NEW YORK SUPREME COURT, APPELLATE DIVISION, FIRST DEPARTMENT

Hofstra University v. United Educators

Hofstra Univ., 2026 NY Slip Op 03631 (N.Y. 2026) · No. Index No. 653697/24; Appeal No. 6829; Case No. 2025-02023 · Decided June 9, 2026

SUMMARY

The Appellate Division, First Department, affirmed an order interpreting an insurance-policy exclusion for losses arising from a demand for the return of funds to include tuition and fees paid by students. The court held that the exclusion barred reimbursement claims for tuition and fees but did not establish that all damages sought in related class actions were limited to such payments. Because the underlying complaints also sought other damages and relief, dismissal was premature and the insurer's duty to defend was triggered.

CASE DETAILS

COURT	New York Supreme Court, Appellate Division, First Department
WRITING FOR THE COURT	Moulton, J.P.; Friedman, J.; Pitt-Burke, J.; Rosado, J.; Michael, J.
JURISDICTION	New York Appellate Division, First Department
DECIDED	June 9, 2026
DOCKET	Index No. 653697/24; Appeal No. 6829; Case No. 2025-02023
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal and cross-appeal from an order of Supreme Court, New York County, that interpreted an insurance-policy funds exclusion to include tuition and fees and denied United Educators' motion to dismiss the amended complaint.
STANDARD OF REVIEW	De novo review of the interpretation of insurance-policy language and the propriety of dismissal at the pleading stage; dismissal based on the exclusion was premature where the underlying complaints potentially sought covered damages.
PRECEDENTIAL VALUE	Published intermediate appellate decision
PARTIES	Hofstra University, et al. v. United Educators

TOPICS

insurance coverage duty to defend contract interpretation appellate procedure

PRACTICE AREAS

insurance coverage insurance defense

QUESTIONS PRESENTED

1. Whether the policies' exclusion for losses arising from a demand for the return of funds includes student tuition and fees.
2. Whether applying the funds exclusion renders the insurance policies illusory.
3. Whether dismissal of the amended complaint was proper when the underlying class actions sought damages beyond reimbursement of tuition and fees.
4. Whether the underlying claims triggered United Educators' duty to defend because they raised the possibility of coverage.
5. Whether public policy barred the plaintiffs' insurance claims because the underlying actions concerned allegedly wrongfully acquired funds.

HOLDINGS

1. The plain meaning of "funds" in the policies' exclusion is sufficiently clear to include sums paid by students as tuition and fees; the exclusion therefore bars claims seeking reimbursement of tuition and fees.
2. The policies are not illusory because they continue to provide coverage for other covered losses despite the potentially broad funds exclusion.
3. Dismissal based on the funds exclusion was premature because the underlying complaints sought damages and relief beyond solely a return of tuition and fees.
4. The argument that public policy barred the claims because the underlying class actions sought recovery of wrongfully acquired funds was unavailing.
5. The underlying class actions triggered United Educators' duty to defend because they raised the possibility of coverage and sought damages beyond tuition and fees.

KEY QUOTATIONS

> *"[A]n insurance policy is not illusory if it provides coverage for some acts; it is not illusory simply because of a potentially wide exclusion"* ([*1])

> *"Furthermore, defendant's duty to defend under the terms of these policies is triggered whenever the underlying claims raise the possibility of coverage, which is the case here"* ([*1])

FACTUAL BACKGROUND

United Educators issued insurance policies to Hofstra University and related plaintiffs containing an exclusion for losses arising from a demand for the return of funds. Underlying class actions sought, among other relief, reimbursement or restitution of student tuition and fees, as well as compensatory, punitive, and statutory damages and injunctive relief. The underlying pleadings did not establish that the only damages available were a return of tuition and fees.

PROCEDURAL HISTORY

Supreme Court, New York County, entered an order on March 7, 2025, interpreting the term "funds" in the policies to include sums paid by students as tuition and fees for purposes of the exclusion and denying defendant's motion to dismiss the amended complaint. The Appellate Division, First Department, unanimously affirmed the order to the extent appealed from.

DISPOSITION

affirmed

CASES CITED

- Federal Ins. Co. v. International Bus. Machs. Corp., 18 NY3d 642, 650 (2012)
- Lend Lease [US] Constr. LMB Inc. v. Zurich Am. Ins. Co., 136 AD3d 52, 60 (1st Dept 2015), affd on other grounds, 28 NY3d 675, 685 (2017)
- J.P. Morgan Sec. Inc. v. Vigilant Ins. Co., 21 NY3d 324, 335 (2013)
- Fieldston Prop. Owners Assn., Inc. v. Hermitage Ins. Co., Inc., 16 NY3d 257, 264 (2011)