| Announcements | Issue Date |
|---|---|
| Announcement SEL-2026-07 | August 05, 2026 |
| Announcement SEL-2024-01 | February 07, 2024 |
| Announcement SEL-2022-10 | December 14, 2022 |

# B7-3-04, Property Insurance Requirements for Individual Units in a Project Development (08/05/2026)

Introduction
This topic contains information on property insurance requirements for individual units in project developments, including:



## Overview

See *Overview* in B7-3-03, Master Property Insurance Requirements for Project Developments for definitions of common elements and residential structures and additional information on requirements for master property insurance policies covering project developments.

## Determining if a Unit Owners Property Insurance Policy is Required

The borrower must have a unit owners property insurance policy when:

- any portion of the interior of the unit or improvements to the unit are not covered by the master property insurance policy, or
- the master property insurance policy includes a per unit deductible.

See *Determining if a Master Property Insurance Policy is Required* in B7-3-03, Master Property Insurance Requirements for Project Developments for determining when a master property insurance policy and/or a unit owners property insurance policy is required.

## Required Perils

The unit owners property insurance policy should be written on a "Special" coverage form or equivalent. At a minimum, the coverage must include the perils listed in the following table.

| ✓ | Required Perils |
|---|---|
| | Fire or lightning |
| | Explosion |
| | Windstorm (including named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number) |
| | Hail |
| | Smoke |
| | Aircraft |
| | Vehicles |
| | Riot or civil commotion |

If the master property insurance policy includes a per unit deductible applicable to a specific required peril, the unit owners property insurance policy must include coverage for that peril.

If the unit owners property insurance policy excludes or limits coverage of any of the required perils, the borrower must obtain an acceptable policy (e.g., stand-alone policy) that provides adequate coverage for the limited or excluded peril (see B7-3-05, Additional Insurance Requirements for additional information).

## Coverage Sufficiency

Coverage sufficiency for a unit owners property insurance policy is determined based on the coverage amount and the policy's loss settlement terms.

**Coverage Amount**

The minimum amount of coverage required for a unit owners property insurance policy must be at least equal to the greater of:

- an amount sufficient to cover any portion of the interior of the unit or improvements to the unit not covered by the master property insurance policy in order to restore the unit to its condition prior to a loss event; or

> **Note:** Coverage sufficiency should be based on the best information known or available to the lender or servicer, which may include information obtained from the borrower, in collaboration with the insurer or insurance agent, the HOA or co-op corporation legal documents, or other professional with appropriate expertise to make such a determination.

- the amount of the per unit deductible, if the master property insurance policy has a per unit deductible.

Fannie Mae recommends that lenders and servicers encourage borrowers to closely collaborate with an insurance professional to determine their individual insurance needs.

**Loss Settlement**

The unit owners property insurance policy must provide coverage on a replacement cost basis.

## Maximum Deductible

The maximum allowable deductible for a unit owners property insurance policy for all required property insurance perils is the greater of:

- 5% of the property insurance coverage amount, or
- $2,500.

## Additional Requirements

See B7-3-08, Mortgagee Clause, Named Insured, and Notice of Cancellation Requirements for requirements applicable to a loan secured by a unit in a project development.

Recent Related Announcements

The table below provides references to recently issued Announcements that are related to this topic.

| Announcements | Issue Date |
|---|---|
| Announcement SEL-2026-07 | August 05, 2026 |
| Announcement SEL-2022-10 | December 14, 2022 |
| Announcement SEL-2021-11 | December 15, 2021 |