

# Know Your Limits: Insights on Statutory Minimum Limits for Nursing Facilities

Article By:

Aaron J. Campbell

Katherine J. Henry

---

How much insurance does my organization need? This conundrum impacts policyholders from small businesses needing single policies to Fortune 500 companies placing complex, multimillion-dollar insurance towers. For owners and operators of skilled nursing facilities, deciding on the right limits of liability insurance is not just a question of evaluating and balancing the risk of third-party claims to your organization – it can be a question of statutory compliance as well.

While many states do not require nursing facilities to maintain minimum levels of liability insurance, those states that do can pose serious regulatory risks to unwary policyholders. For example, in Virginia, certified nursing facilities must maintain minimum general liability insurance limits of \$1 million and minimum professional liability limits of \$2.65 million (VA ST § 32.1-127). The required professional liability limits increase every year, and by 2030 certified nursing facilities must maintain \$2.95 million in limits (VA ST § 8.01-581.15). Failure to maintain these limits can lead to revocation of the facility's license (VA ST § 32.1-127). Pennsylvania's complicated statutory scheme of minimum professional liability insurance for non-hospital healthcare providers ranges up to \$1 million in minimum per-occurrence limits and \$3 million in aggregate limits (40 P.S. § 1303.711). Failure to submit proof of proper insurance can lead to license suspension or revocation. In Colorado, a condition of active licensure for healthcare institutions is maintenance of \$500,000 per occurrence and \$3 million in aggregate limits (C.R.S.A. § 13-64-301).

Because minimum liability limits in the healthcare industry are not standardized, identifying the applicable statute may not be simple. For example, the Virginia law is found in the Virginia health code, the Pennsylvania law is found in the Pennsylvania insurance code, and the Colorado law is part of the "Health Care Availability Act" – which is itself part of Colorado's "Court and Court Procedure" statutory scheme.

A facility may only discover a failure to comply with regulatory limits when facing a serious liability claim. In that case, the insured may find itself fighting on two or even three fronts – with the underlying claimant to resolve the case, with its insurance company to fight for additional coverage, and potentially with the state to prevent or minimize regulatory consequences.

Because of the potential complexity of compliance and the consequences for noncompliance, insureds should ensure they are complying with minimum liability limits. This includes confirming with their brokers that current policies comply with applicable minimum limits in the states where they operate facilities. If the answer is no, the insured should seek an immediate and retroactive endorsement that complies with state requirements. At renewal, insureds should work with their broker and legal counsel to ensure continuing compliance. The correct solution will depend on the risk management strategy and goals of the policyholder, as well as the organizational structure. For example, policyholders operating numerous facilities may form LLCs for each facility and purchase insurance for each LLC. Others may insure numerous facilities under a master policy.

Insureds operating facilities across numerous states could choose among the following potential options when procuring liability coverage to ensure compliance with minimum limit requirements:

- A separate policy for each facility providing the minimum limits required for the state where that facility is located;
- A separate policy for each state where the policyholder operates that provides the requisite minimum limits for each facility in that state;
- A master policy with separate endorsements amending the policy limits by location; or
- A master policy providing the highest minimum limits of all states where the policyholder operates.

Operating a skilled nursing facility requires complying with a dizzying array of statutes and regulations. Ensuring that your facilities procure the required insurance limits may be simple by comparison, but it is a crucial step in ensuring protection from both third-party claims and regulatory compliance risk.

© 2025 Bradley Arant Boult Cummings LLP

---

National Law Review, Volume XV, Number 156

Source URL: <https://natlawreview.com/article/know-your-limits-insights-statutory-minimum-limits-nursing-facilities>