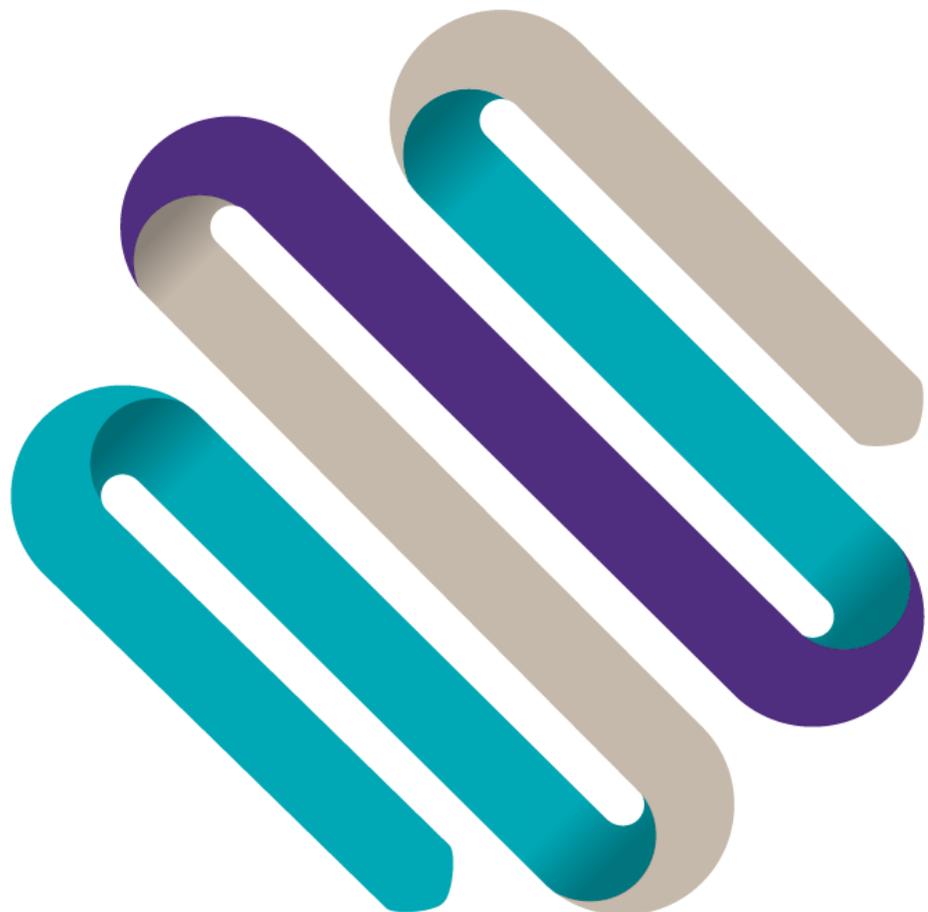


# Liquidators' six monthly report on the State of Affairs of

Western Pacific Insurance Limited (in Liquidation)

Company Number: 1222877

27 April 2018



# Contents

|  |   |
|--|---|
| Introduction   | 2 |
| Restrictions   | 3 |
| Conduct of the liquidation in the preceding six months | 4 |
| Proposals for completing the liquidation               | 7 |
| Appendix A – Statement of Realisation and Distribution | 8 |

# 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 2018 and 31 March 2018.

|                                   | \$            |
|-----------------------------------|---------------|
| Loss adjustors and engineers      | -             |
| Bank Fees                         | 39            |
| Storage Costs                     | 177           |
| Legal fees (reinsurance)          | 2,775         |
| Liquidators fees (non-earthquake) | -             |
| Liquidators fees (reinsurance)    | 22,621        |
| <b>Total</b>                      | <b>25,612</b> |

Copies of all reports in respect of this liquidation are available from our website:  
[www.granthornton.co.nz/Western-pacific-insurance/index.html](http://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 31 March 2018 along with a summary of cash movements since our appointment.

## Asset Realisations

### Claim Assessments

As reported in our previous report, one claim was being disputed by the Claimant. Whilst settlement was offered by us the Claimant declined this and has initiated legal action. We intend to defend the litigation to ensure all CPH's are treated equally.

| 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             |

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

## 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:

| Distribution date | Earthquake                      | Sep-10                    | Feb-11                    |
|-------------------|---------------------------------|---------------------------|---------------------------|
|                   |                                 | Value (\$)<br>(incl. GST) | Value (\$)<br>(incl. GST) |
| 23.01.17          | Distribution (amount incl. GST) | 9,171,742                 | 9,529,612                 |
|                   | Distribution (% of total loss)  | 35%                       | 20%                       |
| 29.06.17          | Distribution (amount incl. GST) | 8,385,593                 | 6,704,450                 |
|                   | Distribution (% of total loss)  | 32%                       | 14%                       |
| 29.11.17          | Distribution (amount incl. GST) | 1,572,299                 | 1,436,668                 |
|                   | Distribution (% of total loss)  | 6%                        | 3%                        |

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.

On the basis of the reinsurance monies received and the costs estimated to be incurred, we estimate CPH will further receive the following percentages of their losses, following receipt of GST refunds relating to the distributions. We anticipate making a final distribution during 2018.

| Earthquake                                    | Sep-10     | Feb-11   |
|---|------------|----------|
|   | %          | %        |
| Further percentage estimated you will receive | Up to 1.5% | Up to 1% |

## Debtor recoveries

As previously report, debtor recoveries have now been completed. 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.

|                               | 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                   |
| <b>Total estimated claims</b> | <b>\$64,429,485</b>           | <b>\$9,664,423</b> | <b>\$74,093,908</b>          |

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 accepted as at the date of this report:

|   | \$        |
|---|-----------|
| <b>Total accepted non-CPH unsecured creditor claims</b> | 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 \$37 million.

There will be a distribution of funds held by the Public Trust, these funds total \$500,000 and are held as a deposit as is required by the Insurance Companies' Deposits Act 1953. Distribution of these funds are limited to policy holders only, this will include the extent of the shortfall of CPH reinsurance funds. It is expected that distribution of Public Trust funds will amount to less than a 1% recovery.

Following the above payments we expect there to be a small distribution to all unsecured creditors of less than 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.

# Proposals for completing the liquidation

## Canterbury Policy Holders

The loss assessment work has been completed and we have made three 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](mailto:westernpac@nz.gt.com) or refer to the Grant Thornton website.

Dated: 27 April 2018



David Ruscoe  
Liquidator

# Appendix A – Statement of Realisation and Distribution

|   | For the 6 month<br>period ending<br>31 March 2018<br>\$ | For the combined<br>period from<br>1 April 2011 to 31<br>March 2018<br>\$ |
|---|---|---|
| <b>Opening funds on hand</b>                          | <b>3,763,016</b>  | <b>246,918</b>  |
| <b>Receipts (excluding GST where applicable)</b>      |   |   |
| Interest received                                     | 115   | 229,522   |
| Collection of debtors                                 | -   | 546,769   |
| Insurance premiums received post appointment          | -   | 10,877  |
| Reinsurance proceeds (net of premiums due)            | -   | 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   | 8,803   |
| GST on receipts                                       | 68  | 6,127   |
| GST refund received                                   | 407,922   | 5,412,571   |
| <b>Total receipts</b>                                 | <b>408,557</b>  | <b>44,726,807</b>   |
| <b>Payments (excluding GST where applicable)</b>      |   |   |
| <b>Claims office costs:</b>                           |   |   |
| ACC   | -   | 2,073   |
| Cleaning  | -   | 9,162   |
| Computer costs and photocopier                        | -   | 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   | 532   | 8,892   |
| Sundry office expenditure                             | -   | 3,137   |
| Telephone & internet                                  | -   | 27,728  |
| Wages and employee entitlements                       | -   | 735,125   |
| Loss adjuster Costs                                   | -   | 1,019,970   |
| <b>Total claims office costs</b>                      | <b>532</b>  | <b>2,053,798</b>  |
| <b>Other costs incurred:</b>                          |   |   |
| Repayment of Liquidator's funding for reinsurance pre | -   | 346,403   |
| Reinsurance premiums paid directly                    | -   | 430,173   |
| Bank fees   | 127   | 2,170   |
| Consultant fees                                       | -   | 41,761  |
| Professional Services Other                           | -   | 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                | 9,634   | 157,645   |
| Legal and advisory fees                               | -   | 696,526   |
| Liquidators fees                                      | 97,673  | 2,449,217   |
| Distribution to preferential creditor                 | 87,559  | 133,212   |
| Distribution to secured creditor                      | -   | 4,739   |
| Distribution to CPHs                                  | 2,618,844   | 32,075,347  |
| Refund of premiums received post liquidation          | -   | 3,453   |
| GST on payments                                       | 403,426   | 5,451,938   |
| <b>Total other costs:</b>                             | <b>3,217,262</b>  | <b>41,966,147</b>   |
| <b>Total Payments</b>                                 | <b>3,217,794</b>  | <b>44,019,945</b>   |
| <b>Net receipts/payments for the period</b>           | <b>(2,809,237)</b>                                      | <b>706,861</b>  |
| <b>Closing funds on hand</b>                          | <b>953,779</b>  | <b>953,779</b>  |
| <b>Represented by:</b>                                |   |   |
| Funds charged to Canterbury Policy Holders            |   | 573,280   |
| Funds charged to other creditors                      |   | 380,499   |
| <b>Total funds on hand</b>                            |   | <b>953,779</b>  |



**Grant Thornton**

An instinct for growth™

---

[www.grantthornton.co.nz](http://www.grantthornton.co.nz)

© 2018 Grant Thornton New Zealand Ltd. All rights reserved.

Grant Thornton New Zealand Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see [www.grantthornton.co.nz](http://www.grantthornton.co.nz) for further details.