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Co-op and Condo Insurance Claims: What Boards Need to Know About Property Damage

Stephen Lasser · Thursday, September 3rd, 2026



A burst toilet pipe. A frozen fire sprinkler head. A terrace leak that went unattended for years. For co-op and condominium boards, a flood or fire casualty can quickly become a complicated question: Who is responsible for paying?

For many boards, the answer seems straightforward: the insurer of the coop or condo association says some of the damage is the shareholder's or unit owner's responsibility, the board accepts that position, and the owner is left to pursue repairs through a personal policy or pay out of pocket.

When boards agree to its insurers' declinations or limitations on coverage, they can leave the building exposed to disputes with shareholders or unit owners, significant legal costs, and substantial uninsured losses. That's why an insurance coverage denial, limitation, or under-reimbursement deserves careful legal review before a board accepts it.

Don't automatically accept the insurer's "original to the building" argument

When it comes to flood and fire losses, Boards are often misdirected by their insurance carriers, management and legal professionals.

Water damage is by far the most common casualty issue for co-ops and condominiums. Carriers frequently argue that the homeowners' association is responsible only for components that were "original to the building."

However, with coops, this is never the case. Insurance carriers that insist on an "original to the building" coverage limitation are both violating the coops' first party coverage rights and causing a breach of the proprietary lease between the coop and the affected shareholders. In New York City, Westchester County, and surrounding areas, many co-op and condominium buildings are decades—or even more than a century—old. "Original" can have little practical meaning when apartments have been renovated over the years to meet changing functional, lifestyle, and amenity expectations.

And most importantly, coop proprietary leases never limit the repair responsibilities to original apartment components. Proprietary leases uniformly require the Board to replace all water damaged walls, floors and ceilings in the affected apartments without any limitation. It does not matter when these components were installed or who installed them. Boards that refuse to honor the terms of the lease are also subject to liability for the shareholders' legal fees incurred to enforce their rights.

Although we usually do not represent individual shareholders, in a case handled by one of our partners, [Ian Brandt](#), a Manhattan co-op shareholder's apartment suffered extensive water infiltration. The co-op accepted the premise put forth by its insurer and argued that its repair obligation was limited to original components. The court rejected that interpretation of the proprietary lease, finding that the co-op was responsible for repairing structural components (walls, floors, and ceilings) damaged by the leaks.

After 10 years, five of which were litigation, what was initially a \$100,000 leak repair turned into a \$2.2 million settlement, paid entirely from the co-op's reserves because of the board's mishandling of the claim. The co-op's shareholders were so angry about the board's behavior and the severe financial drain on the building, they voted out all the board members.

Boards should not assent to a coverage limitation without examining the insurance policy, proprietary lease, governing documents and applicable law. The answer may be more favorable to the building—and its shareholders —than the carrier wants you to believe.

The risk of accepting an insurer's lowball offer

A board may be tempted to accept an insurer's position because fighting coverage may seem expensive or because directors worry that filing claims may cause insurance premium increases. But that decision can prove costly.

A litigation being handled by Mr. Brandt illustrates how an initial property loss can spiral into a disproportionately costly liability. In this case, a sprinkler pipe burst in a co-op apartment during freezing weather, followed days later by a separate leak. The co-op and its adjuster told the shareholder that the co-op was responsible only for components "original" to the building and

initially offered the shareholder \$4,000 for the repairs.

Though the insurance company eventually raised its offer to \$19,000, after years of litigation, the court rejected the coop's defense that its repair obligations were limited to original apartment components and therefore "minimal." The court consequently found that the coop breached the proprietary lease and awarded the shareholder damages for all repair costs, as well as reimbursement for her legal fees, which after 10 years of litigation, amounted to roughly \$700,000. And this was not even the full scope of the shareholders' losses, as the unit owner's personal property losses in the litigation have not yet been adjudicated. As a result, repairs that would have originally cost the coop and its insurer less than \$100,000 have now ballooned into coop liabilities collectively exceeding \$1 million. All because the coop's board baldly accepted its insurer's insufficient indemnity.

Know what your building's insurance policy may cover

Boards should also understand the distinction between different types of insurance coverage.

A coop or condo's commercial property coverage, also known as "first party" coverage, provides reimbursement for the cost of repairing physical damage to the common areas and apartments. First-party coverage also contains a business-interruption provision that reimburses the association for unpaid maintenance or common charges abated under the terms of the lease or bylaws during the period that the damaged apartment is uninhabitable.

Liability coverage protects the association against claims by shareholders and third parties. Both policies have many exclusions. If there is a judgment against a building, insurance likely won't cover the judgment, leaving the board to shoulder the financial burden, including expensive legal fees.

We recommend that boards require shareholders or unit owners to maintain coverage that includes [additional living expense benefits](#) to help pay for temporary housing when a casualty makes an apartment uninhabitable.

What should a board do after a casualty?

The immediate priority is always to mitigate the physical damage. Notify the property manager and all insurers promptly, preserve evidence, document the condition of the property, and take reasonable steps to prevent further damage. But boards should also pay close attention to what happens after the claim is submitted.

There are many reasons to have counsel review any claim denials or limitations promptly. For example, if the carrier:

- Denies coverage
- Says the damage is the shareholder's or unit owner's responsibility
- Limits coverage to "original components"
- Offers substantially less than the estimated cost of repair
- Disputes the scope or cause of damage
- Delays the claim without a satisfactory explanation

Legal counsel can help when there's a casualty dispute

Talking to a co-op and condominium attorney doesn't mean choosing litigation. An attorney experienced in casualty and property damage insurance disputes can review the policy, proprietary lease and governing documents, challenge coverage limitations, and negotiate with the insurer before a dispute escalates.

Lasser Law Group represents co-op, condominium and HOA boards throughout New York City, Westchester County, and neighboring communities, including in complex water and fire casualty and insurance coverage matters. Our goal is to help boards maximize available insurance, resolve any disputes efficiently, and avoid unnecessary litigation when possible. Should the case go to court, we can serve as counsel, bringing a deep understanding of both cooperative/condominium and insurance coverage, and the building's governing documents.

If your insurer has denied or limited coverage, or your building has experienced a significant flood or fire casualty, it's never too early to ask whether you're receiving everything your policy provides. Contact Lasser Law Group to discuss your options before a manageable insurance dispute becomes a much larger problem.

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