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Bringing Bright Ideas to the Neighborhood





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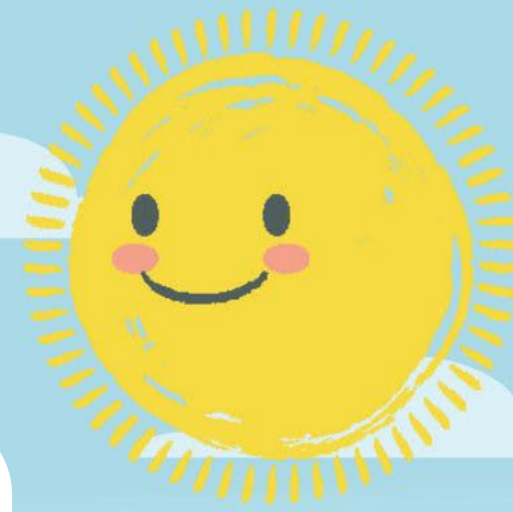


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To Rewrite or Not to Rewrite?

Speakers:



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Why This Topic Matters Now

- Many governing documents are outdated
- California laws have evolved significantly
- Increased litigation and insurance scrutiny
- Rising premiums due to vague or conflicting language
- Community needs and risks shift over time
- Negative impacts on lending and property values

What Are Governing Documents?

- **CC&Rs** – Covenants, Conditions & Restrictions
- **Bylaws** – Internal governance framework
- **Articles of Incorporation** – Legal foundation of the association
- **Rules & Regulations** – Operational and behavioral guidelines



Signs It's Time to Update

- Conflicts with current state law (e.g., SB 323, AB 130)
- Ambiguities or outdated language
- Contradictions between documents
- Unclear maintenance responsibilities
- Operational inefficiencies and enforcement challenges
- Lack of flexibility and options to address current issues

Amendments vs. Full Rewrites

- **Amendments** – Targeted changes to specific sections
- **Full Rewrites** – Comprehensive document overhauls
- When to amend vs. when to start fresh
- Pros and cons of each approach



Legal Triggers to Watch

- New laws (e.g., AB 130)
- Common disputes or enforcement issues
- Increased liability exposure
- Insurance and maintenance inconsistencies
- Outdated, not enforced, or unenforceable provisions

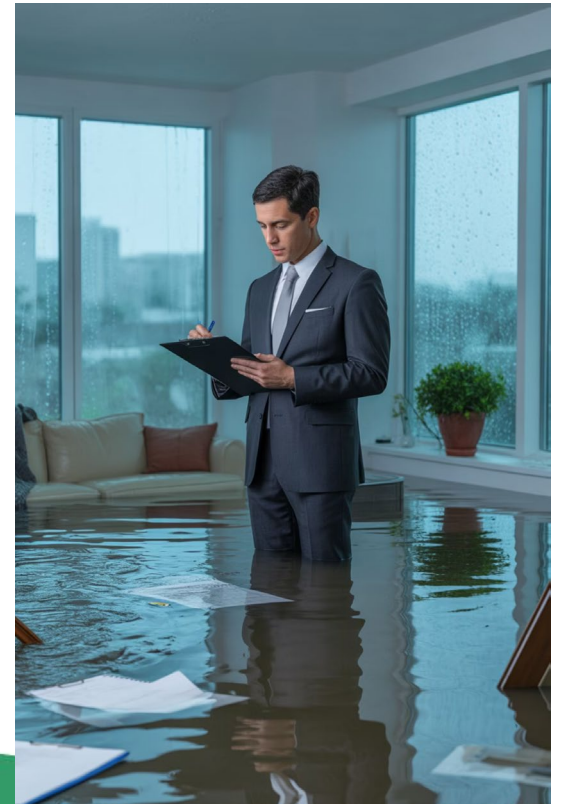
Insurance Impacts of Outdated Docs

- Vague maintenance terms = underwriting red flags
- Increased risk = higher premiums or denied coverage
- Real examples of coverage issues due to poor language
- What insurers look for in updated documents



Case Study – Failure to Update

- HOA failed to clarify maintenance responsibilities
- Insurance claim denied due to ambiguity
- Lawsuit followed; board members personally named
- Significant financial and reputational consequences



Case Study – Successful Rewrite

- Full document rewrite with legal and insurance input
- Clear duties and modernized provisions
- Lower premiums, faster renewals, fewer disputes
- Increased homeowner confidence in board leadership



Red Flags for Managers

- Conflicting or undefined terms (e.g., "common area," "unit")
- Missing or outdated insurance requirements
- No reference to modern issues (EVs, ADUs, lot splitting, STRs, wildfires, deductibles, premiums)



Drafting Best Practices

- Use plain, clear language
- Maintain consistency across all documents
- Be specific: define terms, responsibilities, and insurance minimums
- Reference relevant statutes as needed
- Ensure alignment with lending standards

The Update Process

- Legal review of existing documents
- Board workshops and collaborative drafting
- Homeowner communication, input, and voting (thresholds)
- Recording updated documents with the county



Nuances

- Special approval requirements
- Petition Superior Court (Civil Code Section 4275)
- Marketing campaign
- Involve experts

Legal + Insurance = Best Results

- **Legal:** Ensure compliance and enforceability
- **Insurance:** Align terms with market expectations
- **Managers:** Support implementation and communication
- Collaborative approach reduces risk and adds clarity

Final Takeaways



Outdated documents can expose the HOA to major risks



Updating documents is an opportunity to modernize and protect



Partner with legal, insurance, and management professionals



Proactive updates = stronger governance and community health



THANK YOU