



Western Pacific Insurance Limited (in Liquidation)

Report to Creditors dated 26 June 2013

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Introduction

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”).

Reporting

In addition to our six monthly statutory reports we are also to provide bi-monthly reports to creditors and policyholders in accordance with the Order of the Court dated 14 June 2012. The Order of the Court requires the reports to contain details of the work completed, costs and expenses in relation to the realisation of reinsurance proceeds.

Copies of all reports in respect of this liquidation are available from our website:

<http://www.granthornton.co.nz/western-pacific-insurance/index.html>

Canterbury Policy Holders

Entitlement to Reinsurance Proceeds

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.

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.

	\$
Claims – Sept 2010 Earthquake	13,919,085
Claims – Feb 2011 Earthquake	34,408,143
Estimated Total claims	48,327,228
Reinsurance recovery estimate	33,913,777
Reinsurance premiums due	1,725,889
Estimated claims shortfall	16,139,340

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.

Conduct of Liquidation

As outlined in our previous reports, we have been limited in our ability to complete loss adjustment of claims and therefore recover reinsurance proceeds due to the lack of funds in the liquidation.

In order to start the assessment process, it was agreed with the Loss Adjusters that a targeted approach to the assessment of claims be undertaken. In short, we have selected a small number of claims aimed at recovering reinsurance proceeds which may then be utilised for wider assessment of claims.

This process is well underway and we are presently awaiting advice from engineers and quantity surveyors to enable completion of loss adjustment for the selected claims, following which a claim will be presented to the panel of Reinsurers.

We have also agreed a commutation with one of the Reinsurers in full and final settlement of its obligations under both the 2010 and 2011 treaties to the company which resulted in the amount of \$1,935,919 being received on 14 June. The recovery will significantly improve recovery efforts by enabling more loss adjustment.

During the previous two months we have undertaken the following:

- Continued to operate the claims department
- Liaised with loss adjusters regarding the progression of claims assessments
- Reviewed claims received in respect of the Canterbury earthquakes and maintained claims estimates and kept the Reinsurers apprised of such amounts
- Continued recovery efforts to realise the significant unremitted premiums held by brokers
- Preparing claim information in order to obtain further reinsurance proceeds
- Negotiated and received a \$1.9m settlement from one of the Reinsurers

Costs

The following is a summary of costs incurred during the two months ended 31 May 2013.

	\$
Legal fees	8,855
Liquidators fees (reinsurance and earthquake claim matters)	28,099
Liquidators fees (other matters)	3,340
Claim department costs	31,391
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	71,685

Other Matters

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@westernpacins.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.