

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: Effective April 9, 2020, Lancet Indemnity Risk Retention Group, Inc., is in receivership for liquidation. Court documents referenced below may be found under the Receivership Documents section of this web site. The case number for the receivership is Case No. A-19-791409-B.

The *Final Order Placing Lancet into Liquidation* (the “Liquidation Order”) was entered on April 9, 2020, by the Eighth Judicial District Court of Clark County, Nevada (the “Receivership Court”). The Receivership Court also entered its *Final Order Setting Claims Filing Deadline for Lancet and Related Relief* (the “Claims Order”). The Liquidation Order directs the Receivership to liquidate and wind down the affairs of Lancet. The Claims Order approves a proof of claim (“POC”) process for filing claims against Lancet and establishes **April 1, 2021**, as the **Claims Filing Deadline** for the submission of such claims.

Prior to being placed into liquidation, the Receivership Court had ordered Lancet into temporary receivership on March 19, 2019, which was then made permanent on April 12, 2019, by the Receivership Court’s *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 that same day appointed by the Receiver as Special Deputy Receiver (“SDR”) 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, and general creditors. The authority granted to the Receiver and her deputies by the *Permanent Receivership Order* continues into Lancet’s liquidation.

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.

The Receiver determined that there was good cause for Lancet to be liquidated, that a rehabilitation would not be feasible, and that any delay could further harm the interested parties of Lancet. Further information about these matters can be found in the Receiver's quarterly status reports filed in the Receivership Court, which are available for download on this web site.

Question 3: WHAT DOES RECEIVERSHIP MEAN, AND WHAT IS THE DIFFERENCE BETWEEN A LIQUIDATION AND A REHABILITATION RECEIVERSHIP?

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. In a rehabilitation (a.k.a. "conservation") receivership, business continues with the Receiver's supervision as the Receiver attempts to return the company to a financially sound condition. When a company is placed in liquidation receivership, the Receiver is directed to dissolve the company, wind down its affairs, and distribute its assets to its policyholders and creditors. Lancet is now in liquidation.

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.

Not only is Lancet not issuing any new policies, but the Company's in-force insurance policies were 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).

INSUREDS MUST OBTAIN NEW INSURANCE POLICY COVERAGE WITH A DIFFERENT COMPANY ON AND AFTER MAY 1, 2019.

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. All claims against Lancet will be handled as claims against the Lancet receivership estate, and all proceedings are governed by applicable Nevada law. All claims must be submitted on the approved Proof of Claim (“POC”) Form. This means that if you have a claim against Lancet, even if you have submitted it to Lancet previously without a POC Form, you must now file a POC Form and follow the Receiver’s claim procedure to have your claim considered for payment by the receivership estate. The court-approved Receivership Claims and Appeals Procedure and the POC Form are available for download on this web site. The Receiver will also mail notice of the approved claims process to all interested parties of Lancet.

If a lawsuit is pending against you, you should make arrangements as best you can for the defense of claims brought against you as an insured of Lancet. The Receiver cannot at this time pay defense costs for Lancet insureds. This means that you are responsible for your own defense. 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 a POC Form for those paid defense costs or claim settlements (*i.e.*, as covered by a Lancet insurance policy) to the Receiver.

The Receiver cannot guarantee the full reimbursement of defense costs and claim payments made directly by insureds and cannot estimate when such reimbursement payments, if any, will be made. This will depend on the extent of any future distributions made by the Receiver, including a review and determination by the Receiver that the paid costs and claims are in fact covered by a Lancet insurance policy.

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. Lancet policies contained the following notice:

“This policy is issued by your Risk Retention Group. Your risk retention group may not be subject to all of the insurance laws and regulations of your state. State insurance insolvency guaranty funds are not available for your Risk Retention Group. Therefore, these funds will not pay your claims or protect your assets if your risk retention group, the insurer, becomes insolvent or unable to make payments as promised.”

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

Answer: All claims against Lancet will be handled as claims against the Lancet receivership estate, and all proceedings are governed by applicable Nevada law. All claims must be submitted on the approved POC Form. This means that if you have a claim against Lancet, even if you have already submitted it to Lancet previously without a POC Form, you must file a POC Form and follow the Receiver’s claim procedure to have your claim considered for payment by the receivership estate. The court-approved Receivership Claims and Appeals Procedure and the POC Form are available for download on this web site. The Receiver will also mail notice of the approved claim process to all interested parties of Lancet.

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).

INSUREDS MUST OBTAIN NEW INSURANCE POLICY COVERAGE WITH A DIFFERENT COMPANY ON AND AFTER MAY 1, 2019.

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 POC Form for the defense cost to the Special Deputy Receiver. 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. This injunction is a permanent one and continues to apply through the liquidation phase of the receivership.

Please note that this injunction does not apply to lawsuits against Lancet policyholders. The Permanent Receivership Order does not prevent the filing of new suits, or stay the proceedings of pre-existing suits, against policyholders.

Question 12: WHEN WILL CLAIMS BE PAID?

Answer: We are unable to advise you at this time how soon claims will be evaluated and paid, but this is a priority for the receivership team. The Claims Filing Deadline is April 1, 2021, and no distributions of estate assets (*i.e.*, claim payments) can be made before that date. Nevada law calls for Lancet’s claims to be classified and placed in an order of priority for payment that is established by NRS 696B.420. The statute states that each claim in each class must be paid in full or adequate money reserved for the payment before the members of the next class receive any payment. NRS 696B.420(1). This means, for example, that the claims of Lancet’s shareholders or other owners, ranked as class “1” by NRS 696B.420(1), cannot be paid if there are not enough assets in the estate to pay 100% of all claims assigned to a higher priority class (*i.e.*, classes NRS 696B.420(a) – (k)). **It is not yet certain whether there will be enough assets to pay all classes of claims in full.** Also, no claim will be processed or paid unless a POC Form has been submitted to the Receiver for that claim. The court-approved Receivership Claims and Appeals Procedure and the POC Form are available for download on this web site. Claims will only be paid subject to the approval of the Receivership Court, and subject to the availability of assets in the estate.

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>.

Important notices and court filings will be posted to this web site under the “Receivership Documents” section. You may wish to check the site regularly to stay informed about the status of Lancet.

**FREQUENTLY ASKED QUESTIONS AND ANSWERS
RELATED TO PROOF OF CLAIM (POC)**

Question 14: WHEN MUST A POC FORM BE FILED?

Answer: The Claims Order establishes **April 1, 2021**, as the claims filing deadline (the “Deadline”) for the submission of claims against Lancet. It is advisable to keep a copy of the POC Form and proof of its timely mailing and receipt.

Question 15: WHERE DO I FILE MY POC FORM?

Answer: It is recommended that you return the POC Form using Certified Mail, Return Receipt Requested, or another method providing proof of delivery. Please retain a copy for your records, and submit the original signed POC Form and accompanying documentation to:

CANTILO & BENNETT, L.L.P.
Attention: LANCET SDR
P.O. BOX 184
Austin, Texas 78767

Claimants are responsible for assuring that their claims are received by the deadline!

Question 16: WHAT IF I DO NOT FILE MY CLAIM BY THE DEADLINE?

Answer: Claims must be submitted to the SDR on or before the Deadline of April 1, 2021, or else will be forever barred from sharing in the assets of the receivership estate of Lancet. In order for a POC Form to be considered timely filed, it must be postmarked or delivered to the SDR on or before the April 1, 2021, Deadline. Claims that have not been rendered absolute (*i.e.*, both liquidated in amount and non-contingent) on or before April 1, 2021, may not share in the assets of the estate (subject to any exceptions found in NRS 696B.450, which will be in the Receiver’s sole discretion to determine). Failure to complete the POC Form according to the instructions may cause your claim to be delayed or disallowed.

Question 17: DO I NEED AN ATTORNEY TO FILE A POC FORM?

Answer: No. The receivership procedures are designed to enable claimants to avoid that expense, though you may engage counsel if you so desire.

Question 18: WHAT INFORMATION IS REQUIRED WHEN I FILE MY CLAIM?

Answer: All claims submitted to the SDR must be accompanied by a signed and notarized POC Form. All claims shall set forth in reasonable detail the amount of the claim, or

the basis upon which that amount can be ascertained, the facts upon which the claim is based, and the priorities asserted, if any. Claims must be verified by the affidavit of the claimant or executed by someone authorized to act on behalf of the claimant and having knowledge of the facts. Claims must also be supported by the applicable written documentation or proof. Blank or substantially incomplete POC Forms will not be processed and will be rejected by the SDR. Claimants may request a status update on their claim by contacting the SDR at any time, but claimants should not make duplicate claim submissions as doing so wastes the assets of the estate. The SDR reserves the right to apply an offset of cost to recoup the processing cost for duplicate submissions.

Question 19: WHAT BACKUP DOCUMENTATION SHOULD I FILE WITH MY POC FORM?

Answer: You should file all of the supporting documentation that you have, which you believe may be relevant to the Receiver's determination of your claim. For example, you should include itemized copies of any bills for which you are requesting reimbursement, copies of the checks by which you paid the bills, and copies of any other records that support the billing, etc. After review of your POC Form, the SDR will contact you if necessary and request any additional information and/or documentation that is required for your claim. It is recommended that you keep all the records pertaining to your claim at least until you receive a final determination from the Receiver about your claim.

Question 20: WHAT IS A CONTINGENT CLAIM?

Answer: A contingent claim is a claim that has not been asserted or one for which payment is not yet owed, because it is dependent upon a future event or an event that may never happen. Claims that remain contingent after the Deadline (*i.e.*, April 1, 2021) will be permanently barred from payment or reimbursement (subject to any exceptions found in NRS 696B.450, which will be in the Receiver's sole discretion to determine).

Question 21: WHAT IS AN UNLIQUIDATED CLAIM?

Answer: An unliquidated claim is one for which liability has been established, but the exact amount has not been determined. For example, an unliquidated liability claim is one that the parties agree (or a court has ruled) is owed, but for which the parties have not agreed upon the amount and no judgment has been rendered so determining. Claims that remain unliquidated after the Deadline (*i.e.*, April 1, 2021) will be permanently barred from payment or reimbursement (subject to any exceptions found in NRS 696B.450, which will be in the Receiver's sole discretion to determine).

Question 22: HOW WILL I KNOW WHETHER MY POC FORM WAS RECEIVED?

Answer: To reduce expenses to the receivership estate, the SDR will not be sending acknowledgement of receipt of the POC Forms. You will, however, receive notice of any decision on your claim at the address you have provided to the SDR on the POC Form. It is therefore very important to keep the SDR advised of any change in your address.

Question 23: WHAT KIND OF NOTICE WILL I RECEIVE WHEN A DECISION IS MADE ON MY CLAIM?

Answer: A “Notice of Claim Determination” will be issued for all POC Forms. The Notice of Claim Determination will set forth whether or not your claim has been approved for payment, and (in most cases) if approved, for how much. If you disagree with the decision set forth in this Notice of Claim Determination, you can appeal in accordance with the Receivership Claims and Appeal Procedure (“RAP”). The RAP may be found on this web site.

Question 24: I FILED MY POC FORM — WHAT HAPPENS NEXT, AND WHEN?

Answer: Due to the limited assets of Lancet in liquidation, we are not providing written acknowledgment of the receipt of POC Form filings to claimants (see Question # 22, above). However, after mailing your POC Form, you may contact the SDR to confirm receipt of your documents and the reference number that has been assigned to your claim. To do so, please call (512) 478-6000.

Once you have filed a POC Form, the SDR will review your filing and will write to you if there is any documentation missing that is needed to adjudicate your claim, or if your POC Form is defective for any reason (for example, if the form was not signed and notarized) – and you will then have the opportunity to cure the defect and/or submit the missing documentation for the claim. Because Lancet is a company in liquidation, you should not wait to receive an “initial offer” of settlement, as may have been typical practice pre-receivership. Instead, your POC Form should include the amount that you are demanding that the estate of Lancet pay to you for your claim. **After the Deadline on April 1, 2021**, the SDR will issue written Notice of Claim Determinations (see Question & Answer # 23, above) which will advise you of whether your claim has been denied, approved, or approved in part.

Notice of Claim Determinations will not be issued until after the Deadline, and no distributions (*i.e.*, claim payments) can be made from the assets of the estate until after the Deadline. **There is no set timeline of when claim distributions may be made, and any distributions will ultimately require Receivership Court approval.** See also, Question & Answer #12 above (“When will claims be paid”).

Question 25: I HAVE A STATUTE OF LIMITATIONS DEADLINE APPROACHING RELATING TO MY CLAIM AGAINST A LANCET POLICYHOLDER. CAN THE RECEIVER TOLL THE STATUTE OF LIMITATIONS ON BEHALF OF THE POLICYHOLDER?

Answer: No. We cannot act on behalf of a Lancet insured to toll a statute of limitations or waive any other defense on behalf of a policyholder. You must act to protect your claim however you see fit, either through reaching a tolling agreement with the insured or by filing an action to preserve your claim. We are not able to participate in drafting, communicating about, negotiating, or signing any agreements with claimants and/or policyholders.

If you have timely filed a liquidated and non-contingent POC Form, then you have likely protected your claim against Lancet in most circumstances. Please feel free to contact us at (512) 478-6000 (and please request to speak with Kristen Johnson) if you have concerns about how a statute of limitations may impact your claim against *Lancet*.

Question 26: CAN THE SDR DRAFT AND/OR SIGN AN AFFIDAVIT OR OTHER LEGAL DOCUMENT FOR ME? CAN A REPRESENTATIVE OF THE SDR MAKE AN APPEARANCE IN MY PROCEEDING OUTSIDE THE RECEIVERSHIP COURT?

Answer: No, the limited resources of the estate prevent us from doing so.