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12 DISTRICT COURT  
13 CLARK COUNTY, NEVADA

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

19 Plaintiff,

20 vs.

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

24 Defendant.

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

27 **SEVENTEENTH STATUS REPORT**

28 COMES NOW, the Commissioner of Insurance<sup>1</sup>, and CANTILO & BENNETT, L.L.P., Special  
Deputy Receiver (“SDR”), 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

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<sup>1</sup> Barbara D. Richardson resigned from her position as Commissioner of Insurance effective December 30, 2022. Scott Kipper assumed the role of Nevada Insurance Commissioner in February 2023. Pursuant to NRCP 25(d), when a public officer ceases to hold office while an action is pending, “[t]he officer’s successor is automatically substituted as a party.”

1 receivership and of progress being made in accomplishing the objectives of the receivership.” NRS  
2 696B.290(7).

### 3 **I. INTRODUCTION**

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

9 Pursuant to NRS 679A.160, Lancet is subject to Nevada laws in Chapters 694C and 695E that  
10 pertain to captive insurers (as “captive insurer” is defined in NRS 694C.060) and risk retention groups  
11 (as “risk retention group” is defined in NRS 695E.110) that have a Certificate of Authority from the  
12 Division of Insurance. Lancet is considered an association captive insurer (as “association captive  
13 insurer” is defined in NRS 694C.050). As a risk retention group (“RRG”), Lancet is subject to the federal  
14 Liability Risk Retention Act of 1986. RRGs domiciled in Nevada do not participate in the Nevada  
15 Insurance Guaranty Association. Pursuant to NRS 695E.140(1)(a), Lancet is also subject to all laws that  
16 pertain 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 office lease of  
18 its own, and only two employees. Lancet’s business was primarily conducted through third-party  
19 contractors,<sup>2</sup> such as Tampa Bay Health Solutions, LLC (management and policyholder services),  
20 Western Litigation, Inc. (claims administrator), and Risk Services (accounting and auditing services).  
21 The Company also provided in-house premium financing services for a number of its policies.

22 On March 11, 2019, the Company consented to receivership by a letter from its President and  
23 Board of Directors to the Commissioner requesting that Lancet be placed into receivership. The  
24 Commissioner filed her Verified Petition for Appointment of Commissioner as Receiver and Other  
25 Permanent Relief on March 19, 2019. As detailed in the petition, Lancet qualified for receivership based

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27 <sup>2</sup> Per the “About Us” page on the Company’s web site (prior to receivership): “Domiciled in  
28 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 on several criteria and Lancet was in a very hazardous financial condition. On April 12, 2019, this Court  
2 entered its Permanent Injunction and Agreed Order Appointing Commissioner as Permanent Receiver of  
3 Lancet Indemnity Risk Retention Group (the “Permanent Receivership Order”). Barbara D. Richardson,  
4 Commissioner of Insurance (“Commissioner”), in her capacity as Receiver for Lancet, appointed the firm  
5 of CANTILO & BENNETT, L.L.P. as the Special Deputy Receiver of the Companies. The “Receiver” and  
6 “Special Deputy Receiver” are referred to collectively herein as the “Receiver.”

7 In brief, the Permanent Receivership Order established the following key points for the  
8 receivership:

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

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

## 12 **II. RECEIVERSHIP ADMINISTRATION**

### 13 **A. Notice of Receivership**

14 The Receiver initially distributed notices regarding the Permanent Receivership Order to all  
15 interested parties of Lancet, as detailed in the Receiver’s prior quarterly status reports. On February 5,  
16 2020, the Court entered its Order Regarding Motion for Instructions Including Notice Requirements (the  
17 “Notice Order”). Future notices about Lancet’s receivership will continue to be provided to interested  
18 parties in accordance with the Court’s Notice Order.

### 19 **B. Claims Administration**

20 The April 1, 2021, Claims Filing Deadline has now passed, and Lancet received one hundred nine  
21 (109) timely Proof of Claim (“POC”) submissions.<sup>3</sup> The Special Deputy Receiver is processing the POCs  
22 and has sent out one hundred seven (107) Notices of Claim Determination (“NCD”) as of this report.  
23 Pursuant to the Receivership Appeal Procedure, each NCD recipient has sixty (60) days to object in  
24 writing to the SDR’s determination(s). Seven (7) claimants filed objections to the to the SDR’s  
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28 <sup>3</sup> One timely-filed POC was withdrawn by the submitter, leaving a total of one hundred eight POCs to be processed.

1 determinations, and four (4) of these objections pertained to class B policy claims pursuant to NRS  
2 696B.420(1)(b).

3 The Class B appeals have been heard and resolved, as detailed in the prior Fifteenth Status Report.  
4 The Receiver will next proceed to file a motion for the Court's approval of a Plan of Distribution for the  
5 Class B claims.<sup>4</sup> Such motion will include the Receiver's recommendations pertaining to, *inter alia*, the  
6 claims assigned a priority class below Class B, as there are insufficient assets in the estate to make a  
7 distribution for such claims.<sup>5</sup> The Receiver will also seek the Court's approval of determinations made  
8 on the three appeals of class C and G claims.

9 The Receiver has provided and will continue to provide notice of motions, hearings, and any Final  
10 Orders entered, in accordance with the Court's orders. The relevant notices, reports, and pleadings will  
11 be posted under the "Receivership Documents" section of the receivership web site  
12 ([www.LancetIndemnity.com](http://www.LancetIndemnity.com)).

13 The Receiver's third-party claims administrator ("TPA"), Claims Resource Management, Inc.  
14 ("CRMI"), has completed its work in assisting the Receiver in the evaluation and adjudication of POCs.  
15 CRMI remains engaged on an as-needed, hourly basis to assist the Receiver with claim matters. As  
16 advised in the Receiver's prior Fifteenth Status Report, the Receiver ceased providing loss run and  
17 credentialing services to Lancet's former policyholders effective December 31, 2022.<sup>6</sup>

### 18 C. Third-Party Support Services

19 CRMI is the third-party claims administrator for the receivership estate. Further information  
20 regarding CRMI's receivership services is provided in section (B), *supra*. PALOMAR FINANCIAL, LC  
21 ("Palomar"), an affiliated company of the SDR, performs financial and technical administrative support  
22 services for Lancet in receivership. Palomar is being used to save costs for the receivership estate,  
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24 <sup>4</sup> A matrix showing all claim determinations for the Lancet estate was attached as Exhibit A to  
25 the previous 16<sup>th</sup> Status Report and will also be included as an exhibit with the Motion for Approval of a  
26 Plan of Distribution.

27 <sup>5</sup> "The receiver is not required to process any claims in a class until it appears that assets will be  
28 available for distribution to that class. If there are insufficient assets to process claims for a class, the  
receiver shall notify the court and may make a recommendation to the court for the processing of any  
such claims." NRS 696B.330(4).

<sup>6</sup> Notice was also posted in advance on the home page of the Lancet receivership web site,  
[www.lancetindemnity.com](http://www.lancetindemnity.com).

1 centralize data and information, and facilitate the receivership’s administration. Merlinos & Associates  
2 (“Merlinos”) is an actuarial firm that was selected to assist the receivership estate as described further  
3 below in section E (“Actuarial Reports”).

4 The Receiver has received notice from time to time of lawsuits filed against Lancet in violation  
5 of the Court’s Permanent Receivership Order. The Receiver’s established procedure is to write to the  
6 parties involved to inform them of the injunctions of the Permanent Receivership Order, and to request a  
7 voluntary dismissal of Lancet from the matter. Thus far, the majority of counsel have been amenable to  
8 such requests. In limited cases and only when absolutely necessary, the Receiver will engage outside  
9 counsel to address ongoing or repeated violations of this Court’s orders. There are no such pending  
10 violations at this time to the Receiver’s knowledge.

#### 11 **D. Records & Property**

12 The Receiver previously maintained access to the cloud-based Lancet policy database (*i.e.*, the  
13 Epic system, owned by Applied Systems, Inc.). The Receiver terminated this system effective December  
14 31, 2022, in order to conserve costs, as the software was determined to be no longer necessary.

15 As previously reported, it does not appear that the Company kept complete and accurate claims  
16 records – and it was necessary for the Receiver and/or CRMI to request records from third parties in an  
17 attempt to complete the claim files. Many files remain incomplete. The Receiver will continue to  
18 evaluate the available records and will continue to make requests for missing information as and when  
19 necessary.

#### 20 **E. Actuarial Reports**

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

25 Merlinos completed its actuarial reports on loss and loss expense reserves, gross of reinsurance,  
26 for Lancet as of April 30, 2019, and December 31, 2019. The Receiver wrote about these reports in the  
27 previous Seventh Status Report. The Receiver has determined that a further actuarial report is not needed  
28 at this time.

1           **F.     Reinsurance**

2           The Receiver has worked with Lancet’s reinsurance brokers, Tyser & Co. Ltd. (“Tysers”)  
3 (formerly known as Integro Insurance Brokers Limited), to evaluate Lancet’s reinsurance coverage and  
4 reinsured claims. After a number of commutation agreements were executed in July and August of 2018,  
5 just one reinsurer remained on a small portion of insurance risk for one excess of loss reinsurance contract  
6 (the “XOL”), with most of the XOL reinsurance extinguished and released in 2018. The Receiver, and  
7 Tysers, have reported claims on the XOL contract for the small portion of insurance risk that remained  
8 covered.

9           Lancet also had an Awards Made reinsurance treaty.<sup>7</sup> The Receiver pursued and collected a  
10 reinsurance reimbursement payment due to Lancet, on the *Mora* claim, from the Awards Made treaty  
11 reinsurers. The Receiver reported on the *Mora* claim, and its settlement, in the previous Eighth Status  
12 Report.

13           To date, the Receiver has made reinsurance recoveries totaling \$881,173.39 for the Lancet estate.  
14 With those certain claims and appeals of the estate which are subject to reinsurance coverage having been  
15 finalized, the Receiver, with the assistance of Tysers, recently presented a final reinsurance billing to  
16 Lancet’s remaining XOL reinsurer. The billing is intended to close out any remaining reinsurance matters  
17 for the Lancet estate. The Receiver will continue to keep the Court apprised of this matter.

18           Lancet does not have any reinsurance policies that would provide coverage to individual  
19 claimants or policyholders of Lancet, and the above-referenced reinsurance collections have been placed  
20 into the general assets of the estate for the benefit of all creditors of the estate.

21           **G.     Tax Matters**

22           On March 4, 2021, the Receiver requested tax prompt assessment from the Department of  
23 Treasury regarding tax claims that may exist for tax year 2018. The Internal Revenue Service provided  
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26           <sup>7</sup> Generally, an “awards made” reinsurance contract provides indemnification of the insurance  
27 company for a percentage of the losses that accrue to the insurance company as a result of each award  
28 made (*i.e.*, a verdict or judgment rendered by a court of competent jurisdiction) reported to the insurance  
company during the term of the Awards Made reinsurance contract term.

1 a closing date of September 26, 2022, for any tax claims related to the 2018 tax year. Lancet's tax return  
2 years through 2018 are closed without any claims from the IRS.

3 The Receiver has filed Lancet's federal tax returns for tax years 2019 and 2020, and on October  
4 14, 2021, the Receiver requested tax prompt assessment from the Department of Treasury regarding tax  
5 claims that may exist for tax years 2019 and 2020. The Receiver has filed Lancet's federal tax return for  
6 tax year 2021, and on December 6, 2022, the Receiver requested tax prompt assessment from the  
7 Department of Treasury regarding tax claims that may exist for tax year 2021. The Department of  
8 Treasury has not yet responded to the Receiver's prompt assessment requests for tax years 2019, 2020,  
9 and 2021.

#### 10 **H. Receivership Assets and Liabilities**

11 The Receiver has been gathering information and evaluating the assets and liabilities of Lancet.  
12 The claims evaluation is completed, and all Class B claim appeals have been resolved. Lancet's final  
13 liability for Class B claims is \$2,730,351.47. Lancet's estimated liability for *all* classes of claims is  
14 \$3,353,379.98.<sup>8</sup> On September 11, 2019, the Court entered its Order Granting Receiver's Motion to  
15 Approve Fees and Rates Filed on July 24, 2019. Pursuant to this Order, the Receiver has included an  
16 informational copy, as **Exhibit A** to this Seventeenth Status Report, of the invoices paid to the SDR and  
17 other receivership consultants since the last status report to this Court.<sup>9</sup> Below is an overview of some  
18 key financial matters for the Lancet receivership.

19 As of March 31, 2023, the approximate liquid assets of the Company were as follows:

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20 <sup>8</sup> This estimate may be adjusted depending upon the final resolution of claims assigned to priority  
21 classes C and below. See, for example, discussion *supra* regarding three outstanding appeals of class C  
22 and G claim determinations.

23 <sup>9</sup> The *in camera* materials, **Exhibit B**, are being submitted in a separate envelope that reflect paid  
24 invoices. Certain billings submitted to the Court are appropriate for *in camera* review (as opposed to  
25 being made part of a public filing). In this regard, courts have held that the bills of legal counsel and  
26 experts may be withheld from legal discovery and are not subject to legal disclosure, as this information  
27 may provide indications or context concerning potential litigation strategy and the nature of the expert  
28 services being provided. See, e.g., *Avnet, Inc. v. Avana Technologies Inc.*, No. 2:13-cv-00929- GMN-  
PAL, 2014 WL 6882345, at \*1 (D. Nev. Dec. 4, 2014) (finding that billing entries were privileged  
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 fee information revealed  
counsel's mental impressions concerning litigation strategy). Other courts that have addressed this issue  
have recognized that the "attorney-client privilege embraces attorney time, records and statements to the



1 a. Cash in bank total: \$23,565.60

2 b. Investments fair market value total: \$1,332,426.83

3 A cash flow report for March 2023 is attached as **Exhibit C**.

4 **III. CONCLUSION**

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

8 DATED: April 21, 2023.

9 Respectfully submitted:

10  
11 By: /s/ CANTILO & BENNETT, L.L.P.  
12 Special Deputy Receiver  
13 By Its Authorized Representative  
Mark F. Bennett

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21 *Counsel for Plaintiff*

22 \_\_\_\_\_  
23 extent that they reveal litigation strategy and the nature of the services provided.” *Real v. Cont’l Grp., Inc.*, 116 F.R.D. 211, 213 (N.D. Cal. 1986).

24 The *in-camera* review should apply not only to documentation concerning attorney fees, but it  
25 also extends to “details of work revealed in [an] expert’s work description [which] would relate to tasks  
26 for which she [or he] was compensated[,]” a situation which is “analogous to protecting attorney-client  
27 privileged information contained in counsel’s bills describing work performed.” *See DaVita Healthcare  
28 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  
specific nature of the services provided, such as researching particular areas of law,” are protected from  
disclosure) (quoting *Clarke v. Am. Commerce Nat’l Bank*, 974 F.2d 127, 129 (9th Cir. 1992)).

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**CERTIFICATE OF SERVICE**

I certify that I am an employee of Greenberg Traurig, and that, pursuant to Nev. R. Civ. P. 5(b)(2)(d) and E.D.C.R. 8.05, on this 21<sup>st</sup> day of April 2023, I caused a true and correct copy of the foregoing *Seventeenth Status Report* to be filed and served electronically via Odyssey, the Court's electronic filing system upon all parties registered to this action. I further certify that I caused a true and correct copy of the *Seventeenth Status Report* to be served via U.S. Mail, postage pre-paid on April 21, 2023, upon the parties listed below:

Andrew Carlton  
Director of Captive Accounting  
Risk Services Companies  
1605 Main Street, Suite 800  
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Benedict Maniscalco  
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Salvatore Rodriguez  
2810 West St. Isabel Street, Suite 201  
Tampa, Florida 33607

/s/ Andrea Lee Rosehill  
An employee of Greenberg Traurig, LLP

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 Cantilo & Bennett, L.L.P., and Palomar Financial	8
B	In Camera Submission to be Filed Separately	18
C	Cash Flow and Disbursements Summary	1

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