Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 503 Liability Insurance

503.01 Generally

☑ Requirements

You must ensure:

- when the Commercial General Liability and professional liability policy covers multiple locations, general aggregate limits apply per location;
- each Property and Borrower is covered throughout the Mortgage Loan term by liability insurance for
  - bodily injury,
  - Property damage, and
  - personal injury;
- the liability policy does not contain exclusions for claims related to
  - assault and/or battery,
  - abuse and molestation,
  - animal attacks, or
  - firearms; and
- any liability policy exclusions:
  - are appropriately tailored to the Property's potential exposure; and
  - do not otherwise diminish or eliminate coverage reasonably expected to be provided per a liability policy.

503.02 Commercial General Liability Insurance

☑ Requirements

You must ensure the general liability insurance coverage is at least

- $1 million per occurrence/$2 million general aggregate limit, plus
- excess/umbrella insurance as follows:

If the number of aggregate units covered by the policy is...	The minimum excess/umbrella insurance coverage is...
Up to 250	$1 million
251 - 500	$2 million
501 - 1,000	$3 million
1,001 - 2,000	$5 million
2,001 - 5,000	$10 million
5,001 - 10,000	$15 million
More than 10,000	$20 million

The following maximum deductibles or self-insured retention, or combined deductible and self-insured retention, apply to

- general liability,
- umbrella/excess liability, and
- professional liability.

Maximum Deductibles for All Other Perils	
For...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Specific Limit Insurance Policy	
Specific Limit Policies	$50,000
Blanket Deductibles	
Blanket Policies	$250,000
Expanded Deductibles[1]	
Policies other than NFIP less than $10 million	$100,000
Policies other than NFIP $10 million or more	$150,000

Maximum Deductibles for All Other Perils
1 Expanded deductibles must meet all of the following: • the Borrower evidences liquid assets equal to at least 4x the deductible amount; • the Mortgage Loan - has a Pass rating, - is not currently delinquent, and - has not been delinquent within the last 12 months; • the Property Condition Rating is a 2 or better; and • you annually review the Mortgage Loan's eligibility.

You must ensure the aggregate coverage meets or exceeds the required minimum limits using any combination of

- primary liability insurance, and
- excess/umbrella insurance coverage.

Guidance

You may include general liability exclusions within the scope of ISO Form CG 00 01 04 13, or its equivalent.

The maximum deductible amount, per occurrence, is the combined deductible for both the

- underlying general or professional liability, and
- excess/umbrella liability.

503.03 Professional Liability Insurance

Requirements

If a Seniors Housing Property provides any level of healthcare, you must ensure the:

- Property has professional liability insurance covering
  - professional errors and omissions,
  - medical malpractice, and
  - all types of abuse; and
- coverage is at least

- $1 million per claim or per occurrence/$2 million general aggregate limit, plus
- excess/umbrella insurance as follows:

If the number of licensed beds is...	The minimum excess/umbrella insurance coverage is...
1 - 100	$2 million
101 - 500	$5 million
501 - 1,000	$10 million
Over 1,000	$20 million

You must ensure:

- for a Property with Assisted Living beds, Independent Living beds are not counted when determining the minimum coverage limit;
- when general liability insurance and professional liability insurance coverages are combined under an excess/umbrella insurance policy, the coverage meets the higher minimum limit of the 2 underlying coverages; and
- the maximum deductible for professional liability insurance does not exceed the applicable maximum amount per Part II, Chapter 5: Property and Liability Insurance, Section 503.02: Commercial General Liability Insurance.

Guidance

If coverage is switched from a Claims-Made Policy to an Occurrence-Based Policy, consider adding retroactive or tail coverage to ensure past exposures remain protected.

503.04 Workers' Compensation Insurance

Requirements

You must ensure:

- the Property has workers' compensation and employer's liability insurance (including terrorism coverage), if required where the Property is located; and
- coverage meets the statutory limits.

503.05 Directors' and Officers' Liability Insurance

☑ Requirements

You must ensure for each Property owned by a Cooperative Organization, that each Borrower maintains directors' and officers' liability insurance with:

- coverage equal to at least $1 million per claim or per occurrence; and
- a deductible less than or equal to $50,000.

Glossary

A

Assisted Living	Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority. **Synonyms** • AL

B

Blanket Policy	Insurance policy providing coverage for multiple properties and/or multiple perils. **Synonyms** • Blanket
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Cooperative Organization	Corporation or legal entity where each shareholder or equity owner is granted the right to occupy a unit in a multifamily residential property under a proprietary lease or occupancy agreement.
Cooperative Property	Multifamily residential property owned by a Cooperative Organization. **Synonyms** • Co-op • Cooperative

G

Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

I

Independent Living	Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units. **Synonyms** • IL
Insurable Value	For any Property, the estimate of the maximum dollar amount needed to replace, repair, or reproduce the Property, but excluding any land value. **Synonyms** • Insurable Values

M

Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by • the Loan Documents, or • a mortgage debt obligation with a Fannie Mae credit enhancement. **Synonyms** • Mortgage Loans • Mortgage Loan's

N

National Flood Insurance Program	Program of flood insurance coverage and floodplain management administered under the National Flood Insurance Act. **Synonyms** • NFIP

P

Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's
Property Condition Rating	An assessment of the Property's overall condition per the MBA Standard Inspection Form, expressed on a scale from 1 (the best Property Condition Rating) to 5 (lowest Property Condition Rating). **Synonyms** • Property Condition Ratings

S

Seniors Housing Property	Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units. **Synonyms** • Seniors Housing • Seniors Housing Properties

T

Total Insurable Value	For any Property, the sum of the full value of the insured's: • covered Property; • Property-related business income values; and • any other covered Property interests. **Synonyms** • Total Insurable Values