organization in an amount not less than \$1M per claim or per occurrence
- Maximum deductible cannot exceed \$50,000.

The requirements referenced above are a summary and should not be interpreted as an exhaustive list of Fannie Mae requirements. Please reach out to your insurance contact at Lument for additional details regarding any of the Fannie Mac requirements.