

## **La Mirage at Aliso Viejo Homeowners Association**

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To: La Mirage at Aliso Viejo Homeowners Association Members

From: Board of Directors

Re: Members' Obligation to Repair and Insurance

Date: May 2025

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Homeownership comes with many rewards, and for those of us who live in La Mirage, we know that the rewards greatly outweigh the burdens. But when the unexpected occurs and homeowners are unprepared, the burdens of homeownership can be substantial. For that reason, we would like to take this opportunity to remind homeowners of one of the obligations of homeownership and the importance of insuring against the unexpected.

Section 10.3 of the CC&Rs provides that, except for what may be covered under the Association's master insurance policy, the homeowner is responsible for the following:

... restoration and repair of any damage to the interior of any individual Residence, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the Owner of the Residence so damaged.

As a result, if a roof leaks, a toilet overflows, or a plumbing line bursts, the CC&Rs make the homeowner solely responsible for the interior repairs. You are also responsible for damage to your personal property.

The Association's master insurance policy may provide coverage for some interior repairs in larger events, but it will provide no coverage for most leaks for two reasons. First, the policy has a \$20,000 deductible. That means that a claim must involve more than \$20,000 of damage before the policy is triggered. The policy does not cover repairs to the thing that broke. Thus, the \$20,000 is only based on components that were damaged (e.g., flooring, drywall, baseboard, paint, etc.) and does not include personal property, like furniture. Second, the policy does not cover "betterments." For example, if there is a very large claim that includes your travertine flooring, the insurance carrier will only provide coverage for builder-grade flooring, not your upgrade.

Many homeowners falsely believe that they do not have to obtain their own insurance policy because the Association has an insurance policy. This is untrue. Section 9.3 of the CC&Rs provides, in pertinent part, as follows:

Right and Duty of Owners to Insure. It is the responsibility of each owner to provide insurance on his personal property and upon all other property and Improvements within his Unit for which the Association has not purchased insurance in accordance with Section 9.1 hereof. Nothing herein shall preclude any Owner from carrying any public liability insurance as he deems desirable to cover his individual liability for damage to person or

property occurring inside his individual Unit or elsewhere upon the Property.

Again, the Association's policy does not provide all the protection that a homeowner may need, and in most of the water damage events that occur in La Mirage, the Association's policy will not provide coverage because of the \$20,000 deductible. That means that if the homeowner does not have their own condominium owner's insurance policy, the homeowner will have to pay for the interior repairs out of pocket. Even when the damage is greater than \$20,000, the homeowner may be responsible for paying the first \$20,000 in repair costs because of the deductible, as well as the difference in replacement cost between builder-grade materials and the materials actually used in the home.

Additionally, there are items covered under the homeowner's policies that are not covered under the Association's master policy. Here are some examples of coverage that must be purchased by individual homeowners:

1. The Association (master) policy, generally, will not cover personal items such as clothes and furniture. It also does not cover upgrades, such as granite countertops, custom cabinetry or improvements to walls or floors. Coverage for these items is generally provided under individual homeowner policies.

2. Personal liability coverage is provided under a homeowner's policy. This type of coverage protects you personally if there is an injury in your home, and normally your insurance carrier will provide an attorney for you.

3. If a homeowner must be relocated during reconstruction, it is normally the homeowner's policy that picks up the costs for relocation expenses. Relocation costs may be very high if you cannot occupy your home because of testing or ongoing repairs. Additionally, most policies will pay for living expenses during the relocation. Off-site owners can purchase loss of rent coverage as well.

4. The homeowner's policy may pay the deductible under the master policy or pay claims that are uncovered under the master policy. This is very important. The Association currently has a deductible of \$20,000. That means that if the total amount of damage sustained is under or around \$20,000, the master insurance policy will be of no help. And, if you sustain massive damage and must utilize the master policy, the \$20,000 deductible may be paid by your insurance carrier. Homeowner and renter's policies generally have much lower deductibles.

5. Lastly, homeowners should be aware of Loss Assessment Coverage. Loss Assessment Coverage offers protection against a homeowner's portion of a Loss Assessment levied by the Association on all members for an insured peril (or the deductible). Homeowners are encouraged to discuss their coverage options with their own insurance agents.

Please take this opportunity to purchase insurance if you have not already done so or, if you have a policy, to have a conversation with your insurance agent to determine if you have purchased all the protection that you need.