

Liquidators' six monthly report on the State of Affairs of

Western Pacific Insurance Limited (in Liquidation)

Company Number: 1222877

27 April 2018



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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 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
Total	25,612

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 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 (\$) (incl. GST)	Value (\$) (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
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 accepted 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 \$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 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 period ending 31 March 2018 \$	For the combined period from 1 April 2011 to 31 March 2018 \$
Opening funds on hand	3,763,016	246,918
Receipts (excluding GST where applicable)		
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
Total receipts	408,557	44,726,807
Payments (excluding GST where applicable)		
Claims office costs:		
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
Total claims office costs	532	2,053,798
Other costs incurred:		
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
Total other costs:	3,217,262	41,966,147
Total Payments	3,217,794	44,019,945
Net receipts/payments for the period	(2,809,237)	706,861
Closing funds on hand	953,779	953,779
Represented by:		
Funds charged to Canterbury Policy Holders		573,280
Funds charged to other creditors		380,499
Total funds on hand		953,779



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