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12 EIGHTH JUDICIAL DISTRICT COURT  
13 CLARK COUNTY, NEVADA

14 STATE OF NEVADA, EX REL.  
15 COMMISSIONER OF INSURANCE, IN  
16 HER OFFICIAL CAPACITY AS  
17 STATUTORY RECEIVER FOR  
18 DELINQUENT DOMESTIC INSURER,

19 Plaintiff,

20 vs.

21 LANCET INDEMNITY RISK  
22 RETENTION GROUP, INC., a Nevada  
23 Domiciled Association Captive Insurance  
24 Company,

25 Defendant.

Case No. A-19-791409-B  
Dept. No. 16

**TENTH STATUS REPORT**

26 COMES NOW, Commissioner of Insurance, Barbara D. Richardson, in her sole  
27 capacity as Receiver, and CANTILO & BENNETT, L.L.P., Special Deputy Receiver (“SDR”),  
28 and files this quarterly Status Report (“Report”) in the above-captioned receivership. In  
accordance with the orders of this Court and the Nevada Revised Statutes (“NRS”) Chapter  
696B, the Receiver makes this “true report[s] in summary form of the insurer’s affairs  
under the receivership and of progress being made in accomplishing the objectives of the  
receivership.” NRS 696B.290(7).

1 **I. INTRODUCTION**

2 Lancet Indemnity Risk Retention Group (“Lancet” or the “Company”) is an  
3 association captive insurance company organized under the insurance laws of Nevada and  
4 the Liability Risk Retention Act of 1986. Lancet received its Amended Certificate of  
5 Authority on November 19, 2008, and operates under the authority of NRS Chapter 694C.  
6 Lancet was focused in the medical professional liability line and was formed to insure the  
7 medical professional liability of its physician and medical group members.

8 Pursuant to NRS 679A.160, Lancet is subject to Nevada laws in Chapters 694C and  
9 695E that pertain to captive insurers (as “captive insurer” is defined in NRS 694C.060) and  
10 risk retention groups (as “risk retention group” is defined in NRS 695E.110) that have a  
11 Certificate of Authority from the Division of Insurance. Lancet is considered an association  
12 captive insurer (as “association captive insurer” is defined in NRS 694C.050). As a risk  
13 retention group (“RRG”), Lancet is subject to the federal Liability Risk Retention Act of  
14 1986. RRGs domiciled in Nevada do not participate in the Nevada Insurance Guaranty  
15 Association. Pursuant to NRS 695E.140(1)(a), Lancet is also subject to all laws that pertain  
16 to traditional liability insurers (with exceptions given in Bulletin 14-008).

17 At the outset of the receivership, Lancet owned minimal personal property, had no  
18 office lease of its own, and only two employees. Lancet’s business was primarily conducted  
19 through third-party contractors,<sup>1</sup> such as Tampa Bay Health Solutions, LLC (management  
20 and policyholder services), Western Litigation, Inc. (claims administrator), and Risk  
21 Services (accounting and auditing services). The Company also provided in-house premium  
22 financing services for a number of its policies.

23 On March 11, 2019, the Company consented to receivership by a letter from its  
24 President and Board of Directors to the Commissioner requesting that Lancet be placed  
25 into receivership. The Commissioner filed her Verified Petition for Appointment of

26 \_\_\_\_\_  
27 <sup>1</sup> Per the “About Us” page on the Company’s web site (prior to receivership):  
28 “Domiciled in Nevada, Lancet Indemnity is a Physician Owned and Directed Professional  
Liability Insurance carrier that utilizes professional Insurance Executives for the  
underwriting, development and implementation process of our several coverage options.”

1 Commissioner as Receiver and Other Permanent Relief on March 19, 2019. As detailed in  
2 the petition, Lancet qualified for receivership based on several criteria and Lancet was in  
3 a very hazardous financial condition. On April 12, 2019, this Court entered its Permanent  
4 Injunction and Agreed Order Appointing Commissioner as Permanent Receiver of Lancet  
5 Indemnity Risk Retention Group (the “Permanent Receivership Order”). Barbara D.  
6 Richardson, Commissioner of Insurance (“Commissioner”), in her capacity as Receiver for  
7 Lancet, appointed the firm of CANTILO & BENNETT, L.L.P. as the Special Deputy Receiver  
8 of the Companies. The “Receiver” and “Special Deputy Receiver” are referred to collectively  
9 herein as the “Receiver.”

10 In brief, the Permanent Receivership Order established the following key points for  
11 the receivership:

- 12 1. that all evidences of coverage, insurance policies, and contracts of insurance  
13 are to be canceled effective on April 30, 2019, unless the Receiver determines  
14 that any such contracts should be canceled as of an earlier date;
- 15 2. that the Receiver may impose a full suspension on all disbursements owed by  
16 Lancet, including insurance policy disbursements, and costs related to the  
17 defense or adjudication of insurance policy claims;
- 18 3. that the receivership court has exclusive jurisdiction over all matters  
19 pertaining to Lancet and all persons are enjoined from commencing, bringing,  
20 maintaining, or further prosecuting any action at law, suit in equity,  
21 arbitration, or special or other proceeding against the Company, Receiver, or  
22 Special Deputy Receiver;
- 23 4. that the Receiver is vested with exclusive title both legal and equitable to all  
24 of Lancet’s property wherever located, to administer under the general  
25 supervisions of the Court;
- 26 5. that the Receiver may change to her own name the name of any of Lancet’s  
27 accounts, funds, or other property or assets, held with any bank, savings and  
28 loan association, other financial institution, or any other person, wherever

1 located, and may withdraw such funds, accounts, and other assets from such  
2 institutions or take any lesser action necessary for the proper conduct of the  
3 receivership; and

- 4 6. that the Receiver is authorized to establish a receivership claims and appeal  
5 procedure for all receivership claims. The receivership claims and appeals  
6 procedures shall be used to facilitate the orderly disposition or resolution of  
7 claims or controversies involving the receivership or the receivership estate.

8 On February 25, 2020, the Receiver filed a consolidated motion for a Final Order  
9 Placing Lancet Indemnity Risk Retention Group, Inc. into Liquidation, and for a Final  
10 Order Setting a Claims Filing Deadline and Granting Related Relief (the “Consolidated  
11 Motion”). The Consolidated Motion was heard and granted on April 1, 2020. On April 9,  
12 2020, the Court entered its Final Order Placing Lancet into Liquidation (the “Liquidation  
13 Order”) and its Final Order Setting Claims Filing Deadline for Lancet and Related Relief  
14 (the “Claims Order”). The Claims Order established a Claims Filing Deadline of April 1,  
15 2021, and procedures for filing claims against Lancet, which is discussed further below.  
16 The Liquidation Order also granted the Receiver’s request to formally place Lancet into  
17 liquidation effective on April 9, 2020.

## 18 **II. RECEIVERSHIP ADMINISTRATION**

### 19 **A. Notice of Receivership**

20 The Receiver initially distributed notices regarding the Permanent Receivership  
21 Order to all interested parties of Lancet, as detailed in the Receiver’s prior quarterly status  
22 reports. On February 5, 2020, the Court entered its Order Regarding Motion for  
23 Instructions Including Notice Requirements (the “Notice Order”). Future notices about  
24 Lancet’s receivership will continue to be provided to interested parties in accordance with  
25 the Court’s Notice Order.

### 26 **B. Claims Administration**

27 The April 1, 2021, Claims Filing Deadline has now passed, and Lancet received one  
28 hundred nine (109) timely Proof of Claim (“POC”) submissions. The Special Deputy

1 Receiver is processing the POCs and has sent out sixty-three (63) Notices of Claim  
2 Determination (“NCD”) as of this report. Pursuant to the Receivership Appeal Procedure,  
3 each NCD recipient has sixty (60) days to object in writing to the SDR’s determination(s).  
4 No objections have been submitted as of this report. Some policy claim determinations (*i.e.*,  
5 “Class B” claims pursuant to NRS 696B.420(1)(b)) are contingent on the claimant’s further  
6 cooperation with the Receiver’s efforts to comply with federal Medicare reporting  
7 requirements pertaining to 42 U.S.C. § 1395y(b)(7) and (8). Additionally, the SDR is  
8 requesting policyholder consent, as required by the Lancet policies, to resolve each POC  
9 submitted by a third-party claimant for malpractice coverage under a Lancet policy. Where  
10 consent is withheld, or where a third-party claimant does not accept the SDR’s proposed  
11 resolution of a POC, it may be necessary to seek the Court’s further instruction. These  
12 issues are not yet ripe for the Court’s consideration, but the Receiver will continue to keep  
13 the Court apprised of developments in this regard.

14 The Receiver’s third-party claims administrator (“TPA”), Claims Resource  
15 Management, Inc. (“CRMI”), is assisting the Receiver in the evaluation and adjudication of  
16 incoming POCs. CRMI is also responding to loss run and credentialing requests to the  
17 extent possible given the limited resources of the Lancet estate.<sup>2</sup>

### 18 C. Third-Party Support Services

19 CRMI is the third-party claims administrator for the receivership estate. Further  
20 information regarding CRMI’s receivership services are provided in section (B), *supra*.  
21 PALOMAR FINANCIAL, LC (“Palomar”), an affiliated company of the SDR, performs financial  
22 and technical administrative support services for Lancet in receivership. Palomar is being  
23 used to save costs for the receivership estate, centralize data and information, and facilitate  
24 the receivership’s administration. Merlinos & Associates (“Merlinos”) is an actuarial firm  
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26 <sup>2</sup> As previously reported, Lancet at this time can only provide loss run and claim  
27 history based on the available records of Lancet as of April 2019. Therefore, loss run  
28 reports provided by the SDR contain a disclosure regarding the completeness and accuracy  
of the same.

1 that was selected to assist the receivership estate as described further below in section E  
2 (“Actuarial Reports”).

3         The Receiver has received notice from time to time of lawsuits filed against Lancet  
4 in violation of the Court’s Permanent Receivership Order. The Receiver’s established  
5 procedure is to write to the parties involved to inform them of the injunctions of the  
6 Permanent Receivership Order, and to request a voluntary dismissal of Lancet from the  
7 matter. Thus far, the majority of counsel have been amenable to such requests. In limited  
8 cases and only when absolutely necessary, the Receiver will engage outside counsel to  
9 address ongoing or repeated violations of this Court’s orders. The Receiver has written in  
10 previous status reports about an ongoing Kentucky matter where Lancet was named as a  
11 third-party defendant in a lawsuit, and the plaintiff has refused to defer to the injunctions  
12 within the Permanent Receivership Order. The court in that matter denied Lancet’s  
13 Motion to Dismiss. The Receiver’s outside counsel then requested that the court in that  
14 matter enter a formal written order, registered the Permanent Receivership Order in  
15 Kentucky under the Uniform Enforcement of Foreign Judgments Act, and on April 30,  
16 2021, filed a Motion for Relief from Prior Proceeding. On June 28, 2021, outside counsel  
17 also filed a separate action for declaratory and injunctive relief in the Franklin Circuit  
18 Court (*i.e.*, the Kentucky court holding exclusive jurisdiction over all matters relating to  
19 insurance delinquency proceedings). This action for declaratory and injunctive relief  
20 requests a judgment declaring *inter alia* that the Permanent Receivership Order enjoins  
21 commencement or prosecution of any action against Lancet in Kentucky, and that all  
22 claims of the opposing parties in the Kentucky lawsuit are now barred. The Plaintiff filed  
23 a Motion to Dismiss on July 21, 2021, which the circuit court denied on July 30, 2021. As  
24 of this report, the Franklin Circuit Court has not ruled on outside counsel’s requested  
25 judgment.

26             **D.     Records & Property**

27         The Receiver is maintaining access, for the time being, to the cloud-based Lancet  
28 policy database (*i.e.*, the Epic system, owned by Applied Systems, Inc.). The Receiver will

1 terminate these systems once it is certain that they are no longer needed. The Receiver  
2 anticipates terminating this system once claim determinations are completed and/or any  
3 claim appeals are resolved. The Receiver has terminated the premium financing software  
4 (*i.e.*, the Input 1 system) in order to conserve costs, as the software was determined to no  
5 longer be necessary.

6 As previously reported, it does not appear that the Company kept complete and  
7 accurate claims records – and it has been necessary for the Receiver and/or CRMI to request  
8 records from third parties in an attempt to complete the claim files. Many files remain  
9 incomplete. The Receiver will continue to evaluate the available records and will continue  
10 to make requests as needed for missing information.

#### 11 **E. Actuarial Reports**

12 Merlinos is an actuarial firm that was selected to assist the estate by evaluating the  
13 policy and claims information for Lancet to provide a projection of the current and future  
14 claims liabilities of the estate. Merlinos also evaluated Lancet’s liability for the return  
15 premium owed for tail coverage policies that were terminated by the receivership order  
16 cancelling such insurance coverages.

17 Merlinos has completed its actuarial reports on loss and loss expense reserves, gross  
18 of reinsurance, for Lancet as of April 30, 2019, and December 31, 2019. The Receiver wrote  
19 about these reports in the previous Seventh Status Report. The Receiver has determined  
20 that a further actuarial report is not needed at this time. Updates to the Lancet claims  
21 data will be made as claims are processed and claim determinations made final.

#### 22 **F. Reinsurance**

23 The Receiver is working with Lancet’s reinsurance brokers, Tyser & Co. Ltd.  
24 (“Tysers”) (formerly known as Integro Insurance Brokers Limited), to evaluate Lancet’s  
25 reinsurance coverage and reinsured claims. After a number of commutation agreements  
26 were executed in July and August of 2018, just one reinsurer remained on a small portion  
27 of insurance risk for one excess of loss reinsurance contract (the “XOL”), with most of the  
28 XOL reinsurance extinguished and released in 2018. The Receiver, and Tysers, will

1 continue to report claims on the XOL contract for the small portion of insurance risk that  
2 remains covered.

3 Lancet also had an Awards Made reinsurance treaty.<sup>3</sup> The Receiver pursued and  
4 collected a reinsurance reimbursement payment due to Lancet, on the above-referenced  
5 *Mora* claim, from the Awards Made treaty reinsurers. The Receiver reported on the  
6 settlement of this claim in the previous Eighth Status Report.

7 To date, the Receiver has made reinsurance recoveries totaling \$662,425.90 for the  
8 Lancet estate. The Receiver will continue to work with CRMI and Tysers to prepare the  
9 reinsurance reporting on an ongoing basis that is necessary for further reinsurance  
10 recoveries. Lancet does not have any reinsurance policies that would provide coverage to  
11 individual claimants or policyholders of Lancet, and the above-referenced collections have  
12 been placed into the general assets of the estate for the benefit of all creditors of the estate.

### 13 **G. Tax Matters**

14 On March 4, 2020, the Receiver requested tax prompt assessment from the  
15 Department of Treasury regarding tax claims that may exist for tax years 2018 and prior.  
16 The Department of Treasury will now have a period of eighteen months to provide notice  
17 to the Receiver of any claims for the above-mentioned tax claims. This year, the Receiver  
18 will be pursuing tax prompt assessment from the Department of Treasury for tax years  
19 2019 and 2020.

### 20 **H. Asset Recovery**

21 On March 4, 2019, the Receiver put the prior directors and officers (“D&O”) of the  
22 company, and their professional liability and/or errors and omissions insurance carrier (the  
23 “D&O Insurance Carrier”), on notice of prior bad acts and actionable claims of the Receiver  
24 resulting from pre-receivership errors, omissions, negligence, and misrepresentations. As

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25 <sup>3</sup> Generally, an “awards made” reinsurance contract provides indemnification of the  
26 insurance company for a percentage of the losses that accrue to the insurance company as  
27 a result of each award made (*i.e.*, a verdict or judgment rendered by a court of competent  
28 jurisdiction) reported to the insurance company during the term of the Awards Made  
reinsurance contract term.

1 further detailed by the Receiver in prior status reports, the Receiver, the D&O, and the  
2 D&O Insurance Carrier reached a settlement agreement without the need for any litigation  
3 – and the Receiver has collected the agreed-upon settlement amount.

#### 4 I. Receivership Assets and Liabilities

5 The Receiver has been gathering information and evaluating the assets and  
6 liabilities of Lancet. A further liability analysis will be updated when the company’s claims  
7 evaluation is completed with the assistance of outside parties who are now performing  
8 claims services, and also when all claim appeals, if any, have been resolved. On September  
9 11, 2019, the Court entered its Order Granting Receiver’s Motion to Approve Fees and  
10 Rates Filed on July 24, 2019. Pursuant to this Order, the Receiver has included an  
11 informational copy, as Exhibit A to this Tenth Status Report, of the invoices paid to the  
12 SDR and other receivership consultants since the last status report to this Court.<sup>4</sup> Below  
13 is an overview of some key financial matters for the Lancet receivership.

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14  
15 <sup>4</sup> The *in camera* materials, **Exhibit B**, are being submitted in a separate envelope  
16 that reflect paid invoices. Certain billings submitted to the Court are appropriate for *in*  
17 *camera* review (as opposed to being made part of a public filing). In this regard, courts  
18 have held that the bills of legal counsel and experts may be withheld from legal discovery  
19 and are not subject to legal disclosure, as this information may provide indications or  
20 context concerning potential litigation strategy and the nature of the expert services being  
21 provided. See, e.g., *Avnet, Inc. v. Avana Technologies Inc.*, No. 2:13-cv-00929- GMN-PAL,  
22 2014 WL 6882345, at \*1 (D. Nev. Dec. 4, 2014) (finding that billing entries were privileged  
23 because they reveal a party’s strategy and the nature of services provided); *Fed. Sav. &*  
*Loan Ins. Corp. v. Ferm*, 909 F.2d 372, 374-75 (9th Cir. 1990) (considering whether or not  
24 fee information revealed counsel’s mental impressions concerning litigation strategy).  
25 Other courts that have addressed this issue have recognized that the “attorney-client  
26 privilege embraces attorney time, records and statements to the extent that they reveal  
27 litigation strategy and the nature of the services provided.” *Real v. Cont’l Grp., Inc.*, 116  
28 F.R.D. 211, 213 (N.D. Cal. 1986).

24 The *in-camera* review should apply not only to documentation concerning attorney  
25 fees, but it also extends to “details of work revealed in [an] expert’s work description [which]  
26 would relate to tasks for which she [or he] was compensated[.]” a situation which is  
27 “analogous to protecting attorney-client privileged information contained in counsel’s bills  
28 describing work performed.” See *DaVita Healthcare Partners, Inc. v. United States*, 128  
Fed. Cl. 584, 592-93 (2016); see also *Chaudhry v. Gallerizzo*, 174 F.3d 394, 402 (4th Cir.  
1999) (recognizing that “correspondence, bills, ledgers, statements, and time records which  
also reveal the motive of the client in seeking representation, litigation strategy, or the

1 As of July 31, 2021, the approximate liquid assets of the Company were as follows:

2 a. Cash in bank total: \$225,275.37

3 b. Investments fair market value total: \$1,874,270.54

4 A cash flow report for July 2021, is attached as Exhibit C.

5 **III. CONCLUSION**

6 In compliance with this Court's instructions for a status report regarding the affairs  
7 of the Company, the Receiver has submitted the aforementioned status report and requests  
8 that the Court approve this Tenth Status Report and the actions taken by the Receiver.

9 DATED: August 25, 2021.

10 Respectfully submitted:

11 Barbara D. Richardson, Commissioner of  
12 Insurance of the State of Nevada, in her  
13 Official Capacity as Statutory Receiver of  
14 Delinquent Domestic Insurer

15 By: /s/ CANTILO & BENNETT, L.L.P.  
16 Special Deputy Receiver  
17 By Its Authorized Representative  
18 Mark F. Bennett

18 Respectfully submitted:

19  
20 By: /s/ Kara Hendricks  
21 KARA B. HENDRICKS, Bar No. 7743  
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23 10845 Griffith Peak Drive, Suite 600  
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25  
26

27 specific nature of the services provided, such as researching particular areas of law," are  
28 protected from disclosure) (quoting *Clarke v. Am. Commerce Nat'l Bank*, 974 F.2d 127, 129  
(9th Cir. 1992)).

1 **CERTIFICATE OF SERVICE**

2 I certify that I am an employee of Greenberg Traurig, and that, pursuant to  
3 Nev. R. Civ. P. 5(b)(2)(D) and E.D.C.R. 8.05, on this 25<sup>th</sup> day of August 2021, I caused a  
4 true and correct copy of the foregoing **Tenth Status Report** to be filed and served  
5 electronically via Odyssey, the Court’s Electronic Filing System upon all parties  
6 registered to this action. I further certify that I caused a true and correct copy of the  
7 **Tenth Status Report** to be served via U.S. Mail, postage pre-paid on August 25, 2021  
8 upon the parties listed below:

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21  
22 /s/ Andrea Lee Rosehill  
23 An employee of Greenberg Traurig, LLP  
24  
25  
26  
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EXHIBIT LIST

EXHIBIT NO.	DESCRIPTION	NO. OF PAGES (Excluding tabs)
A	Bill Summaries of Interim Fees and Expenses Incurred by Lancet Indemnity Risk Retention Group for the Months of April through June, by Cantilo & Bennett, L.L.P., Palomar, Greenberg Traurig, CRMI, and Frost Brown Todd	25
B	In Camera Submission to be Filed Separately	85
C	Cash Flow and Disbursements Summary	1

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