

## **LANCET INDEMNITY RISK RETENTION GROUP, INC., IN RECEIVERSHIP**

### **FREQUENTLY ASKED QUESTIONS AND ANSWERS**

Below are frequently asked questions and answers (“FAQs”) for the receivership of Lancet Indemnity Risk Retention Group, Inc. (hereinafter, “Lancet” or the “Company”). These FAQs are meant as a general guide, and you should feel free to contact the Special Deputy Receiver staff, at the e-mail, address, or telephone mentioned in the answer to Question 13 below, if you have further questions.

#### **Question 1: WHAT IS THE STATUS OF THE COMPANY?**

**Answer:** 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 Permanent Injunction and Order Appointing Commissioner as Permanent Receiver of Lancet Indemnity Risk Retention Group, Inc. (the “Permanent Receivership Order”). Pursuant to the terms of the Permanent Receivership Order, the Commissioner was appointed Permanent Receiver (“Receiver”), and the firm of CANTILO & BENNETT, L.L.P. was subsequently appointed by the Receiver as Special Deputy Receiver of Lancet. As provided by the Permanent Receivership Order, the Receiver and Special Deputy Receiver are authorized to conduct the business of the Company and to administer its affairs for the protection of all secured creditors, insureds, policyholders, general creditors, and other interested parties wherever situated.

#### **Question 2: WHY WAS IT NECESSARY TO PLACE LANCET IN RECEIVERSHIP?**

**Answer:** The Receivership Court found Lancet to be in an insolvent and hazardous financial condition that required the appointment of a Receiver and Special Deputy Receiver to administer the affairs of the Company for the protection of its insureds, policyholders, creditors, and the general public.

#### **Question 3: WHAT DOES RECEIVERSHIP MEAN?**

**Answer:** Receivership is a protective measure established under Nevada insurance law whereby regulatory officials seize control of an insurance company that is in an insolvent and hazardous financial condition. Receivership action is taken (as is the case for Lancet) for the protection of its policyholders, creditors, and the general public. The Receiver and Special Deputy Receiver, through the Permanent Receivership Order, have been given the authority to run the affairs of Lancet in compliance with applicable court orders and the laws of the state of Nevada.

**Question 4: IS LANCET ISSUING NEW INSURANCE POLICIES?**

**Answer:** No. Paragraph 12 of the Receivership Court’s Permanent Receivership Order permanently enjoins former management and representatives from conducting or transacting any phase of Lancet’s business.

**Question 5: WHAT IS THE STATUS OF MY PENDING CLAIM FILED WITH LANCET?**

**Answer:** The Receiver has elected, as permitted by paragraph 16 of the Permanent Receivership Order, to impose a full suspension and moratorium on disbursements owed by Lancet, to include the payment of insurance claims, insurance defense costs, mediation costs, and other such costs related to the defense or adjudication of insurance policy claims. This moratorium is effective as of the date of entry of the Permanent Receivership Order, April 12, 2019.

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 as an insured of Lancet—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 a Lancet insurance policy) to the Receiver.

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 a Lancet insurance policy. Insured payments for defense costs and/or claim settlements should be submitted to the Special Deputy Receiver at the address noted in the answer to Question 7 below. Please also contact the Special Deputy Receiver if you are unsure about the name of current defense counsel handling any litigation brought against you and covered by Lancet.

**Question 6: DOES ANY PROVISION CONTAINED IN THE RECEIVERSHIP COURT’S PERMANENT RECEIVERSHIP ORDER TRIGGER THE APPLICABILITY OF THE NEVADA INSURANCE GUARANTY ASSOCIATION OR ANY OTHER STATE INSURANCE GUARANTY ASSOCIATION?**

**Answer:** No. Pursuant to NRS 695E.200(5), risk retention groups shall not “[j]oin or contribute financially to the Nevada Insurance Guaranty Association, or to any similar organization or fund in this state[.]” Further, NRS 695E.200(5) provides that

“the provisions of chapter 687A of NRS [the insurance guaranty association animating statutes] do not apply to a risk retention group. A risk retention group and its insureds shall not accept any benefit from such an organization or fund for claims arising out of the operation of the risk retention group.” As such, insurance guaranty association coverage is not applicable in this case.

Risk retention groups, such as Lancet, are also not covered by the state insurance guaranty associations of other state jurisdictions.

**Question 7: HOW DO I PRESENT CLAIMS THAT I HAVE UNDER A LANCET POLICY?**

**Answer:** Claims for coverage may be submitted to Lancet by e-mail, facsimile, or postal mail 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

**Question 8: WILL THE PERMANENT RECEIVERSHIP ORDER CANCEL LANCET’S INSURANCE POLICIES?**

**Answer:** Yes. Paragraph 17 of the Permanent Receivership Order mandates that “all evidences of coverage, insurance policies and contracts of insurance of LANCET are hereby terminated effective on April 30, 2019, unless the Receiver determines that any such contracts should be cancelled as of an earlier date.” The Receiver has decided, upon review of all the applicable facts and circumstances, that Lancet’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).

**Question 9: SHOULD I CONTINUE TO PAY MY PREMIUMS?**

**Answer:** Yes. Insurance premiums must be paid to assure that your insurance policy remains in force through April 30, 2019, which is the insurance policy cancellation date ordered by the Receivership Court. Non-payment of premium may cause your policy to be canceled at an earlier date than this. You will also still be responsible for any additional premiums owed to Lancet for prior insurance coverage, whether that is determined through premium audits or otherwise.

**Question 10: IF AN INSURED TOOK OVER THE DEFENSE OF A CLAIM COVERED BY HIS OR HER INSURANCE POLICY AFTER LANCET WAS PLACED IN RECEIVERSHIP AND HAS PAID, OR IS PAYING, HIS OR HER OWN LEGAL COSTS, WILL THE INSURED BE REIMBURSED FOR THOSE COSTS FROM THE RECEIVERSHIP ESTATE?**

**Answer:** Generally, when legal costs are incurred in defending a claim that is covered by a Lancet insurance policy, the cost will be considered an insurance policy benefit claim, provided that the insurance policy provides coverage for insurance defense costs. You should submit a claim for the defense cost to the Special Deputy Receiver via the contact information as outlined above in response to Question 7. All such defense cost claims are subject to the moratorium on claim payments imposed by the Receiver for the protection of all of Lancet's insureds, creditors, and the insurance-buying public.

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 a Lancet insurance policy.

**Question 11: IS THERE AN INJUNCTION FROM COMMENCING, BRINGING, MAINTAINING, OR FURTHER PROSECUTING ANY ACTION AT LAW, SUIT IN EQUITY, ARBITRATION, OR SPECIAL OR OTHER PROCEEDING AGAINST THE COMPANY, RECEIVER, OR SPECIAL DEPUTY RECEIVER?**

**Answer:** Yes, the Permanent Receivership Order provides that all persons are enjoined from commencing, bringing, maintaining, or further prosecuting any action at law, suit in equity, arbitration, or special or other proceeding against Lancet, the Receiver, or the Special Deputy Receiver, unless brought in the Receivership Court.

**Question 12: WHEN WILL CLAIMS BE PAID?**

**Answer:** 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 are working to achieve the best outcome for Lancet's claimants.

**Question 13: HOW CAN I CONTACT RECEIVERSHIP STAFF DIRECTLY? IS THERE A RECEIVERSHIP WEB SITE?**

**Answer:** For copies for documents, additional information, and to address receivership questions, contact the Special Deputy Receiver as follows:

**CANTILO & BENNETT, L.L.P.**

Special Deputy Receiver

Lancet Indemnity Risk Retention Group, Inc.

11401 Century Oaks Terrace, Suite 300

Austin, Texas 78758

LancetSDR@cb-firm.com

Or you may visit Lancet's web site, located at <http://lancetindemnity.com>.