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11 *Attorneys for the Plaintiff*

12 DISTRICT COURT
13 CLARK COUNTY, NEVADA

14 STATE OF NEVADA, EX REL.
15 COMMISSIONER OF INSURANCE, IN
16 HIS 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.

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

28 **TWENTY-FIRST STATUS REPORT**

29 COMES NOW, the Commissioner of Insurance, and CANTILO & BENNETT, L.L.P.,
30 Special Deputy Receiver (“SDR”), and files this quarterly Status Report (“Report”) in the
31 above-captioned receivership. In accordance with the orders of this Court and the Nevada
32 Revised Statutes (“NRS”) Chapter 696B, the Receiver makes this “true report[s] in
33 summary form of the insurer’s affairs under the receivership and of progress being made
34 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 operated under the authority of NRS Chapter 694C.
6 Lancet was focused on 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,¹ 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 ¹ 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.

1 **B. Claims Administration**

2 The April 1, 2021, Claims Filing Deadline has now passed, and Lancet received one
3 hundred nine (109) timely Proof of Claim (“POC”) submissions.² As reported in more detail
4 in the prior status reports, the Special Deputy Receiver has processed the POCs, mailed
5 Notices of Claim Determination, and resolved all outstanding claim objections pursuant to
6 the Receivership Appeal Procedure. The Receiver will next proceed to file a motion for the
7 Court’s approval of a Plan of Distribution for the Class B claims.³ Such motion will include
8 the Receiver’s recommendations pertaining to, *inter alia*, the claims assigned a priority
9 class below Class B, as there are insufficient assets in the estate to make a distribution for
10 such claims.⁴

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

15 The Receiver’s third-party claims administrator (“TPA”), Claims Resource
16 Management, Inc. (“CRMI”), has completed its work in assisting the Receiver in the
17 evaluation and adjudication of POCs. CRMI remains engaged on an as-needed, hourly
18 basis to assist the Receiver with claim matters. As advised in the Receiver’s prior Fifteenth
19 Status Report, the Receiver ceased providing loss run and credentialing services to Lancet’s
20 former policyholders effective December 31, 2022.⁵

21
22
23 ² One timely-filed POC was withdrawn by the submitter, leaving a total of 108 POCs
to be processed.

24 ³ A matrix showing all claim determinations for the Lancet estate was attached as
25 Exhibit A to the previous 16th Status Report and will also be included as an exhibit with
the Motion for Approval of a Plan of Distribution.

26 ⁴ “...If there are insufficient assets to process claims for a class, the receiver shall
27 notify the court and may make a recommendation to the court for the processing of any
such claims.” NRS 696B.330(4).

28 ⁵ Notice was also posted in advance on the home page of the Lancet receivership
web site, www.lancetindemnity.com.

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

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

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

18 **D. Records & Property**

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

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

1 **E. Actuarial Reports**

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

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

11 **F. Reinsurance**

12 The Receiver has worked with Lancet’s reinsurance brokers, Tyser & Co. Ltd.
13 (“Tysers”) (formerly known as Integro Insurance Brokers Limited), to evaluate Lancet’s
14 reinsurance coverage and reinsured claims. As reported in more detail in prior status
15 reports, the Receiver has made reinsurance recoveries totaling \$881,173.39 for the Lancet
16 estate. With those certain claims and appeals of the estate which are subject to reinsurance
17 coverage having been finalized, the Receiver, with the assistance of Tysers, worked with
18 Lancet’s remaining XOL reinsurer to close out any remaining reinsurance matters for the
19 Lancet estate through a final premium adjustment. The final premium adjustment
20 payment of approximately \$3,000 will be wired to the reinsurer in the near term. Upon
21 payment of this amount, all reinsurance matters for the estate will be closed.

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

26 **G. Tax Matters**

27 On March 4, 2021, the Receiver requested tax prompt assessment from the U.S.
28 Department of the Treasury (the “Treasury”) regarding tax claims that may exist for tax

1 year 2018. The Internal Revenue Service provided a closing date of September 26, 2022,
2 for any tax claims related to the 2018 tax year. Lancet’s tax return years through 2018 are
3 closed without any claims from the IRS.

4 The Receiver has filed Lancet’s federal tax returns for tax years 2019 and 2020, and
5 on October 14, 2021, the Receiver requested tax prompt assessment from the Treasury
6 regarding tax claims that may exist for tax years 2019 and 2020. The Receiver has filed
7 Lancet’s federal tax return for tax year 2021, and on December 6, 2022, the Receiver
8 requested tax prompt assessment from the Treasury regarding tax claims that may exist
9 for tax year 2021. The Receiver has filed Lancet’s federal tax return for tax year 2022, and
10 on November 8, 2023, the Receiver requested tax prompt assessment from the Treasury
11 regarding tax claims that may exist for tax year 2022. The Treasury has not yet responded
12 to the Receiver’s prompt assessment requests for tax years 2019-2022.

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

18 **H. Receivership Assets and Liabilities**

19 The Receiver has been gathering information and evaluating the assets and
20 liabilities of Lancet. The claims evaluation is completed, and all Class B claim appeals
21 have been resolved. Lancet’s final liability for Class B claims is \$2,730,351.47. Lancet’s
22 total liability for *all* classes of claims is \$3,353,379.98.⁶ On September 11, 2019, the Court
23 entered its Order Granting Receiver’s Motion to Approve Fees and Rates Filed on July 24,
24 2019. Pursuant to this Order, the Receiver has included an informational copy, as **Exhibit**
25 **A** to this Twenty-First Status Report, of the invoices paid to the SDR and other receivership
26

27 _____
28 ⁶ For class C-L Claims (all other claims outside of Class B), the total liability is \$623,028.51.

1 consultants since the last status report to this Court.⁷ Below is an overview of some key
2 financial matters for the Lancet receivership.

3 As of February 29, 2024, the approximate liquid assets of the Company were as
4 follows:

- 5 a. Cash in bank total: \$ \$44,927.89
- 6 b. Investments fair market value total: \$ \$1,153,980.81

7 A cash flow report for February 2024 is attached as **Exhibit C**.

8 ///

9 ///

13 ⁷ The *in camera* materials, **Exhibit B**, are being submitted in a separate envelope
14 that reflect paid invoices. Certain billings submitted to the Court are appropriate for *in*
15 *camera* review (as opposed to being made part of a public filing). In this regard, courts
16 have held that the bills of legal counsel and experts may be withheld from legal discovery
17 and are not subject to legal disclosure, as this information may provide indications or
18 context concerning potential litigation strategy and the nature of the expert services being
19 provided. See, e.g., *Avnet, Inc. v. Avana Technologies Inc.*, No. 2:13-cv-00929- GMN-PAL,
20 2014 WL 6882345, at *1 (D. Nev. Dec. 4, 2014) (finding that billing entries were privileged
21 because they reveal a party’s strategy and the nature of services provided); *Fed. Sav. &*
22 *Loan Ins. Corp. v. Ferm*, 909 F.2d 372, 374-75 (9th Cir. 1990) (considering whether or not
23 fee information revealed counsel’s mental impressions concerning litigation strategy).
24 Other courts that have addressed this issue have recognized that the “attorney-client
25 privilege embraces attorney time, records and statements to the extent that they reveal
26 litigation strategy and the nature of the services provided.” *Real v. Cont’l Grp., Inc.*, 116
27 F.R.D. 211, 213 (N.D. Cal. 1986).

28 The *in-camera* review should apply not only to documentation concerning attorney
fees, but it also extends to “details of work revealed in [an] expert’s work description [which]
would relate to tasks for which she [or he] was compensated[.]” a situation which is
“analogous to protecting attorney-client 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 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
3 of the Company, the Receiver has submitted the aforementioned status report and requests
4 that the Court approve this Twenty-First Status Report and the actions taken by the
5 Receiver.

6 DATED: April 2, 2024.

7 Respectfully submitted:

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

11 KARA B. HENDRICKS, Bar No. 7743
12 GREENBERG TRAUIG, LLP
13 10845 Griffith Peak Drive, Suite 600
Las Vegas, NV 89135

14 *Counsel for Plaintiff*

1 **CERTIFICATE OF SERVICE**

2 I certify that I am an employee of Greenberg Traurig, and that, pursuant to Nev. R.
3 Civ. P. 5(b)(2)(d) and E.D.C.R. 8.05, on this 2nd day of April 2024, I caused a true and correct
4 copy of the foregoing ***Twenty-First Status Report*** to be filed and served electronically via
5 Odyssey, the Court’s electronic filing system upon all parties registered to this action. I
6 further certify that I caused a true and correct copy of the ***Twenty-First Status Report*** to
7 be served via U.S. Mail, postage pre-paid on April 2nd 2024, upon the parties listed below:

8 Andrew Carlton
9 Director of Captive Accounting
10 Risk Services Companies
11 1605 Main Street, Suite 800
12 Sarasota, Florida 34236

Benedict Maniscalco
2727 W. Martin Luther King Blvd.,
Suite 800
Tampa, Florida 33607

13 Alan J. Iezzi
14 15511 North Florida Avenue, Suite D
15 Tampa, Florida 33613

Eric Springall
8360 W. Sahara Avenue, Suite 110
Las Vegas, Nevada 89117

Robert Joseph Menendez
203 15th Avenue
Indian Rocks Beach, Florida 33785

16 /s/ Andrea Lee Rosehill
17 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, Greenberg Traurig, LLP, and CRMI	37
B	In Camera Submission to be Filed Separately	79
C	Cash Flow and Disbursements Summary	1

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