

Spitzer Veterans Aim To Drag Liquidation Bureau Out of the Dark

With \$3 billion in assets, agency looks to clean up its records after scandal

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After almost 100 years in the shadows, the New York Liquidation Bureau is looking forward to a little sunlight.

The agency, which manages impaired or insolvent insurance companies in New York, issued its first audited financial statement in late October. The analysis came back clean, showing the bureau, whose assets exceed \$3 billion, to be operating in an open and transparent way.

For Mark Peters, the special deputy superintendent in charge of the agency, the message “If you’re going to operate a major public safety net, which is what we do,” Peters said, “you got to let folks see it. You got to let them kick the tires.”

Peters’ desire for full transparency is understandable considering his predecessor, Johanna Hall, was indicted for steering a contract to a company that employed her husband and using agency money to pay for travel expenses and child care.

With that in mind, Peters came on board in August 2006 with the charge of cleaning up the agency, auditing its financial history and rebuilding the senior management. He also set out to attract more



media attention with the hope of bringing more scrutiny to the bureau's operation.

"You can't protect people and hide from them at the same time," he said. When the American International Group (AIG) defaulted on Sept. 16, Peters' efforts to modernize the liquidation bureau suddenly took on new significance.

If AIG had gone under, the corporation's subsidiaries—mostly smaller insurance firms—probably would have become insolvent. The liquidation bureau then would have been called in to manage those firms, Peters said. But the federal government decided to intervene and bail out AIG.

"We would have been very busy," Peters said.

Gov. David Paterson and Insurance Superintendent Eric Dinallo made sure to stabilize the effects AIG's collapse would have on local businesses, Peters said. But had things gotten worse, the bureau would have been ready to step in.

The economic crisis presents other challenges for the agency.

Dinallo said that during tough economic times, small and mid-sized insurance firms have more difficulty staying solvent. Modernizing the liquidation bureau, which would step in to manage the assets of those struggling insurance companies, helps consumers feel confident that their money is safely invested. If consumers lack confidence, they pull their money out, causing companies to go bankrupt.

All of which serves to underscore for Dinallo what Peters has been able to accomplish.

"What they've done in 18 months is freakin' unbelievable," he said. "I talked to legislators, I talked to lawyers, I talked to private side investors, I talked to major hedge fund CEOs, all say the same thing, which is: the place is transformed."

Peters credits his government, private sector and political experience in helping him turn the bureau around.

Peters said he first learned of the importance of transparency in government while working under then-Attorney General Eliot Spitzer as the chief of the Public Integrity Unit. There, he met Dinallo, who was head of the securities bureau at the AG's office.



Peters also ran for Brooklyn district attorney in 2005, coming in a distant third place. The experience of running for office, however, was instructive, he said.

“When you’re running for office, you’re going out to the public and saying, ‘Please trust me to do the job for you,’” Peters said. “When you’re running this agency, what you’re doing is saying, ‘I’m managing your insurance and your money. Let me make sure you understand how I’m doing it.’”

Going forward, Peters said he intends to continue his mission to make the liquidation bureau more open to the public. But whether Dinallo’s suggestion to change the name of the agency should be on the agenda may take some more thought.

“It should be more like the ‘Rehabilitation Bureau,’” Dinallo said. “Or does that make you think it’s a bunch of people with substance abuse problems?”