



Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (In Liquidation)

29 October 2012

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.

We set out below our report on the state of the affairs of the above named 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

Reporting

In addition to our statutory reports dated 7 April 2011, 27 October 2011 and 30 April 2012 we have provided further reports to creditors and policyholders dated 7 June 2011, 26 August 2011, 21 December 2011 and 29 August 2012.

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

Conduct of liquidation

Since our last statutory report dated 30 April 2012, we have undertaken the following:

- Continued to operate the claims department from leased premises in Auckland
- Reviewed claims received in respect of the Canterbury earthquakes and maintained claims estimates and kept the Reinsurers apprised of such amounts
- Liaised with legal counsel representing the Canterbury Policyholders
- Continued recovery efforts to realise the significant unremitted premiums held by brokers
- Preparing claim information in order to obtain reinsurance proceeds
- Obtained access to records held by CERA in relation to commercial buildings insured by the Company
- Obtained access to EQC's electronic records
- Attended meetings with Loss Adjustors engaged by the Company prior to liquidation to confirm recommencement of services

Statement of Realisation and Distribution

Attached as Appendix A is a statement of realisation and distribution showing the receipts and payments for the period ending 30 September 2012.

Sealed Orders

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

The order provides for specific charges to the ANZ National Bank Limited, Kiwibank Limited, Rabobank New Zealand Limited, Counsel for the Canterbury Policy Holders and the Liquidators. A summary of the specific charges and a copy of the order are included in our report dated 29 August 2012 and is available from the Grant Thornton website.

We are required to publish a report to creditors on the Grant Thornton website every two months from the date of the order, and will include the information in our statutory reports. The reports will include details of the work completed and costs and expenses incurred in relation to the realisation of the reinsurance proceeds. Below is a summary of costs incurred between 1 June and 30 September 2012.

	\$
Legal fees	88,726
Liquidators fees (reinsurance and earthquake claim matters)	45,165
Liquidators fees (other matters)	12,468
Claim department costs	84,121
Total (GST exclusive)	<u>230,480</u>

Asset Realisation

During the last six months we have continued with our efforts to collect the company's debtors, which include unremitted premiums held by various brokers and amounts due from individual policy holders.

The balance of debtors to be collected is \$941,981. Recovery action is ongoing in respect of the balance of outstanding debtors which includes using debt collection agencies and taking actions as per broker agreements.

Secured Creditors

The ruling and subsequent order from the High Court means that Canterbury Policyholders, being those policyholders with claims in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011, have a charge over the reinsurance recoverable in respect of such events.

There are no other secured claims, with the exception of the specific securities held in respect of office equipment which we are continuing to use in the Auckland claims office. The debt owing to the General Security Agreement holder was satisfied at the time of our appointment.

The following is a summary of the estimated claims in relation to the Canterbury Policy Holders.

	\$
September 2010 Earthquake	13,940,409
February 2011 Earthquake	<u>34,401,018</u>
Total	<u>48,341,427</u>

Preferential Creditors

Inland Revenue has a preferential claim of \$87,559 and amounts' owing to employees at our appointment was \$117,932. At the date of the preparation of this report, these claims have not been reviewed by the liquidators.

It is unknown at this stage what distribution, if any, will be available for preferential creditors. Any such distribution will be dependent on recovery of outstanding debtors.

Unsecured Creditors.

The following is a summary of the Company's estimated total unsecured claims at the date of this report:

	\$
Estimated insurance claims	16,437,435
Trade creditors	1,154,394
Unexpired premiums	740,794
Broker commission	10,967
Total estimated unsecured claims	<u>18,343,591</u>

It is noted the estimated insurance claims include all claims other than those in respect of the Canterbury Earthquakes on 4 September 2010 and 22 February 2011.

Proposals for completing the liquidation

The liquidation is unlikely to be completed in the next six months as there is considerable work to be done in assessing and agreeing insurance claims in respect of the Canterbury earthquakes and recovering proceeds from reinsurance in respect of such claims.

Canterbury Policy Holders

Policyholders with claims in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011 are encouraged to provide any and all information they may hold to substantiate the insurance claims made in respect of these events.

The claims office is collecting information from the Canterbury Policy Holders relating to claims and we recommend all Canterbury Policy Holders contact the claims team on 09 365 1642 or claims@westernpacins.com to confirm the information we hold on file is the most recent information available to date.

Claims Assessment

We have now obtained access to records from CERA and EQC identifying damage caused to insured properties as a result of the Christchurch Earthquakes. This information is currently being reviewed by our claims team.

Loss adjustors who were engaged by the Company prior to our appointment have committed to help progress and advance the assessment of claims, and have now been re-engaged by the Liquidators.

Once losses arising from the September and February Earthquakes can be quantified we will be in a position to begin the process of recovering reinsurance proceeds from the Company's 2010 and 2011 reinsurance panels.

Investigation

An investigation into the affairs of the company is ongoing to determine if there are possible recoveries in respect to voidable transactions and whether the company traded recklessly.

Likelihood of Dividend to Unsecured Creditors

It is not possible at this stage to determine whether any dividend will be available for ordinary unsecured creditors, however based on the information available, it appears unlikely. The recovery of unremitted premiums from brokers and/or any other source identified by the liquidators will determine what funds are available for distribution to creditors.

Meeting of creditors

As outlined in our previous reports, 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.

Concluding the Liquidation

At this stage it is not practicable to estimate a completion date for the liquidation.

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 on westernpac@nz.gt.com or refer to the Grant Thornton website.

Dated: 29 October 2012

For and on behalf of
Western Pacific Insurance Limited (In Liquidation)



Simon Thorn
Joint Liquidator

Appendix A– Statement of realisation & distribution

Western Pacific Insurance Limited (In Liquidation)

Statement of realisation and distribution

for the period 1 April to 30 September 2012

	Notes	\$	\$
Opening funds on hand			310,879
Receipts (excluding GST where applicable)			
Collection of debtors		30,041	
Interest received		14,285	
Sundry Receipts		1,971	
GST on receipts		95	
GST refund received		50,916	
Total receipts			97,308
Payments (excluding GST where applicable)			
ACC		704	
Bank Fees		111	
Computer Costs and Photocopier		7,069	
Debt collection costs		366	
Heating, light and power		460	
Liquidator's insurance		2,696	
Legal fees - Canterbury Policy Holders		103,236	
Legal and Advisory Fees		1,844	
Rent		13,840	
Stationery		116	
Storage Costs		396	
Telephone & Internet		2,934	
Wages		97,639	
GST on payments		19,724	
Total Payments			251,134
Net receipts/payments for the period			(153,826)
Closing funds on hand			157,052
Represented by:			
Funds charged to Canterbury Policy Holders		134,249.74	
Funds received post appointment	1	7,424.48	
Funds on hand		15,378.18	
Total funds on hand			157,052

Notes:

1) Payments received after our appointment. This amount is to be refunded



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