



April 18, 2019

Dear Policyholders, Creditors, and Other Interested Parties:

This letter will advise you of important receivership developments for Lancet Indemnity Risk Retention Group, Inc. (the “Company” or “Lancet”), which impact (among other things) the defense of claims brought against you, the payment of claims by the Company, and any active insurance policy that you have with the Company.

On April 12, 2019, in a case styled State of Nevada, ex rel. Commissioner of Insurance, in her Official Capacity as Statutory Receiver for Delinquent Domestic Insurer v. Lancet Indemnity Risk Retention Group, Inc., a Nevada Domiciled Association Captive Insurance Company, Case No. A-19-791409-C, Dept. No. 18, the Eighth Judicial District Court of Nevada (“Receivership Court”) issued its Order Appointing Insurance Commissioner, Barbara D. Richardson, as Permanent Receiver of Lancet (the “Permanent Receivership Order”). **A copy of the Permanent Receivership Order is available on the following web site: www.lancetindemnity.com.**

The Commissioner of Insurance for the State of Nevada (the “Commissioner”), as Permanent Receiver for the Company, has appointed the firm of CANTILO & BENNETT, L.L.P. as the Special Deputy Receiver (“SDR”) of the Company. The Company was placed into permanent receivership because it is insolvent, in a hazardous financial condition, and is unable to pay all of its insurance policy claims. The Receiver and her appointed SDR are authorized to conduct the business of the Company and administer its affairs for the protection of all policyholders, creditors, and interested parties. A brief overview of the Permanent Receivership Order is as follows:

- 1. That the Receiver may impose a full suspension on disbursements owed by Lancet, and by this letter, the Receiver is notifying you that as of the permanent receivership date of April 12, 2019, the Receiver has imposed a full suspension of insurance policy disbursements, including the payment of insurance defense costs, mediation costs, and other such costs related to the defense or adjudication of insurance policy claims;**
- 2. That the Company’s in-force insurance policies are to be canceled effective on the earlier of April 30, 2019, or the date when the insured ceased making premium payments to Lancet (and insurance coverage on active policies is provided through April 30, 2019, provided that premiums are paid by insureds to the Company through such date)—and NOTE: YOU MUST OBTAIN NEW INSURANCE POLICY COVERAGE WITH A DIFFERENT COMPANY ON AND AFTER MAY 1, 2019;**
- 3. That the Receiver is authorized and will take possession of all assets and records of the Company; and**
- 4. That all persons are enjoined from bringing or maintaining any litigation, suit in equity, arbitration, or other legal proceedings against the Company, Receiver, or SDR, unless brought in the Receivership Court.**

The Receiver encourages you to contact current defense counsel (*i.e.*, for any insured claims where you are now being defended by the Company through outside litigation counsel), and to make arrangements as best you can for the continued defense of claims brought against you—if the claimant is not willing to stay litigation

against you. For insureds that agree to pay their own defense costs for claims covered by the Company and/or pay money to settle claims covered by Lancet's insurance, they are entitled to submit claims for those paid defense costs or claim settlements (*i.e.*, as covered by the Company's insurance policy) to the Receiver. Insured payments for defense costs and/or claim settlements should be submitted to the SDR using the contact information below in this letter.

The Receiver provides no guaranty of reimbursement of defense costs and claim payments made directly by insureds or the timing of any reimbursement payment that may be approved, as this will depend on the extent of any future distributions made by the Receiver, including a review and approval that paid costs and claims are covered by Lancet's insurance policy. Please contact the SDR if you do not know or are unsure about the name of current defense counsel handling any litigation matter brought against you and covered by the Company.

Please note that Lancet was formed and operated as a Risk Retention Group ("RRG") insurance company, and there is no insurance guaranty association coverage provided for RRG claims in the U.S. Thus, there is no insurance guaranty association coverage available in any state jurisdiction for Lancet's claims.

Further notices will be provided to you when there are developments in the receivership, such as for example: any claims filing deadline, changes regarding the suspension of claim payments and distributions, or other important matters as may be required by the Receivership Court. Until further notice, all information regarding existing claims, progress updates, and new claims should be reported to the SDR using the following contact information:

E-mail: LancetSDR@cb-firm.com
Telephone: (512) 478-6000
Fax: (512) 404-6550
Mailing Address: 11401 Century Oaks Terrace, Suite 300, Austin, Texas 78758

You may review updates regarding the Company's receivership by periodically checking the following web site: www.LancetIndemnity.com.

The Receiver's representatives will review the books and records of the Company, evaluate ways to collect the Company's assets, and will work on the partial resumption of claim payments as soon as reasonably possible in the future. Please note that premiums or other balances due the Company by insureds and other parties must still be paid.

Currently, the Receiver does not have an estimated time frame as to when claim or insurance defense disbursements will resume, as it will depend on many factors that are not yet known to the Receiver. We apologize for the hardship caused by the receivership and will be working our hardest to achieve the best outcome for the Company's claimants. Thank you for your patience and cooperation during the receivership process.

Sincerely yours,



Mark F. Bennett
Representative of CANTILO & BENNETT, L.L.P.,
Special Deputy Receiver