Insurers and Mass Tort Bankruptcies: Truck One Year Later

Jordan Hess and Brian P. Cawley

Aug 13, 2025 4 min read

Summary

- A 2024 Supreme Court ruling addressed the scope of insurer participation in mass tort bankruptcies.
- It sought to clarify the Bankruptcy Code's “capacious” definition of a “party in interest.”
- But *Truck v. Kaiser* has engendered debate about the ongoing relevance of related doctrines concerning insurers' right to be heard.

imaginima via Getty Images

In one of 2024’s blockbuster Supreme Court rulings in mass tort bankruptcy cases, *Truck Insurance Exchange v. Kaiser Gypsum Co.*, the Court unanimously held that an insurer with financial responsibility for claims in an asbestos bankruptcy was a “party in interest” under Section 1109(b) of the Bankruptcy Code with standing to object to its policyholder’s bankruptcy plan. 602 U.S. 268, 283–84 (2024). As the Court explained, citing the Third Circuit in *In re Global Industrial Technologies, Inc.*, “[w]here a proposed plan ‘allows a party to put its hands into other people’s pockets, the ones with the pockets are entitled to be fully heard and to have their legitimate objections addressed.’” *Id.* at 282 (quoting *In re Global Indus. Techs., Inc.*, 645 F.3d 201, 204 (3d Cir. 2011). Section 1109(b) “is capacious” in providing that “[a] party in interest . . . may appear and be heard on any issue in a case under this chapter.” *Id.* at 277. In so ruling, the Court expressly rejected the “insurance neutrality doctrine,” which some bankruptcy courts had previously held barred insurers from objecting to a plan that did not increase the insurer’s pre-petition obligations or impair their pre-petition rights. *Id.* at 283.

The Court did not, however, expressly address whether insurers must further demonstrate Article III constitutional or "prudential" standing to participate in various aspects their policyholder's bankruptcy. Consequently, bankruptcy courts applying *Truck* have reached diverging conclusions regarding whether the requirements of constitutional and prudential standing continue to limit an insurer's participation in bankruptcy proceedings.

For example, in *In re The Roman Catholic Diocese of Syracuse*, the bankruptcy court held that insurers must demonstrate constitutional and prudential standing, in addition to "party in interest" standing, to propound plan discovery in their policyholder's bankruptcy resulting from a wave of sexual abuse claims. 665 B.R. 866, 875–80 (Bankr. N.D.N.Y. 2024). In the court's view, *Truck* simply clarified who may be a party in interest under Section 1109(b) and did not "overturn well established precedent recognizing that while '[a] party in interest may object to confirmation of a plan, it cannot challenge portions of the plan that do not affect its direct interests.'" *Id.* at 877 (quoting *In re Quigley Co., Inc.*, 391 B.R. 695, 703 (Bankr. S.D.N.Y. 2008)) (internal citations omitted). The *Diocese of Syracuse* court was therefore bound to "follow the existing Second Circuit precedent which not only requires party in interest standing, but constitutional and prudential standing as well." *Id*. at 875–76. The court found that the insurers had "party in interest" and constitutional standing but held that prudential standing limited the insurers' discovery to information "relevant to confirmation issues that may directly impact them or are related to their coercion claims and objections based on lack of good faith." *Id*. at 880.

By contrast, the bankruptcy court in *In re AIO US, Inc.* reached the opposite conclusion in addressing insurers' standing to object to their policyholder's proposed plan confirmation schedule and solicitation procedures in the context of a talc bankruptcy. No. 24-11836 (CTG), 2025 WL 1617477, at *4 (Bankr. D. Del. June 6, 2025). There, the court concluded:

In light of recent Supreme Court authority, this Court is persuaded that, despite the fact that some courts and litigants continue addressing issues of constitutional and prudential standing, those concepts are no longer applicable. Rather, the only question is whether the party objecting is a "party in interest" under § 1109(b).

Id. at *3. The court explained that it would have "expected, if the Supreme Court believed that the question of insurer standing to object to confirmation implicated Article III of the Constitution, for the Court to have considered and addressed that question before turning to the statutory issue." *Id*. at *4. Furthermore, only the party seeking relief—i.e., the debtor seeking approval of its disclosure statement and solicitation procedures—must have constitutional standing; the insurers opposing that relief do not. *Id*. at *5. As to prudential standing, the court concluded it "is no longer a thing" after a 2014 Supreme

Court decision "mark[ing] [its] death knell." *Id.* at 7 (citing *Lexmark Int'l Inc. v. Statis Control Components, Inc.*, 572 U.S. 118 (2014)).

Applying these principles, the *AIO* court held that the insurers were "parties in interest" with a right to object to the proposed confirmation schedule. *Id.* at *9. However, it was a "closer question" whether the insurers could object to the solicitation procedures, which are "intended to protect . . . creditors and equity holders whose claims or interests may be impaired under the plan[.]" *Id.* Nonetheless, the court considered the objection's merits given the court's obligation to protect the "integrity of the bankruptcy process[.]" *Id.* at *11.

Moving forward, debtors and creditors committees representing the underlying mass tort claimants' interests will likely advocate for the multitiered standing analysis of *Diocese of Syracuse* to blunt insurer participation. Insurers seeking active involvement in the bankruptcy will likely advance the simplified approach of *In re AIO US, Inc.* Whether bankruptcy courts will coalesce around a single view—or the Supreme Court will offer further guidance—remains to be seen.

Authors

Jordan Hess

...

Brian P. Cawley

Burns Bair LLP

Brian P. Cawley is an associate at Burns Bair LLP. He works on a wide range of matters against insurance companies and specializes in litigating complex coverage issues in mass tort bankruptcies. Brian has handled cases...