

Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (In Liquidation)

28 October 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

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.

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 1 August and 30 September 2014.

	\$
Claim office costs	19,597
Claim assessment costs	13,934
Legal fees (non-earthquake)	-
Legal fees (reinsurance)	5,600
Liquidators fees (non-earthquake)	940
Liquidators fees (reinsurance)	41,053
Liquidators insurance	2,506
Total	<u>83,630</u>

Copies of all reports in respect of this liquidation are available from our website:
www.grantthornton.co.nz/Western-pacific-insurance/index.html.

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

Asset Realisation

Reinsurance

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.

We continue to work closely with the loss adjusters to progress the claims. As previously reported, progress had been slower than we had hoped due to lack of availability of engineers. To hasten the processes we have engaged three additional engineering firms to assist with the loss adjustment process. We regularly meet with the loss adjusters and engineers as part of our ongoing procedures to monitor their progress.

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

This table provides a summary of the status of the claims as it currently stands:

	Sept 2010		Feb 2011		Total	
	Number of claims No.	Value \$	Number of claims No.	Value \$	Number of claims No.	Value \$
Assessed claims	28	\$6.6m	6	\$14.8m	34	\$21.4m
Claims with loss adjusters	42	\$8.1m *	62	\$26.7m *	104	\$34.8m *
Claims not yet assigned to a loss adjuster	11	\$0.2m *	44	\$2.3m *	55	\$2.5m *
Closed	11	-	-	-	11	-
	92	\$14.9m *	112	\$43.8m *	204	\$58.7m *

* Estimated values. As mentioned below, we expect that the quantum of claims may increase as assessments are completed

In the last two months \$14.4 million worth of claims have been finalised. These claims have been assessed at a value that is \$8 million higher than the initial indicative claim value. Although an increase of this size is highly unusual, we expect that the quantum of claims will continue to increase as assessments are completed.

We expect further claims of over \$10 million to be finalised in the next two month. Once these assessments are completed, we will be in a position to send a further \$28 million of claims to the reinsurers. As premiums due for the 2011 year have been offset against the reinsurance proceeds received to date, we expect a full recovery of further amounts claimed under the policy (subject to excess and other costs).

The following is an estimate of the reinsurance recovery at the time of writing this report.

	\$
Reinsurance recovery estimate	33,913,777
Less reinsurance premiums due	1,725,891
Estimated reinsurance recoveries (subject to costs)	32,187,886

Debtor recoveries

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. Claims have been served on the relevant brokers and we will be continuing with the court process in the coming months. 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	14,941,177
February 2011 Earthquake	43,809,575
Total	<u>58,750,752</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	15,405,863
Trade creditors	1,154,394
Unexpired premiums	740,794
Broker commissions	10,967
Total estimated unsecured claims	<u>17,312,019</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

We have completed an investigation into the affairs of the company. We do not believe that legal action against the directors or pursuing possible voidable transactions would be in the best interest of the creditors.

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 October 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 30 September 2014 \$	For the combined period from 1 April 2011 to 30 September 2014 \$
Opening funds on hand	667,359	246,918
Receipts (excluding GST where applicable)		
Interest received	11,774	96,354
Collection of debtors	497	357,759
Insurance premiums received post appointment	-	10,877
Reinsurance proceeds	93,119	2,286,293
Sale of assets (net of expenses)	-	26,286
Proceeds from claims settled	-	24,398
Liquidator's funding for reinsurance premiums	-	346,403
Sundry receipts	991	4,446
GST on receipts	149	4,880
GST refund received	15,697	329,199
Total receipts	122,227	3,486,895
Payments (excluding GST where applicable)		
Claim office costs:	60,484	743,898
Claim assessment payments:	30,981	197,896
Repayment of Liquidator's funding for reinsurance premiums:	-	346,403
Other costs incurred:		
Reinsurance premiums	-	430,173
Bank fees	111	1,033
Consultant fees	-	41,761
Professional Services Other	-	11,197
Public Trust Fees	-	3,469
Debt collection costs	530	2,852
Liquidator's insurance	2,506	22,159
Legal fees - Canterbury Policy Holders	-	103,236
Legal and Advisory Fees	30,458	373,118
Liquidators fees and disbursements	56,433	633,199
Distribution to secured creditor	-	4,739
Refund of premiums received post liquidation	-	3,453
GST on payments	20,550	227,696
Total Payments	202,053	3,146,279
Net receipts/payments for the period	(79,826)	340,616
Closing funds on hand	587,534	587,534
Represented by:*		
Funds charged to Canterbury Policy Holders		72,583
Funds charged to other creditors		507,526
Funds received post appointment to be refunded		7,424
Total funds on hand		587,534

* split is an approximation based on information currently available



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