Can a Park Owner Legally Require a Homeowner to Maintain Insurance on their Home?

By Bruce Stanton, GSMOL Corporate Counsel

The Issue:

This question has arisen over the years, but until only recently has not been forced upon homeowners with the threat of a possible eviction. However at least one park owner who owns and operates many communities has issued written notice that all homeowners must now maintain insurance on their homes in a minimum amount of $100,000 coverage, with the park owner named as an additional insured. The question is whether this is a legally enforceable demand.

For the following reasons, I do not believe that it is enforceable.

The Role and Importance of Homeowner's Insurance:

I must begin by stating that I would never advise any homeowner not to carry a policy of insurance which protects their home from loss, and themselves from liability. Failing to insure what is often one's most substantial investment is a risky game to play, especially in the current volatile weather environment of fires, floods, storms and mudslides. Budgeting for this protection should be a priority when affordable. Just ask those homeowners who were burned out of their park in the Palisades area in January, 2025, and may not have carried coverage for their homes. They lost everything, with no way to be compensated for their loss. Liability protection is also important in the event that anyone who visits the home slips and falls or sustains an injury. So carrying insurance is an essential part of home ownership, and is typically required by a lender if there is a loan against the home.

But what if a homeowner literally cannot afford to buy an insurance policy?

And what possible benefit would a homeowners' policy be to a park owner?

The Park Owner's Ability to Require Insurance

Contrary to motor vehicle laws, I am not aware of any law requiring a mobile homeowner to maintain liability insurance. A park owner must have a proper foundation upon which to base a demand that a homeowner take action, such as carrying insurance. Absent such a legal foundation, such would take the form of a rule or regulation. Without that foundation, no such demand can legally be made. And so the first inquiry is whether the park owner has properly enacted a rule or regulation requiring homeowners' insurance. If they have not, then no such demand can be made. Merely creating a new" policy" or sending out a letter is not enough. The requirement must be contained in a document which is part of the tenancy contract.

The "Reasonableness" Test for an Enforceable Rule or Regulation

But that is just the first step in the analysis. The next question, assuming that such a rule or regulation has been properly enacted, and in compliance with the requirements of Civil Code 798.25, is whether the rule can be enforced.

Civil Code 798.56 (d) contains one of the seven authorized reasons for terminating a moblehome tenancy; i.e. failure to follow a "reasonable" rule or regulation following a 7-day notice. And so we know that in order to be enforceable a rule or regulation must be "reasonable". How do we define that term, which might have different meanings for different people?

The test for "reasonableness" should be based upon the following factors:

-What is the purpose for the rule? What problem is it meant to solve and what would be its benefit to the park community?

-How much effort, work or time is required for the homeowner to comply with the rule, and is compliance possible?

-What is the financial cost for the homeowner to comply?

Each of these factors should be examined in connection with the insurance requirement, to determine whether it is in fact "reasonable":

Purpose of the Rule/Problem to be Solved?

While it could be argued that having such a rule is for the homeowner's own benefit, making it a mandatory condition of tenancy and the ability of the homeowner to reside in the park requires something more; i.e. is there a good reason why the park owner would need to require it? Park owners obviously must carry their own liability insurance to cover their park operations and the common areas of the park. Homeowners cannot obtain insurance to cover those assets. Park owners do not own the homes, and thus have no obligation to insure them; they are the personal property of the homeowners. So to what benefit is a homeowner's policy to the park owner? The answer is debatable at

best, and would seem to be rooted in the park owner's desire to be "over insured". Thus their requirement that the park be named as an additional named insured on the policy. Requiring this additional "layer" of coverage is an obvious desire for a park owner if they can get away with requiring it, but hardly a necessity of doing business. Nor is any risk posed to the park owner if a homeowner does not have their own coverage; the park owner is still insured, and is not in any way damaged by the homeowner's loss. The only "problem" being solved would appear to be: How can a park owner achieve maximum insurance protection in theory, beyond what it chooses to buy?

Could it be that a park owner's insurance cost is less if it can show its carrier that homeowners have named them as "additional insured" on their policies? If the only possible benefit is to the park owner, which may be a "long shot" benefit at best, then it is not a true "problem" to be reasonably solved by making homeowners pay for it. Park owners have survived fine for decades without such a requirement, and can continue to do so.

Is Compliance Possible?

It must be questioned whether a homeowner's liability policy can name the park as an "additional insured" if the homeowner does not own or operate the park or its assets. It is doubtful that some insurers would even agree to write such a policy, and there could undoubtedly be an extra cost involved.

The Financial Cost

This is important, for if a homeowner literally cannot afford to carry their own insurance (perhaps $100.00 per month) should they be at risk of eviction for not providing the park owner's desired "extra" coverage? The question seems to answer itself. Such a result could hardly be deemed "reasonable".

Conclusion

Requiring a homeowner to bear the cost of a liability insurance policy which they may not be able to afford, and who's only purpose is to provide perceived extra liability protection to the park owner, fails the test of "reasonableness", and thus is likely not enforceable.

PRACTICE POINTERS:

-Instead of a blanket demand that a homeowner carry insurance or face eviction, park rules could take a more measured approach. They could strongly encourage that homeowners obtain coverage, and could legitimately require that any homeowner who cannot provide evidence of insurance should sign a hold harmless protecting the park from any liability associated with loss or injury to their home or personal property possessions. Such would be "reasonable", and serve as further encouragement for those homeowners who can afford insurance to obtain it.

-If the park owner is named on any insurance policy, it should only be for the limited purpose of receiving any notice of cancellation or termination, so that the above-mentioned hold harmless would then become relevant, but not as an additional named insured for coverage purposes.

-I have yet to see any park owner attempt to evict a homeowner for not having insurance. Such a case could pose significant financial risk to the park if they were to lose it, and have to pay the homeowner's attorney's fees and costs. If a homeowner can prove they cannot afford the coverage, or are unable name the park as "additional insured" without extra cost, they would seem to have an excellent defense to such an action, so as not to become homeless.