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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.

Case No. A-19-791409-B

Dept. No. 16

TWENTIETH STATUS REPORT

25 COMES NOW, the Commissioner of Insurance¹, and CANTILO & BENNETT, L.L.P., Special
26 Deputy Receiver (“SDR”), and files this quarterly Status Report (“Report”) in the above-captioned
27 receivership. In accordance with the orders of this Court and the Nevada Revised Statutes (“NRS”)
28 Chapter 696B, the Receiver makes this “true report[s] in summary form of the insurer’s affairs under the

¹ 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 NRCPC 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,² 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

26 ² Per the “About Us” page on the Company’s web site (prior to receivership): “Domiciled in
27 Nevada, Lancet Indemnity is a Physician Owned and Directed Professional Liability Insurance carrier
28 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.³ As reported in more detail in the prior status reports,
22 the Special Deputy Receiver has processed the POCs, mailed Notices of Claim Determination, and
23 resolved all outstanding claim objections pursuant to the Receivership Appeal Procedure. The Receiver
24 will next proceed to file a motion for the Court’s approval of a Plan of Distribution for the Class B
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27
28 ³ One timely-filed POC was withdrawn by the submitter, leaving a total of 108 POCs to be processed.

1 claims.⁴ Such motion will include the Receiver’s recommendations pertaining to, *inter alia*, the claims
2 assigned a priority class below Class B, as there are insufficient assets in the estate to make a distribution
3 for such claims.⁵

4 The Receiver has provided and will continue to provide notice of motions, hearings, and any Final
5 Orders entered, in accordance with the Court’s orders. The relevant notices, reports, and pleadings will
6 be posted under the “Receivership Documents” section of the receivership web site
7 (www.LancetIndemnity.com).

8 The Receiver’s third-party claims administrator (“TPA”), Claims Resource Management, Inc.
9 (“CRMI”), has completed its work in assisting the Receiver in the evaluation and adjudication of POCs.
10 CRMI remains engaged on an as-needed, hourly basis to assist the Receiver with claim matters. As
11 advised in the Receiver’s prior Fifteenth Status Report, the Receiver ceased providing loss run and
12 credentialing services to Lancet’s former policyholders effective December 31, 2022.⁶

13 **C. Third-Party Support Services**

14 CRMI is the third-party claims administrator for the receivership estate. Further information
15 regarding CRMI’s receivership services is provided in section (B), *supra*. PALOMAR FINANCIAL, LC
16 (“Palomar”), an affiliated company of the SDR, performs financial and technical administrative support
17 services for Lancet in receivership. Palomar is being used for financial administration, centralizing data
18 and information, and to facilitate the receivership’s wind-down administration. Merlino & Associates
19 (“Merlino”) is an actuarial firm that was selected to assist the receivership estate as described further
20 below in section E (“Actuarial Reports”).

21 The Receiver has received notice from time to time of lawsuits filed against Lancet in violation
22 of the Court’s Permanent Receivership Order. The Receiver’s established procedure is to write to the
23 parties involved to inform them of the injunctions of the Permanent Receivership Order, and to request a

25 ⁴ A matrix showing all claim determinations for the Lancet estate was attached as Exhibit A to
26 the previous 16th Status Report and will also be included as an exhibit with the Motion for Approval of a
Plan of Distribution.

27 ⁵ “...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).

28 ⁶ Notice was also posted in advance on the home page of the Lancet receivership web site,
www.lancetindemnity.com.

1 voluntary dismissal of Lancet from the matter. Thus far, the majority of counsel have been amenable to
2 such requests. In limited cases and only when absolutely necessary, the Receiver will engage outside
3 counsel to address ongoing or repeated violations of this Court’s orders. There are no such pending
4 violations at this time to the Receiver’s knowledge.

5 **D. Records & Property**

6 The Receiver previously maintained access to the cloud-based Lancet policy database (*i.e.*, the
7 Epic system, owned by Applied Systems, Inc.). The Receiver terminated this system effective December
8 31, 2022, in order to conserve costs, as the software was determined to be no longer necessary.

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

14 **E. Actuarial Reports**

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

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

23 **F. Reinsurance**

24 The Receiver has worked with Lancet’s reinsurance brokers, Tyser & Co. Ltd. (“Tysers”)
25 (formerly known as Integro Insurance Brokers Limited), to evaluate Lancet’s reinsurance coverage and
26 reinsured claims. As reported in more detail in prior status reports, the Receiver has made reinsurance
27 recoveries totaling \$881,173.39 for the Lancet estate. With those certain claims and appeals of the estate
28 which are subject to reinsurance coverage having been finalized, the Receiver, with the assistance of

1 Tysers, is working with Lancet’s remaining XOL reinsurer to close out any remaining reinsurance matters
2 for the Lancet estate through a final premium adjustment. The Receiver will continue to keep the Court
3 apprised of this matter.

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

7 **G. Tax Matters**

8 On March 4, 2021, the Receiver requested tax prompt assessment from the U.S. Department of
9 the Treasury (the “Treasury”) regarding tax claims that may exist for tax year 2018. The Internal Revenue
10 Service provided a closing date of September 26, 2022, for any tax claims related to the 2018 tax year.
11 Lancet’s tax return years through 2018 are closed without any claims from the IRS.

12 The Receiver has filed Lancet’s federal tax returns for tax years 2019 and 2020, and on October
13 14, 2021, the Receiver requested tax prompt assessment from the Treasury regarding tax claims that may
14 exist for tax years 2019 and 2020. The Receiver has filed Lancet’s federal tax return for tax year 2021,
15 and on December 6, 2022, the Receiver requested tax prompt assessment from the Treasury regarding
16 tax claims that may exist for tax year 2021. The Receiver has filed Lancet’s federal tax return for tax
17 year 2022, and on November 8, 2023, the Receiver requested tax prompt assessment from the Treasury
18 regarding tax claims that may exist for tax year 2022. The Treasury has not yet responded to the
19 Receiver’s prompt assessment requests for tax years 2019-2022.

20 Lancet owns fifty percent (50%) of Manco Partners, LLC (“Manco”). Manco is organized in
21 Florida where it currently has an active business registration, but currently conducts no business, has no
22 income, and holds less than \$5,000 in assets. Manco will be closed by the Receiver as part of Lancet’s
23 wind down, and the Receiver is preparing to file a final tax return as part of that process.

24 **H. Receivership Assets and Liabilities**

25 The Receiver has been gathering information and evaluating the assets and liabilities of Lancet.
26 The claims evaluation is completed, and all Class B claim appeals have been resolved. Lancet’s final
27 liability for Class B claims is \$2,730,351.47. Lancet’s total liability for *all* classes of claims is
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1 \$3,353,379.98.⁷ On September 11, 2019, the Court entered its Order Granting Receiver’s Motion to
2 Approve Fees and Rates Filed on July 24, 2019. Pursuant to this Order, the Receiver has included an
3 informational copy, as **Exhibit A** to this Twentieth Status Report, of the invoices paid to the SDR and
4 other receivership consultants since the last status report to this Court.⁸ Below is an overview of some
5 key financial matters for the Lancet receivership.

6 As of November 30, 2023, the approximate liquid assets of the Company were as follows:

- 7 a. Cash in bank total: \$82,065.44
- 8 b. Investments fair market value total: \$1,120,475.34

9 A cash flow report for November 2023 is attached as **Exhibit C**.

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15 ⁷ For class C-L Claims (all other claims outside of Class B), the total liability is
16 \$623,028.51.

17 ⁸ The *in camera* materials, **Exhibit B**, are being submitted in a separate envelope that reflect paid
18 invoices. Certain billings submitted to the Court are appropriate for *in camera* review (as opposed to
19 being made part of a public filing). In this regard, courts have held that the bills of legal counsel and
20 experts may be withheld from legal discovery and are not subject to legal disclosure, as this information
21 may provide indications or context concerning potential litigation strategy and the nature of the expert
22 services being provided. *See, e.g., Avnet, Inc. v. Avana Technologies Inc.*, No. 2:13-cv-00929- GMN-
23 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
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*
Partners, Inc. v. United States, 128 Fed. Cl. 584, 592-93 (2016); *see also Chaudhry v. Gallerizzo*, 174
28 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)).

1 **III. CONCLUSION**

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

5 DATED: 8th day of January 2024

6 Respectfully submitted:

7 By: /s/ CANTILO & BENNETT, L.L.P.
8 Special Deputy Receiver
9 By Its Authorized Representative
Mark F. Bennett

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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 8th day of January 2024, I caused a true and correct copy of the foregoing *Twentieth 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 *Twentieth Status Report* to be served via U.S. Mail, postage pre-paid on the 8th day of January 2024, upon the parties listed below:

Andrew Carlton
Director of Captive Accounting
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Robert Joseph Menendez
203 15th Avenue
Indian Rocks Beach, Florida 33785

/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., Palomar Financial, Frost Brown Todd, and Greenberg Traurig, LLP	22
B	In Camera Submission to be Filed Separately	--
C	Cash Flow and Disbursements Summary	1

Exhibits may be requested by contacting the Special Deputy Receiver at 512-478-6000