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January 6, 2016

Senator Charles E. Grassley
Chairman
U.S. Senate Committee on the Judiciary
226 Dirksen Senate Office Building
Washington D.C. 20510

Dear Senator Grassley:

I am writing regarding the recent hearing the Judiciary Committee held on December 1, 2015, "Puerto Rico's Fiscal Problems: Examining the Sources and Exploring the Solution."

As you correctly noted in your opening statement, part of the confusion that reigns is because Puerto Rico has failed to provide audited financial statements for the past two years.

National Legal and Policy Center has been focusing on ethics and accountability issues associated with the Puerto Rican debt crisis. As you probably know, just two days after your hearing, the U.S. Attorney for Puerto Rico and the F.B.I. jointly announced the indictment of ten individuals, including both businessmen and government officials, in a series of major corruption schemes to commit Federal programs bribery, honest services wire fraud and extortion.

With respect to your hearing, Mr. Richard Ravitch opened his testimony with a claim of independence:

*I represent no one in this matter. I'm not compensated for the time
I have spent in the past year examining the fiscal situation in Puerto Rico.*
Testimony video at 1:13:40

While that statement may be technically true, it sidesteps a host of relationships of Mr. Ravitch which appear to undercut the claim of independence.

Mr. Ravitch's Consulting Ties to the Padilla Administration and other Puerto Rican Entities

While there is no indication Mr. Ravitch has been a paid consultant to Governor Padilla, recent published accounts have described him as a pro bono consultant to the Padilla Administration as well as other unspecified Puerto Rican entities.

See: <https://news.vice.com/article/puerto-rico-really-wants-to-declare-bankruptcy-but-it-cant>

Mr. Ravitch's Role as a Board Member of Build America Mutual Assurance Company

Mr. Ravitch serves on the board of Build America Mutual Assurance Company ("BAM"). While BAM has no exposure to the Puerto Rican debt crisis, as its plan of operation filed with the New York State Department of Operations allows for insurance of only certain types of U.S. municipal bonds, not including Puerto Rico, there are other factors to be considered.

BAM has a longstanding and deep relationship with White Mountain Insurance Group, Ltd., a Bermuda-domiciled insurance holding group. White Mountain, through its subsidiary and related firms, appears to have substantial exposure to Puerto Rico.

According to *The Bond Buyer* article "*BAM Aims to be new Insurer of Munis,*" July 23, 2012:

White Mountain Insurance Group Ltd. is providing BAM's initial capital.

BAM's June 30, 2014 quarterly filing with the New York State Insurance Department discloses more current ties with White Mountain Insurance Group through BAM's reinsurance arrangement with HG Re and financial ties with HG Holdings. Both firms are wholly owned subsidiaries of HG Global. HG Global's controlling parent is White Mountain Insurance Group.

So while BAM is correct in stating it has no exposure to Puerto Rico, it is not correct to say White Mountain Insurance Group and its cluster of subsidiaries has no exposure.

Also BAM competes in the very limited municipal bond insurance market with the small group of bond insurance companies that are highly affected by the outcome of the Puerto Rican debt crisis.

The resolution of the Puerto Rican debt crisis will have a major impact on at least two of BAM's competitors for municipal bond insurance business. By any reasonable yardstick, that outcome therefore should affect BAM's business in a significant way. This is yet another reason why Mr. Ravitch as a director of BAM has an interest in the Puerto Rican situation and may even explain his extensive pro bono activities for the Padilla Administration and the other unidentified Puerto Rican entities.

Please do not hesitate to contact me if I can be of any assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth F. Boehm". The signature is fluid and cursive, with the first name "Kenneth" and last name "Boehm" clearly distinguishable.

Kenneth F. Boehm
Chairman
National Legal and Policy center