

Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (in Liquidation)

Company Number: 1222877

27th October 2017



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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 August 2017 and 30 September 2017.

	\$
Loss adjustors and engineers	-
Claim office costs	111
Legal fees (reinsurance)	7,624
Liquidators fees (non-earthquake)	2,695
Liquidators fees (reinsurance)	31,629
Total	41,699

Copies of all reports in respect of this liquidation are available from our website:
www.granthornton.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 30 September 2017 along with a summary of cash movements since our appointment.

Asset Realisations

Claim Assessments

We report that over the 6 monthly period an additional claim has been lodged, its merits are currently being assessed. One assessed claim is being disputed by the claimant, discussions are ongoing. All other 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.

Type of claim	September 2010 Earthquake		February 2011 Earthquake		Total both events	
	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

Reinsurance

As of June 2017 we advise we have received all reinsurance monies available.

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%

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 made a second distribution in June 2017, the following provides details on that distribution:

Earthquake	Sep-10	Feb-11
	Value (\$) (incl. GST)	Value (\$) (incl. GST)
Distribution 29.06.17 (amount incl. GST)	8,385,593	6,704,450
Distribution (% of total loss)	32%	14%

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	6-7	3-4

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 make a further distribution in November 2017.

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. A total of \$546,769 was recovered.

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. Please note the below tables does not include information relating to the ongoing claims per page 4.

	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 was paid in October 2017.

Unsecured Creditors

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

	\$
Total accepted non-CPH unsecured creditor claims	7,687,096

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 \$37million.

We are undergoing the process of formally admitting creditors' claims and have written 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 two distributions 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.

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: 27 October 2017



David Ruscoe
Liquidator

Appendix A – Statement of realisation & distribution

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	For the 6 month period ending 31 September 2017 \$	For the combined period from 1 April 2011 to 30 September 2017 \$
Opening funds on hand	6,906,688	246,918
Receipts (excluding GST where applicable)		
Interest received	13,940	229,408
Collection of debtors	23,831	546,769
Insurance premiums received post appointment	-	10,877
Reinsurance proceeds (net of premiums due)	7,815,890	38,114,701
Sale of assets (net of expenses)	-	26,634
Proceeds from claims settled	-	24,398
Liquidator's funding for reinsurance premiums	-	346,403
Sundry receipts	452	8,351
GST on receipts	68	6,059
GST refund received	4,411,661	5,004,649
Total receipts	12,265,841	44,318,249
Payments (excluding GST where applicable)		
Claims office costs:		
ACC	-	2,073
Cleaning	-	9,162
Computer costs and photocopier	3,291	100,085
Heating, light and power	-	9,364
Merchant fees	-	388
Relocation	-	10,016
Rent	-	121,550
Security	-	4,681
Staff expenses	-	57
Stationery	-	1,570
Storage costs	529	8,889
Sundry office expenditure	-	2,608
Telephone & internet	106	27,834
Wages and employee entitlements	-	735,019
Loss adjuster Costs	14,853	1,019,970
Total claims office costs	18,779	2,053,266
Other costs incurred:		
Repayment of Liquidator's funding for reinsurance premiums	-	346,403
Reinsurance premiums paid directly	-	430,173
Bank fees	196	2,044
Consultant fees	-	41,761
Professional Services Other	2,875	53,452
Public Trust Fees	-	3,469
Debt collection costs	-	2,924
Interveners costs	-	81,742
Liquidator's insurance	-	31,977
Legal fees - Canterbury Policy Holders	11,100	148,010
Legal and advisory fees	-	696,526
Liquidators fees	227,077	2,351,544
Distribution to preferential creditor	-	45,653
Distribution to secured creditor	-	4,739
Distribution to CPFs	13,194,455	29,456,503
Refund of premiums received post liquidation	-	3,453
GST on payments	1,955,031	5,048,512
Total other costs:	15,390,734	38,748,885
Total Payments	15,409,513	40,802,151
Net receipts/payments for the period	(3,143,672)	3,516,099
Closing funds on hand	3,763,016	3,763,016
Represented by:		
Funds charged to Canterbury Policy Holders		3,373,903
Funds charged to other creditors		389,113
Total funds on hand		3,763,016



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