

Liquidators' Six Monthly Report on the State of Affairs of

Western Pacific Insurance Limited (In Liquidation)

27 October 2016

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 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 August 2016 and 30 September 2016.

	\$
Loss adjustors and engineers	4,738
Claim office costs	20,599
Legal fees (non-earthquake)	4,920
Legal fees (reinsurance)	2,769
Liquidators fees (non-earthquake)	7,502
Liquidators fees (reinsurance)	87,015
Total	\$127,543

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 an appendix is a statement of realisation and distribution showing the receipts and payments for the six month period ending 30 September 2016 along with a summary of cash movements since our appointment.

Asset Realisations

Claim Assessments

The loss assessment process has virtually been completed. Only one claim is presently under assessment as the insured has only recently provided information to substantiate its claim.

We are in discussions with 3 insureds in relation to the assessment of their losses incurred during the earthquakes.

Distributions to CPH will occur after all earthquake claims have been quantified and agreed with insureds and funds are received from reinsurers.

The below table provides a summary of the status of the claims submitted to reinsurers as it currently stands. The figures below include claims which were finalised prior to liquidation and loss assessment costs incurred, against which reinsurance monies can be recovered.

Note	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)
1)	Accepted/ closed claims	95	22,562,261	114	41,475,211	209	64,037,472
2)	Assessed claims	3	662,411	3	235,669	6	898,079
3)	Claims partially assessed *			1	42,603	1	42,603
	Total	98	\$23,224,672	118	\$41,753,483	216	\$64,978,155

Note

- 1) Comprises of all claims completed / closed post liquidation, agreed / settled / closed prior to liquidation.
 - 2) Comprises of all fully assessed claims which are yet to be formally agreed to by the insured.
 - 3) Comprises of all claims for which assessment by the loss adjuster is ongoing.
- * Estimated values. Claims may increase as assessments are completed.

As assessment is all but complete and based on the assessments the company has reached the caps on its reinsurance treaties we have issued notices through the brokers to all reinsurers for final recovery of amounts due.

The following is a summary of reinsurance position to date:

	\$
Reinsurance funds received to date	9,943,405
Maximum reinsurance recoveries yet to be received	28,327,269
Total reinsurance recoveries	38,270,674

The reinsurance recoveries are subject to the reinsurers accepting the claims lodged and remitting proceeds to us.

We continue to liaise with reinsurers and provide further information in regards to the assessed claims and expected recoveries.

We expect to complete recovery of the reinsurance proceeds in 2016 and will continue to pursue the reinsurers for payment.

Debtor recoveries

During the last six months we have continued with our legal proceedings to collect the Company's debtors, relating to unremitted premiums held by various brokers. During the last six months, \$44,184 was recovered from the brokers. Only one claim remains outstanding and we expect to have this claim resolved shortly. Funds realised from this process will be for the benefit of preferential and unsecured creditors.

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:

	Value (\$) (excl. GST)	GST (\$)	Value (\$) (incl. GST)
September 2010 earthquake	22,829,246	3,424,387	26,253,633
February 2011 earthquake	41,326,923	6,199,038	47,525,961
Total estimated claims	64,156,169	9,623,425	73,779,594

Please note that the estimated claims detailed above differ from the previous page due to the ability to include certain costs of the loss assessment in the claim to the reinsurers.

Preferential Creditors

We have accepted claim forms totalling \$114,483 from employees - of this, the amount of \$45,653 related to preferential claims. We paid employees' preferential claims out of money not charged to the CPH in March 2016 with the tax deductions being paid to the IRD in April 2016 in the current reporting period.

The Inland Revenue Department has a preferential claim of \$87,559.

Unsecured Creditors

The following is a summary of the total unsecured creditors' claims received as at the date of this report:

	\$
Estimated insurance claims (non-earthquake)	7,131,661
Trade creditors	893,718
Unexpired premiums	99,822
IRD	125,898
Employees	68,830
Broker commissions	1,000
Total estimated non-CPH unsecured claims	8,320,929

We note that the shortfall from claims by the CPH will be classified as unsecured creditors.

We note a decrease in the quantum of unsecured creditors as compared to our last report of \$9.3 million which predominately relates to two non-earthquake insurance claims being amended following further information being received and a large number of unsecured creditors not having returned claim forms.

Proposals for completing the liquidation

We expect that the loss assessment work will be completed on all notified earthquake claims by the end of November 2016. Recovering proceeds from reinsurance in respect of such claims is ongoing and we expect this to be completed in 2016.

Canterbury Policy Holders

We have previously requested that policyholders provide any and all information they may hold to substantiate the insurance claims made in respect of the Canterbury earthquakes on 4 September 2010 and 22 February 2011.

If further information has become available in relation to the earthquake claims, please contact the claims office on (09) 365 1642 or claims@westernpacins.com.

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 October 2016



David Ruscoe
Liquidator

Appendix A – Statement of realisation & distribution

	For the 6 month period ending 30 September 2016 \$	For the combined period from 1 April 2011 to 30 September 2016 \$
Opening funds on hand	2,153,998	246,918
Receipts (excluding GST where applicable)		
Interest received	23,252	144,533
Collection of debtors	44,184	522,938
Insurance premiums received post appointment	-	10,877
Reinsurance proceeds (net of premiums due)	4,109,819	9,965,215
Sale of assets (net of expenses)	-	26,286
Proceeds from claims settled	-	24,398
Liquidator's funding for reinsurance premiums	-	346,403
Sundry receipts	435	7,447
GST on receipts	607	5,871
GST refund received	94,650	575,529
Total receipts	4,272,946	11,629,498
Payments (excluding GST where applicable)		
Claims office costs:	67,846	996,667
Claim assessment payments:	118,549	953,089
Repayment of Liquidator's funding for reinsurance premiums:	-	346,403
Other costs incurred:		
Reinsurance premiums paid directly	-	430,173
Bank fees	190	1,605
Consultant fees	-	41,761
Professional Services Other	21,735	50,578
Public Trust Fees	-	3,469
Debt collection costs	-	2,924
Liquidator's insurance	-	27,171
Legal fees - Canterbury Policy Holders	-	103,236
Legal and advisory fees	44,411	691,289
Liquidators fees	266,002	1,760,511
Distribution to preferential creditor	10,913	45,653
Distribution to secured creditor	-	4,739
Refund of premiums received post liquidation	-	3,453
GST on payments	67,703	584,101
Total Payments	597,350	6,046,821
Net receipts/payments for the period	3,675,597	5,582,678
Closing funds on hand	5,829,595	5,829,595
Represented by:*		
Funds charged to Canterbury Policy Holders		5,448,515
Funds charged to other creditors		373,149
Funds received post appointment to be refunded		7,931
Total funds on hand		5,829,595

* split is an approximation based on information currently available



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