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NEWS RELEASE

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NY LIQUIDATION BUREAU ISSUES FIRST COMPLETE INDEPENDENT FINANCIAL AUDIT IN ITS 99-YEAR HISTORY

Bureau Receives Unqualified “Clean” Opinion from Auditor on its 2006 Financial Data

The New York Liquidation Bureau (NYLB), which manages impaired or insolvent insurance companies in New York, today issued the first-ever audited financial statements in its 99-year history, New York State Insurance Superintendent Eric R. Dinallo and Special Deputy Superintendent in Charge Mark Peters announced today.

The audited financial statements are the culmination of a year-long comprehensive top-to-bottom audit of the NYLB. The audit required the Bureau to reconstruct and reconcile decades of financial history for 26 domestic insurance company estates in liquidation and two companies currently in rehabilitation, whose assets exceed \$3 billion. Despite these challenges, the NYLB’s 2006 financial statements received an unqualified “clean” opinion from the independent auditor, the top-25 accounting firm of Amper, Politziner and Mattia.

Governor David A. Paterson said, “In light of the fiscal and economic problems New York is facing, it is essential that every part of State government operate in a transparent and cost-efficient way. This audit confirms that, under the leadership of Superintendent Dinallo and Special Deputy Superintendent Peters, the Liquidation Bureau has made great strides toward providing a higher level of efficiency, accountability and transparency.”

Superintendent of Insurance Eric R. Dinallo said, “This audit represents a historic first for the New York Liquidation Bureau. Never before in its 99-year history has the NYLB

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published financial reports at this level of detail, nor have its activities ever been subjected to a top-to-bottom audit by an independent accounting firm. I believe that this audit will not only reassure policyholders and the public, but also marks a significant milestone in the continuing reform of New York Liquidation Bureau.”

Special Deputy Superintendent Mark G. Peters said, “Given the many problems with NYLB’s recordkeeping under prior administrations and the difficulty of reconstructing records for this audit, we are especially gratified that the auditor issued a ‘clean’ opinion. Although we have much work still to do in bringing the NYLB into the 21st Century, receiving this vote of confidence on our first audited financial statements is testament to the rapid progress we have made in reforming the Bureau.”

The NYLB carries out the Superintendent of Insurance’s duties as receiver of impaired or insolvent insurance companies in New York. The Bureau provides a safety net for a particularly vulnerable segment of the public – New Yorkers who have suffered injuries or losses and are relying on an impaired insurer for compensation. The Bureau administers these New Yorkers’ claims and, where there is coverage, makes payments to them from insurer assets and the State’s insurance security funds. Over the past four years, such payments have totaled more than \$775 million.

The audit represents the second stage of an ongoing exhaustive review of the NYLB. In June 2008, the Bureau issued Amper’s **Report on Internal Controls** (see <http://www.nylb.org/News.htm>) identifying significant operational failures under the Bureau’s prior management, as well as the steps undertaken by the NYLB’s current management team to remedy them. NYLB will issue its 2007 Audited Financial Statements in the coming months.

The complete audit report may be viewed or downloaded at NYLB’s Web site: http://www.nylb.org/Documents/NYLB_AnnualReport_2006.pdf. In addition to the financial data for 2006, the report includes a Management Discussion and Analysis section by Superintendent Dinallo that depicts the general financial condition of the Bureau and reviews the important steps taken in recent months to improve the NYLB’s operations. Among the highlights noted are the following:

- Assets at year-end 2006 totaled \$3.1 billion, with liabilities totaling \$7.4 billion. Included in this figure is Executive Life Insurance Company of New York in Rehabilitation, which reports assets totaling \$1.4 billion and liabilities of \$2.6 billion as of December 31, 2006.
- Receipts of early access distributions increased from \$40 million in 2006 to \$83 million in 2007 as a result of improved financial information.
- The audit process helped identify an additional source of funds to reinvigorate the Public Motor Vehicle (PMV) Liability Security Fund, which after being moribund for several years is now once again able to process and pay public motor vehicle claims.

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- Higher quality financial data and improved reserving are enabling more timely distributions to policyholders and creditors and faster estate closings.

“We look forward to releasing our 2007 Audited Financial Statement in the coming months,” Mr. Peters said. “We will make all of these audit reports available to the public by publishing them on our Web site. At the end of the day, we are keenly aware that we are the stewards of other people’s money. We believe that greater transparency will give renewed confidence to policyholders and creditors that their interests are being protected.”

The New York Liquidation Bureau is a crucial part of New York State’s financial safety net, working to protect the interests of New Yorkers whose insurance companies have failed. As receiver of impaired or insolvent insurance companies in New York, it manages more than 60 domestic and non-domestic insurance company estates. It administers and makes payments on the claims of policyholders and other creditors, while seeking to maximize the assets of impaired insurers and to rehabilitate and restore them to the marketplace, when possible. The Bureau, which is self-funded, manages more than \$3 billion in assets.

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