

**Guidelines for Issues Involving Damage to Estate Property, Insurance Proceeds,
and Non-Bankruptcy Lawsuits**

The use of settlement proceeds to pay off a bankruptcy case will be handled on a case-by-case basis. Please contact the staff attorney to determine if your client is eligible.

Damaged Property & Insurance Proceeds

When a debtor's property is damaged and insurance proceeds covering the damage are being paid, our office must be immediately notified if the event impacts a claim being paid by our office under the debtor's confirmed plan. See SC LBR 3015-8. Notification of the situation can be provided by uploading a Notification to 13 documents using the category Notification of Postconfirmation Transaction. No motion and/or order is required.

Absent written notification, the trustee will continue to pay creditors as provided in the plan. If the debtor is receiving insurance proceeds and the proceeds will pay off a creditor's lien or the receipt of the proceeds impacts the net value of the property of the debtor or the estate or the total debt of the debtor or the estate by \$25,000 or more, a post-confirmation transaction report must be filed within 10 days after the debtor receives the insurance proceeds and/or the creditor is paid. Please attach any available documentation that reflects payment of the creditor. If the creditor has been paid in full, please include a statement in the details of the report that the creditor has been paid in full and the trustee shall no longer make disbursements on the creditor's claim.

Insurance proceeds being used to pay off a creditor's lien should not be sent to the trustee's office. Proceeds should be sent directly to the creditor.

Non-Bankruptcy Lawsuits

Assets received from non-bankruptcy lawsuits from pre- and post-petition causes of action should be disclosed to the trustee even if the proceeds are exempt. A post-confirmation transaction report must be filed with the Court within 10 days of the settlement if the settlement alters the net value of the property of the debtor or the estate by \$25,000 or more. See SC LBR 3015-8. If necessary, amended schedules A/B and C should also be filed.

Generally, the Trustee will request documentation or further proof of injury and settlement if the proceeds are over \$10,000.