



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 501.03B Windstorm Insurance

### Requirements

You must ensure the:

- Property has separate windstorm insurance if the Special Causes of Loss Form excludes any type of wind-related Catastrophic Event;
- coverage equals at least 100% of the insurable value;
- valuation does not rely solely on Probable Maximum Loss (PML) calculations; and
- deductible does not exceed the greatest of
  - 10% of the insurable Property value,
  - the applicable maximum amount per [Part II, Chapter 5: Property and Liability Insurance, Section 501.02A: Minimum Coverage Amounts](#), and
  - for business income insurance, the greater of
    - the maximum deductible for the property insurance policy, or
    - an amount equal to 15 days of business income or equivalent.

### Guidance

If a business income insurance deductible is stated as a total dollar amount, you should:

- calculate the deductible on a per day basis; and
- ensure the aggregate per day amount does not exceed 15 days of income.

For example:

If the business income requirement is \$1,000,000, and the policy indicates a business income deductible of \$100,000, and the maximum deductible allowed for the Property is the greater of (a) \$25,000, or (b) an amount equal to 15 days of income, the policy is not compliant since:

- \$1,000,000 divided by 365 equals \$2,740 per day;
- \$2,740 multiplied by 15 days equals \$41,095; and
- \$100,000 is higher than both the allowed \$25,000 Property deductible



and the total 15-day calculation.

If catastrophic windstorm coverage is unavailable in the market, Fannie Mae will consider approving 1 of the following options:

- a state insurance plan; or
- state-managed insurance pool for
  - windstorm, or
  - beach erosion.

Catastrophic windstorm coverage:

- includes hurricane and tropical storm damage; and
- may be categorized or defined in the insurance policy using terms such as
  - named storm, or
  - tier one, etc.

If windstorm coverage is unavailable or is not economically feasible, you may submit the following for Pre-Review:

- a recommendation for a reasonable coverage amount, given the exposure and based on your knowledge of the Property and Borrower;
- all compelling reasons for approving the request;
- the Property's precise location;
- blanket analysis per [Part II, Chapter 5: Property and Liability Insurance, Section 501.01B: Blanket and Other Policies Covering Multiple Properties](#);
- construction analysis; and
- any financial mitigants available.



# Glossary

## B

**Borrower** Person who is the obligor per the Note.

### **Synonyms**

- Borrowers
- Borrower's

## C

**Catastrophic Event** Natural or man-made hazard resulting in an event of substantial extent causing

- significant physical damage or destruction,
- loss of life, or
- drastic change to the natural environment, such as
  - earthquake,
  - flood,
  - terrorist attack, or
  - windstorm.

### **Synonyms**

- Catastrophic Events

## P

**Pre-Review** Requirement that you obtain Fannie Mae's approval before you Rate Lock a Mortgage Loan.

**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