



Grant Thornton

Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (In Liquidation)

28 April 2014

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.

Simon John Thorn vacated the position of Liquidator on 27 June 2013 and was replaced by Richard Grant Simpson.

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 to creditors and policyholders in accordance with the Order of the Court dated 14 June 2012 (the "Court Order").

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

To advance negotiations with the other reinsurers efficiently, we have instructed the loss adjusters to review the largest earthquake claims first. This does not mean that the largest claims will receive a settlement of their claim in advance of other Canterbury policy holders. Distributions to Canterbury policy holders will occur after all earthquake claims have been quantified and agreed.

Loss adjusters are currently progressing some sixty claims with a total estimated value of approximately \$37 million and will continue to work through the remaining claims. We have received preliminary reports and findings on twenty of these claims.

Our current estimate for completion of loss assessment of the earthquake claims is at least 12 months.

We are continuing our regular dialogue with the loss adjusters and engineers to ensure that they are progressing our claims. Payments of \$140,000 have been made to loss adjusters, valuers and engineers over the last six months to ensure that progress continues.

Discussions with the reinsurers are on-going and claims submitted to date with a combined value of \$2.8m (\$3.3m less \$0.5m excess) have been submitted to the panel of reinsurers. Reinsurance premiums of approximately \$2m remained outstanding and are able to be offset against these claims submitted.

We have settled claims with 2 of the reinsurers totalling \$666,418 and after deductions for outstanding premiums and reinstatement premiums we received \$93,119 on 17 April 2014 and expect further funds from other reinsurers will be received shortly. We accepted the deduction for outstanding premiums in the knowledge that further payments under these claims will be made without deduction.

Since our last statutory report dated 18 October 2013, we have undertaken the following:

- Submitted claims with a combined value of \$3.3m to a panel of reinsurers
- Liaised with loss adjusters and engineers 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
- Instructed our legal advisors to submit claims of over \$600,000 of unremitted premiums held by various brokers to the Court

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 2014 along with a summary of cash movements since our appointment.

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 are 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 2014.

| | |
|-----------------------------------|---------------|
| | \$ |
| Claim office costs | 17,218 |
| Claim assessment costs | 39,310 |
| Legal fees (non-earthquake) | 3,720 |
| Legal fees (reinsurance) | 2,105 |
| Liquidators fees (non-earthquake) | 2,377 |
| Liquidators fees (reinsurance) | 10,140 |
| Liquidators insurance | 2,506 |
| Total | <u>77,376</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. We have instructed our legal advisors to submit claims to the Court. These claims

have a combined total of over \$600,000. Any funds realised from this process will be for the benefit of preferential and unsecured creditors, including any shortfall from earthquake claims.

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 claims office. The debt owing to the General Security Agreement holder was satisfied by 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.

We expect that preferential creditors will receive a distribution in the next 12 months. 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 | 15,059,345 |
| Trade creditors | 1,154,394 |
| Unexpired premiums | 740,794 |
| Broker commissions | 10,967 |
| Total estimated unsecured claims | <u>16,965,501</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 which we have noted above.

Proposals for completing the liquidation

The liquidation is likely to continue until at least 2016 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 office 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 is being intensified as loss adjusters become available.

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.

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: 28 April 2014

For and on behalf of

Western Pacific Insurance Limited (In Liquidation)



David Ruscoe
Joint Liquidator

Appendix A– Statement of realisation & distribution

| | For the 6month period ending 31 March 2014 \$ | For the combined period from 1 April 2011 to 31 March 2014 \$ |
|--|--|---|
| Opening funds on hand | 767,011 | 246,918 |
| Receipts (excluding GST where applicable) | | |
| Interest received | 11,929 | 84,579 |
| Collection of debtors | 76,201 | 357,263 |
| Insurance premiums received post appointment | - | 10,877 |
| Reinsurance proceeds | - | 2,193,174 |
| Sale of assets (net of expenses) | - | 26,286 |
| Proceeds from claims settled | - | 24,398 |
| Liquidator's funding for reinsurance premiums | - | 346,403 |
| Sundry receipts | 452 | 3,454 |
| GST on receipts | 68 | 4,731 |
| GST refund received | 26,478 | 313,503 |
| Total receipts | 115,128 | 3,364,669 |
| Payments (excluding GST where applicable) | | |
| Claim office costs: | 58,070 | 683,414 |
| Claim assessment payments: | 140,127 | 166,915 |
| Repayment of Liquidator's funding for reinsurance premiums: | - | 346,403 |
| Other costs incurred: | | |
| Reinsurance premiums | - | 430,173 |
| Bank fees | 120 | 922 |
| Consultant fees | - | 41,761 |
| Professional Services Other | - | 11,197 |
| Public Trust Fees | - | 3,469 |
| Debt collection costs | - | 2,322 |
| Liquidator's insurance | 2,506 | 19,653 |
| Legal fees - Canterbury Policy Holders | - | 103,236 |
| Legal and Advisory Fees | 4,201 | 342,660 |
| Liquidators fees and disbursements | - | 576,765 |
| Distribution to secured creditor | - | 4,739 |
| Refund of premiums received post liquidation | - | 3,453 |
| GST on payments | 9,755 | 207,146 |
| Total Payments | 214,780 | 2,944,227 |
| Net receipts/payments for the period | (99,651) | 420,442 |
| Closing funds on hand | 667,359 | 667,359 |
| Represented by:* | | |
| Funds charged to Canterbury Policy Holders | | 15,652 |
| Funds charged to other creditors | | 644,282 |
| Funds received post appointment to be refunded | | 7,424 |
| Total funds on hand | | 667,359 |

* split is an approximation based on information currently available



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