



Grant Thornton

Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (In Liquidation)

24 April 2013

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 six monthly statutory reports we are also provided bi-monthly reports reports to creditors and policyholders in accordance with the Order of the Court dated 14 June 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

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.

Loss Adjusters had also ceased working for the company prior to liquidation due to non-payment and significant arrears are owing to the Adjusters for work completed on assessing claims prior to our appointment.

After the Court Order was obtained in July 2012, we eventually convinced the Loss Adjusters to recommence assessment of claims on the basis their costs for loss adjustment of those claims relevant to the Canterbury earthquakes on 4 September 2010 and 22 February 2011 will be met in full from reinsurance proceeds. The Order of the Court dated 14 June 2012 provides for such costs to be met.

Given the limited funds available in the liquidation, it was agreed with the Loss Adjusters that a targeted approach to 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 received a proposal from one of the Reinsurers to settle its obligations under both the 2010 and 2011 treaties to the company in full immediately for an amount equivalent to 80% of its exposure based on the current estimates. This proposal would mean a discount of \$554,118 and recovery of \$1,935,919 after deduction of unpaid premiums owing to the Reinsurer of \$280,553. We are presently assessing the merit of this proposal and understand that the Reinsurer proposing the settlement is in run-off and has withdrawn from all inwards reinsurance.

Since our last statutory report dated 29 October 2012, we have undertaken the following:

- Continued to operate the claims department from leased premises in Auckland
- 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 reinsurance proceeds

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 31 March 2013.

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 February and 31 March 2013.

	\$
Claim Costs	42,868
Legal and Advisory Fees	8,696
Liquidators fees (non-earthquake)	4,102
Liquidators fees (reinsurance)	21,739
Total	<u>77,405</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 \$749,629. 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	13,919,085
February 2011 Earthquake	34,408,143
Total	<u>48,327,228</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	16,853,238
Trade creditors	1,154,394
Unexpired premiums	740,794
Broker commissions	10,967
Total estimated unsecured claims	<u>18,759,393</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

As outlined above, loss adjustment is progressing on a targeted basis and will be intensified once reinsurance proceeds are recovered.

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: 24 April 2013

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 October 2012 to 31 March 2013

	Notes	\$	\$
Opening funds on hand			157,052
Receipts (excluding GST where applicable)			
Collection of debtors		46,663	
Bank interest received		1,367	
Government Bond interest received		11,700	
Sundry receipts		579	
GST on receipts		87	
GST refund received		<u>28,128</u>	
Total receipts			88,523
Payments (excluding GST where applicable)			
Bank fees		115	
Claim assessment		8,696	
Computer costs and photocopier		7,123	
Debt collection costs		177	
Heating, light and power		732	
Liquidator's insurance		2,704	
Rent		14,750	
Stationery		178	
Storage costs		251	
Telephone & internet		3,279	
Wages		97,594	
GST on payments		<u>13,448</u>	
Total Payments			149,045
Net receipts/payments for the period			<u>(60,522)</u>
Closing funds on hand			<u>96,530</u>
Represented by:			
Funds charged to Canterbury Policy Holders		257,255	
Advance to fund claims department and claims investigations	1	(168,149)	
Funds received post appointment	2	7,424	
Total funds on hand			<u>96,530</u>

Notes:

- 1) Funds charged to Canterbury Policy Holders have been used to fund investigation work into the earthquake claims
- 2) Payments received after our appointment. This amount is to be refunded



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