

State liquidation bureau makes improvements

By DOUGLAS McLEOD

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NEW YORK—An audit of the New York Liquidation Bureau's internal controls found that dozens of past shortcomings in its procedures for managing insolvent insurers' estates have been corrected or are in the process of being fixed.

The audit, by Edison, N.J.-based accounting firm Amper, Politziner & Mattia, is the first phase of a larger review of the bureau's operations that will include audits of the bureau's finances and those of dozens of insurer estates, several of them decades old.

Long a target of complaints about poor management, lack of transparency and the slow pace of its work, the Liquidation Bureau has undertaken a reform push under Special Deputy Superintendent Mark G. Peters, who took over in April 2007.

Amper Politziner examined the bureau's procedures in several areas, from claims adjudication and reinsurance collections to information technology. The firm focused on the bureau's management of 26 of its more than 60 insurer estates, including such large 1980s-era insolvencies as Union Indemnity Insurance Co. and Ideal Mutual Insurance Co.

Auditors found 84 deficiencies in its financial reporting procedures, 39 of which have already been corrected and the remainder of which are in the process of being fixed, according to the report.

One high-priority problem, for example, was that the bureau's general ledger balances—calculated using a computer system put in place in 1994—did not reconcile with claims balances of individual estates, especially those that predated 1994, the audit found. A reconciliation of those balances will be completed for the bureau's audited 2006 financial report, which is expected to be released shortly, according to the bureau.

Auditors also found that too many people have access to digital records of the bureau and its estates, and that the bureau has relied too heavily on an outside consultant for reinsurance billing and other functions without proper oversight. The bureau is tightening access to its records and is moving previously outsourced functions in-house, the report says.

Along with the upcoming release of its audited 2006 financials, the Liquidation Bureau says it will complete audited 2007 financials by the end of this year.

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