

Scott Seaman Discusses U.S. Supreme Court Victory for Insurers in Bankruptcy Case Involving Asbestos Claims

In The News | 2 min read

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Scott Seaman, Chicago-based partner and co-chair of Hinshaw's Insurance Services Group, was featured in a recent *Business Insurance* story discussing a significant U.S. Supreme Court win for insurers in dealing with asbestos and mass tort claims affected by bankruptcy.

Seaman highlighted the benefits of insurance neutrality provisions in reorganization plans for their clarity and ability to preempt insurer objections. However, he cautioned that misuse could block insurers from addressing direct concerns.

Seaman also noted that the ruling's broader implications include preserving trust in bankruptcy proceedings, protecting insurer rights, and preventing fraud by ensuring insurers are involved in negotiations.

Business Insurance Excerpt:

The June 6 ruling in *Truck Insurance Exchange v. Kaiser Gypsum* is an "important victory" for insurers, said Scott M. Seaman, an insurance coverage attorney at Hinshaw & Culbertson LLP in Chicago.

"Asbestos and mass tort claims usually involve significant dollars, and bankruptcy has the potential to impact insurers' rights and obligations substantially," he said.

[...]

Mr. Seaman said insurance neutrality provisions are acceptable when reorganization plans and proposed settlements are neutral because "they can add clarity and stave off some insurer objections."

Sometimes, however, the provisions are abused by debtors, claimants and courts when they are used to deny insurers the opportunity to be heard on issues that affect them, he said.

“An insurance neutrality provision does not justify denying an insurer party in interest status because other provisions of a plan and the bankruptcy process itself still may impair an insurer’s interests,” he said.

[...]

Mr. Seaman said that while the ruling is “not a panacea for all the ills potentially involved in bankruptcy,” allowing insurers to be involved in negotiations will help in the formation of agreements that minimize fraud.

“A contrary ruling would have undermined confidence in the bankruptcy process, permitted insurer rights to be stomped on, and bankruptcy could be used as a superhighway for fraud,” he said.

Seaman will also be presenting best practices and strategies for confirming Chapter 11 plans with insurance-funded settlements at his [upcoming CLE webinar](#).

- “Supreme Court ruling in asbestos case may draw out bankruptcy settlements” was published by *Business Insurance* on July 8, 2024.

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