

Western Pacific Insurance Limited (in Liquidation)

Report to Creditors dated 19 December 2012

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

We provide the following update on the progress of the liquidation in accordance with the Order of the Court dated 14 June 2012.

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. The claim department should have now been notified of all claims.

The claims department can be contacted on (09) 365 1642 or claims@westernpacins.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 each treaty where premium remains payable. It is estimated recoveries totalling \$34 million may be available from reinsurance.

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.

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.

Canterbury Policy Holders

In our reports dated 21 December 2011 and 29 August 2012, we explained the Judgement of Simon France J and subsequent Order of the Court determined the reinsurance monies payable to the Company and/or the liquidators in respect to the Christchurch Earthquakes are charged to the Canterbury Policy Holders. Please refer to the above reports for a summary and copy of the Judgement and Order of the Court.

Bi monthly reports

The Order of the Court requires us to publish a report to creditors on the Grant Thornton website every two months from the date of the orders. The report shall include details of the work completed, costs and expenses in relation to the realisation of reinsurance proceeds.

Should you require a physical copy of the report please advise our claims team by phone or email at the contact details supplied further in this report.

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	34,351,034
Estimated Total claims	48,270,119
Reinsurance recovery estimate	33,913,777
Reinsurance premiums due	1,802,825
Estimated claims shortfall	16,159,167

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. This means it is unlikely any funds will be available for creditors of the Company.

Conduct of Liquidation

As explained in our report dated 29 October 2012, 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 being reviewed by our claims team.

During the previous two months 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
- Continued recovery efforts to realise the significant unremitted premiums held by brokers
- Preparing claim information in order to obtain reinsurance proceeds

Claims Assessment

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.

Costs

The following is a summary of costs incurred during the two months ended 30 November 2012.

	\$
Legal fees	10,692
Liquidators fees (reinsurance and earthquake claim matters)	14,990
Liquidators fees (other matters)	2,980
Claim department costs	<u>44,307</u>
	<u>72,969</u>

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.