



Grant Thornton

Western Pacific Insurance Limited (in Liquidation)

Report to Creditors dated 26 August 2011

Matters leading up to this report

We refer all creditors to our last report issued in June 2011 and provide the following update on progress of the liquidation

Appointment

On 1 April 2011, the Shareholders by Special Resolution appointed David Ian Ruscoe and Simon John Thorn, of Grant Thornton New Zealand Limited, as Joint and Several Liquidators of Western Pacific Insurance Limited (“the Company”).

Policy cancellation

All policies/contracts of insurance issued by the company were cancelled effective 21 April 2011.

Accordingly, all policyholders are advised to arrange alternative cover where possible and act as prudent uninsured in the event alternate insurance cannot be secured.

Claims

The claims department remains in operation and all claims for losses incurred prior to the cancellation of all policies should be notified to the claims department for assessment. **All claims must be notified by 12 September 2011.**

The claims department can be contacted on (09) 365 1642 or claims@westenpacins.com.

Reinsurance

The company's reinsurance treaties have been retained by payment of the initial premiums totalling approximately \$430,000. The balance of premium due for the 2011 year treaties is a further \$2m and it is expected the reinsurers will offset this amount from reinsurance recoveries in respect of the earthquake claims.

Debtors and unremitted premiums

We are continuing with efforts to recover significant unremitted premiums held by brokers, which are due in accordance with the brokerage agreements entered into between the brokers and the company.

The collection of these unremitted premiums is required to assist us in completing the loss adjustment process necessary before any recovery from reinsurance can be achieved.

Claims summary

The following is an update on the claims position along with an estimate of the reinsurance recovery at the time of writing this report.

We expect there will be a shortfall of funds available for claims and also expect that the quantum of claims may increase as assessment of same is completed.

	\$
Claims – Sept 2010 Earthquake	13,810,252
Claims – Feb 2011 Earthquake	26,103,679
Other New Zealand claims	1,194,222
Australian based claims	2,886,209
Pacific and other claims	2,014,381
Estimated Total claims	46,008,743
Reinsurance recovery estimate	34,333,626
Reinsurance premiums due	2,534,247
Estimated claims shortfall	14,209,364

Meeting of creditors

As outlined in our previous report, the company has limited funds and we do not believe convening a meeting of creditors at this stage is in the best interests of creditors. In this regard, we note that the cost of convening and holding a meeting is likely to be considerable as creditors are scattered throughout both New Zealand and the wider Asia Pacific region. Rather, we encourage all creditors with queries to contact the claims department or us directly.

Application to Court for Directions

As reported previously, we expect to receive an estimated \$34 million from the company's reinsurers in respect of claims made by policy holders for loss arising out of the two main earthquakes in Christchurch, New Zealand (on 4 September 2010 and 22 February 2011).

In our last report, we explained that there was some uncertainty as to who was entitled to those reinsurance monies and that we were going to apply to the Court for certain directions. We have now filed that application and have asked the Court for orders that:

- We can pay out those reinsurance monies to all creditors of the company and not just those policy holders who have claimed for loss arising out of the two earthquakes.
- We can repay from those reinsurance monies any funders who have advanced money to Western Pacific to pay premiums due on the reinsurance treaties or who may advance money to pay loss adjustors to assess claims.
- We can pay from those reinsurance monies our fees and expenses and remuneration if there are no other funds available to us to pay these costs.

The Court has ordered that we can serve all policy holders affected by the application (that is, those policy holders who fall into the category of Canterbury Policy Holders as set out below) by publishing an advertisement in The Press. A copy of that advertisement is attached to this report.

The Court has appointed Jared Ormsby to represent Canterbury Policy Holders and has ordered that his reasonable fees and expenses can be paid from the reinsurance monies. Jared can be contacted on (03) 379 7622 or at PO Box 4341, Christchurch 8140, New Zealand.

The application will be called for the first time in the High Court at Wellington on 12 September 2011 at 10:00am and it is expected that the Court will then allocate a date to hear the application.

Canterbury Policy Holders are all those:

- a. Who were issued with policies by Western Pacific in New Zealand in respect of:
 - i. Domestic buildings and contents, General Property, Business Combined Insurance and ISR, including Fire and Extended Perils, Industrial All Risks, Business Interruption and Machinery Breakdown, Engineering, Contractors All Risks/Erection All Risks and Motor Own Damage (Catastrophe Only);

and/or

- ii. Residential Buildings and/or Residential Contents and Private Motor excluding Third Party Liability Insurance;

and

- b. Who suffered a loss arising out of and directly occasioned by:

- i. the earthquake in Christchurch on 4 September 2010 at 4:35 a.m. (limited to the 72 consecutive hours following);

and/or

- ii. the earthquake in Christchurch on 22 February 2011 at 12:51 p.m. (limited to the 72 consecutive hours following).

Other Matters

Next report

We expect to provide you with a further report in October 2011.

Contact details

Please forward general enquiries to westernpac@nz.gt.com and we will respond as soon as possible.

For any claims enquiries please call (09) 365 1642 or forward to claims@westenpacins.com.

Further information

Further information including correspondence to date and documents relating to our application for Court directions are available on our website www.grantthornton.co.nz.

Disclaimer

The statements and opinions expressed in this report have been made in good faith, and on the basis that all information that we have relied upon is true and accurate in all material respects. In preparing this report we have relied upon, and have not necessarily independently verified, the information and explanations provided to us and we express no opinion as to the accuracy or completeness of that information, other than to note that our investigations are ongoing.

The contents of this report are based on the information available to us at the date of this report. If we become aware of any additional information not known to us at the date of this report, we reserve the right, but shall not be obliged to, review or update this report.

Notice to Policy Holders of Western Pacific Insurance Limited (In Liquidation) who suffered a loss arising out of the earthquakes in Christchurch on 4 September 2010 or 22 February 2011.

On 1 April 2011, Western Pacific Insurance Limited was placed in liquidation. David Ian Ruscoe and Simon John Thorn were appointed as joint and several liquidators of the Company.

In their report to creditors on 3 June 2011, the Liquidators reported that it was uncertain if the above class of policy-holders have a right over all other creditors to claim against any monies paid to the Company by the Reinsurers in respect of losses arising out of the earthquakes in Christchurch on 4 September 2010 or 22 February 2011.

On 12 September 2011 at 10:00 a.m. the Liquidators will apply to the High Court at Wellington seeking directions.

This will include a direction that any monies paid to the Company by the Reinsurers as described above be available to the Liquidators to pay out to all creditors of the Company in accordance with sections 312 and 313 of the Companies Act 1993.

The Court has appointed Jared Ormsby to represent the above class of policy holders. He (or Jeremy Johnson) can be contacted on (03) 379 7622 or at PO Box 4341, Christchurch 8140, New Zealand. You may instruct your own solicitor to represent you, at your own cost.

A copy of the application and supporting documents may be obtained by members of the above class of policy holders from the Liquidators on (03) 379 9580 or at PO Box 2099 Christchurch, New Zealand or from their website www.grantthornton.co.nz