



Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (In Liquidation)

28 April 2017

Company Number: 1222877

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Introduction

David Ian Ruscoe and Simon John Thorn, of Grant Thornton New Zealand, were appointed jointly and severally as liquidators of Western Pacific Insurance Limited (in Liquidation) ("the Company") on 1 April 2011 at 4:00 pm by special resolution of the Shareholders.

Simon John Thorn vacated the position of liquidator on 26 June 2013 and was replaced by Richard Grant Simpson.

We set out below our report on the state of the affairs of the Company as required by section 255 of the Companies Act 1993.

Restrictions

All information contained in this report is provided in accordance with Section 255 of the Companies Act 1993.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon by us is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

We have not independently verified the accuracy of the information provided to us, and have not conducted any form of audit in respect of the Company. We express no opinion on the reliability, accuracy or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available and assumptions made as at the date of this report. It is possible that actual outcomes may be significantly different from those disclosed in this report.

We reserve the right, but will be under no obligation, to review or amend our report, as additional information becomes available.

In addition the following should be noted:

- Certain values included in tables in this report have been rounded and therefore may not add exactly.
- All amounts are stated in New Zealand dollars.

Conduct of the liquidation in the preceding six months

Sealed Orders and reporting

Following the Judgement of Simon France J on 9 December 2011, we received the Order of the Court dated 14 June 2012 ("Court Order"). The Court Order confirms the reinsurance monies payable to the Company and/or the liquidators are charged to the Canterbury Policy Holders ("CPH").

In addition to our six monthly statutory reports, the Court Order also includes a requirement for the liquidators to provide bi-monthly reports to creditors and policyholders. These reports must include details of the work completed and costs and expenses incurred in relation to the realisation of the reinsurance proceeds. As such below is a summary of costs incurred between 1 February 2017 and 31 March 2017.

	\$
Loss adjustors and engineers	20,903
Claim office costs	1,912
Legal fees (reinsurance)	5,980
Liquidators fees (non-earthquake)	28,217
Liquidators fees (reinsurance)	98,822
Total	155,834

Copies of all reports in respect of this liquidation are available from our website:
www.grantthornton.co.nz/Western-pacific-insurance/index.html

Statement of Realisation and Distribution

Attached as an appendix is a statement of realisation and distribution showing the receipts and payments for the six month period ending 31 March 2017 along with a summary of cash movements since our appointment.

Asset Realisations

Claim Assessments

All known claims have now been assessed by loss adjusters and agreed by the CPH.

The table below provides a summary of the status of the accepted claims. The figures below include claims which were finalised prior to liquidation and loss assessment costs incurred, against which reinsurance monies can be recovered.

	September 2010 Earthquake		February 2011 Earthquake		Total both events	
Type of claim	No. of claims	Value (\$) (excl. GST)	No. of claims	Value (\$) (excl. GST)	No. of claims	Value (\$) (excl. GST)
Accepted/ closed claims	98	23,243,792	117	41,965,796	215	65,209,588
Total	98	23,243,792	117	41,965,796	215	65,209,588

Reinsurance

As reported previously final recovery notices were issued to the reinsurers based on completion of the loss assessments and we expect to receive a total of \$38,133,610 as below.

	Value (\$)
Reinsurance funds received to date	30,276,926
Maximum reinsurance recoveries yet to be received	7,856,684
Total reinsurance recoveries	38,133,610

We continue to liaise with the remaining reinsurers for payment and expect settlements of final balances to occur in May 2017.

Distribution

We made an initial distribution of reinsurance funds on hand on 23 February 2017.

The following provides details of the distribution:

Earthquake	Sep-10	Feb-11
	Value (\$) (incl. GST)	Value (\$) (incl. GST)
Distribution 23.01.2017 (amount incl. GST)	9,171,742	9,529,612
Distribution (% of total loss)	35%	20%

On the basis of the reinsurance monies estimated to be received overall and the costs estimated to be incurred, we estimate CPH will further receive the following percentages of their losses:

Earthquake	Sep-10	Feb-11
	%	%
Further percentage estimated you will receive	30% - 40%	15% - 20%

The level of pay-out for each earthquake is different because of the different level of re-insurance held by Western Pacific and because of the higher value of claims for the February earthquake.

We expect to be in a position to make a further distribution in May.

Debtor recoveries

We have continued with our legal proceedings to collect the Company's debtors, relating to unremitted premiums held by various brokers. In April 2017 we recovered the last debtor for \$22,456. Therefore, no further claims are outstanding.

Creditors

Secured Creditors

As detailed on page 4, the Court Order confirms the reinsurance monies payable to the Company and/or the liquidators are charged to the CPH.

The following is a summary of the assessed claims in the liquidation in relation to the CPH, before the initial distribution made in February 2017.

	Claims value (\$) (excl. GST)	GST (\$)	Claim value (\$) (incl. GST)
September 2010 earthquake	22,786,937	3,418,041	26,204,978
February 2011 earthquake	41,642,548	6,246,382	47,888,930
Total estimated claims	\$64,429,485	\$9,664,423	\$74,093,908

Please note that the estimated claims detailed above differ from the previous page due to the ability to include certain costs some \$780,000 of the loss assessments in the claim to the reinsurers.

Preferential Creditors

Employees' preferential claims of \$45,653 were paid out of money not charged to the CPH in March 2016.

The Inland Revenue Department has advised a preferential claim of \$87,559. This will be paid in May 2017.

Unsecured Creditors

The following is a summary of the total unsecured creditors' claims received as at the date of this report:

	\$
Estimated insurance claims (non-earthquake)	9,050,165
Trade creditors	1,036,605
Unexpired premiums	175,839
IRD	125,898
Employees	67,606
Broker commissions	1,000
Total estimated non-CPH unsecured claims	10,457,114

We note that the shortfall from claims by the CPH will be classified as unsecured creditors. We estimated this additional amount to be in the range of \$35m to \$42m.

We are undergoing the process of formally admitting creditors' claims and will shortly write to any creditors whose claims were rejected by the liquidators.

Proposals for completing the liquidation

Canterbury Policy Holders

The loss assessment work has been completed and we have made a first distribution out of reinsurance proceeds on hand. We expect to make a further distribution to CPH shortly and then following the receipt of GST refunds we expect to make final payments to the CPH. We hope this is completed during 2017.

Likelihood of Dividend to Unsecured Creditors

We expect there to be a small distribution to unsecured creditors of approximately one cent in the dollar. As mentioned above, CPH are entitled to claim as unsecured creditors to the extent of their shortfall from the reinsurance funds. It will not be possible to undertake a distribution to the unsecured creditors until all reinsurance funds have been received and distributed because the CPH entitlement to the unsecured distribution cannot be quantified until this occurs.

Concluding the Liquidation

The liquidation will be completed once the reinsurance recovery work is completed and distributions to the CPH and other creditors are made.

The liquidators will provide further updates to creditors when sufficient information becomes available. Should you have any queries in relation to any matter raised in this report please contact us at westernpac@nz.gt.com or refer to the Grant Thornton website.

Dated: 28 April 2017



David Ruscoe
Liquidator

Appendix A – Statement of realisation & distribution

	For the six months ending 31 March 2017	For the combined period from 1 April 2011 to 31 March 2017
	\$	\$
Opening funds on hand	5,829,595	246,918
Receipts (excluding GST where applicable)		
Interest received	70,935	215,468
Collection of debtors	-	522,938
Insurance premiums received post appointment	-	10,877
Reinsurance proceeds (net of premiums due)	20,333,596	30,298,812
Sale of assets (net of expenses)	348	26,634
Proceeds from claims settled	-	24,398
Liquidator's funding for reinsurance premiums	-	346,403
Sundry receipts	452	7,899
GST on receipts	120	5,991
GST refund received	17,459	592,988
Total receipts	20,422,910	32,052,408
Payments (excluding GST where applicable)		
Claims office costs:		
ACC	-	2,073
Cleaning	1,103	9,162
Computer costs and photocopier	6,120	96,794
Heating, light and power	217	9,364
Merchant fees	-	388
Relocation	-	10,016
Rent	2,935	121,550
Security	183	4,681
Staff expenses	-	57
Stationery	-	1,570
Storage costs	513	8,361
Sundry office expenditure	54	2,608
Telephone & internet	942	27,728
Wages and employee entitlements	20,638	735,019
Loss adjuster costs	52,027	1,005,117
Total claims office costs	84,731	2,034,487
Other payments:		
Repayment of Liquidator's funding for reinsurance premiums	-	346,403
Reinsurance premiums paid directly	-	430,173
Bank fees	243	1,848
Consultant fees	-	41,761
Professional Services Other	-	50,578
Public Trust Fees	-	3,469
Debt collection costs	-	2,924
Interveners costs	81,742	81,742
Liquidator's insurance	4,806	31,977
Legal fees - Canterbury Policy Holders	33,674	136,910
Legal and advisory fees	5,237	696,526
Liquidators fees	363,957	2,124,467
Distribution to preferential creditor	-	45,653
Distribution to secured creditor	-	4,739
Distribution to CPHs	16,262,047	16,262,047
Refund of premiums received post liquidation	-	3,453
GST on payments	2,509,380	3,093,481
Total other costs:	19,261,087	23,358,151
Total Payments	19,397,845	26,744,158
Net receipts/payments for the period	1,025,066	5,308,251
Closing funds on hand	6,906,688	6,906,688
Represented by:		
Funds charged to Canterbury Policy Holders		6,598,245
Funds charged to other creditors		308,443
Total funds on hand		6,906,688



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