

Spitzer Redux: N.Y.'s Insurance Chief Dinallo Strikes Familiar Chord

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A hard-charging former prosecutor tries to set Wall Street right from his perch as a state official. His activist agenda brings populist praise, but also concerns he might overreach.

Eliot Spitzer as New York attorney general in 2002, right?

No, this time it's state Insurance Superintendent Eric Dinallo, a top aide who helped Spitzer take on Wall Street years ago. Now that Spitzer is governor, Dinallo has been knee deep in attempts to stabilize the bond insurance market before the trouble spread. The efforts culminated with last week's announcement of Ambac Financial Group Inc.'s sale of \$1.5 billion in stock in a bid to safeguard its top-notch rating. He may or may not be the "the most important and powerful man in the insurance business" as CNBC's "Mad Money" host and old Spitzer chum) Jim Cramer claimed, but Dinallo has shown a willingness to take on big projects, and to throw the occasional elbow.

He just might be the most Spitzer-like of Spitzer's lieutenants.

"I don't think you can accomplish significant matters without taking some prudent risks," Dinallo said recently as he sat in his Albany office, a 17th-floor room that looks down on the state Capitol. "I just keep on saying to myself ... pressure is a privilege."

Dinallo, 44, is the son of a TV-writer-turned-novelist father whose credits include episodes of "Knight Rider" and "Quincy." He left his job with the Manhattan district attorney's office in 1999 to join the attorney general's office in Spitzer's first year on the job.

It was Dinallo, as head of the AG's Investment Protection Bureau, who suggested to Spitzer in 2001 that they look into investment advisers and stock analysts. The resulting investigation into analysts who promoted stocks they privately disparaged was the genesis of Spitzer's "Sheriff of Wall Street" reputation.

Dinallo left the AG's office in 2003 to head up regulatory affairs at Morgan Stanley, a company investigated by Spitzer. He has spent about half his career in the private sector, but the reputation lingers in some quarters that he is Spitzer's bulldog.

“Like Spitzer’s the devil and I’m like his demon or something,” Dinallo said. “I don’t understand it at all.” “I think I’m genuinely kind of a nice guy, who’s a little bit wonky and a little bit interested in policy.” Dinallo said policy drew him back to public service when his old boss became governor — taking a “mind-numbing” annual pay cut to \$127,000 in the process. He wants to modernize New York’s insurance regulation, but he has made headlines for putting out fires.

Last year, Dinallo helped settle the long-running insurance dispute that was gumming up redevelopment of the site of the Sept. 11 terror attacks. Lately, he has been involved in efforts to shore up the businesses that back bonds sold by states and municipalities. Some of the largest of these insurers have been caught up in the cascading mortgage crisis, imperiling the high credit ratings they need to function. Dinallo reached out to billionaire investor Warren Buffett trying to lure his company into the bond insurance business and called together Wall Street executives earlier this year to explore rescue plans. The Wall Street Journal reported that Dinallo told the assembled chieftains, “You people created this mess. And the headline on this is going to be: ‘How Wall Street ate Main Street.’”

Dinallo conceded he said something like that, but said he offered that as a conditional statement, not a threat.

“I love Wall Street,” Dinallo said.

Ambac last week joined MBIA Inc. and Financial Guaranty Insurance Co. in protecting its credit rating. Dinallo on Friday described his role as being a “catalyst” in the private-sector solutions, which helped stabilize the market for policyholders — his overriding goal.

Amy Bach, executive director of the national consumer advocacy group United Policyholders, gave Dinallo decent marks so far as a regulator, but claimed that with all his efforts to save Wall Street, Dinallo has not focused on moving New York beyond the “dark ages” when it comes to consumer protections. “We certainly would like to see if the commissioner can move past this ... triage phase. He’s pretty deep in this financial challenge,” Bach said. “It’s hard for him to focus, I think, on non-imperative policy issues.”