Virginia's Unclaimed Property Act and Program Overview

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1 out of every 4 Virginians is missing money. Don't be a statistic.

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Click and Claim

Virginia Treasury's Unclaimed Property Program

Presentation Overview

☑   **Background**

☐   **Program Enhancements**

☐   **Program Results**

☐   **National Issues**

☐   **Looking Ahead**

Treasury's Role

Treasury's Unclaimed Property Division administers two statutes:

- Uniform Disposition of Unclaimed Property Act – State Treasurer is the administrator of this Act and serves as "custodian" of tangible and intangible unclaimed property until claimed by the owner. The Division of Unclaimed Property is responsible for:

    - processing reports and remittances from holders,
    - establishing accounts for the owners using the reported information,
    - returning the property to the owners when claimed,
    - inventorying and auctioning tangible property, and
    - the annual publication of the newly reported owners.

- Escheats Generally – Returns real property to an active tax earning status in the locality for land parcels where the owner died intestate with no known heirs or testate with no heirs or provision for inheritance.

Program Purpose

- Consumer protection law designed to protect the property rights of the absentee owner and reunite the owner with the property

- Relieve the Holder of the liability and record keeping responsibility

- Once the property is remitted by the holder, accounts are established in the name of the owner and held in perpetuity

- Provide for the monetary windfall to benefit the Literary Fund for the public good and not the chance possessor (also referred to as "Holder")

Historical Information

- Uniform Law (1954 Act) – effective January 1, 1961

- Current Unclaimed Property (UP) Act is a version of the 1966 and 1981 Uniform Acts

- Major revisions were made to UP Act by the General Assembly in the 2000 Session.

- Since inception, $373.8 million has been returned to owners.

- Since inception, $1.28 billion has been transferred to the Literary Fund from Unclaimed Property receipts.

What is Unclaimed Property?

- Unclaimed Property is tangible and intangible property that is **held**, **issued**, **due** or **payable** in ordinary course of the holder's business and <u>has</u> <u>remained</u> <u>unclaimed</u> <u>by</u> <u>the</u> <u>owner</u>.

- Contrary to what some holders believe, IT IS NOT A TAX!

- It is property that is presumed abandoned by the owner.

- Property is presumed abandoned after a period of inactivity or dormancy and the holder of the property has lost contact with the owner.

- Dormancy (inactivity or holding) periods range from 1 year to 5 years for most property with money orders at 7 years and travelers checks at 15 years.

Major Categories of Unclaimed Property in Virginia

Covered

- Paychecks (1*)
- Utility Deposits (1)
- Government Agency property (1)
- Stock & Dividends (5)
- Insurance Funds (5)
- Bank Accounts (5)
- Refunds (5)
- Safekeeping & Safe Deposit Boxes (5)
- Money Orders (7)
- Travelers Checks (15)

  *dormancy period in years

No Longer Covered**

- Gift Cards and Certificates
- Promotional Incentives
- Business to business payments
- Rebates
- Layaways
- Capital Credits (Electric & Agriculture Cooperatives)

**1999, 2000 & 2001 changes to the Act exempted these property types from reporting under

Priority Rules for Custody

- Rules established by the U.S. Supreme Court in Texas v. New Jersey (1965) and reaffirmed in Delaware v. New York (1993)

- Property is reportable to the state of the last known address of the owner

- Property is reportable to the state of the incorporation of the holder if:

  - the owner's address is unknown or

  - if the owner's last known address is in a state where the law does not cover the property.

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Recent Program Enhancements

- Implemented "CLICK and CLAIM"- this new user friendly application allows citizens to search for unclaimed property via the website, www.VAMoneySearch.org

    - removed one step from the claims process

    - eliminated the backlog of 10,000+ inquiries

    - reduced the initial response time by 6-10 weeks

- Implemented electronic records management and workflow to move to paperless processing in claims and reporting areas creating efficiencies

- Enhanced electronic reporting for holders to transfer files and ACH for transmitting funds

- Developed a brand and logo to create a consistent identity for the public

- Entering into a new partnership with DMV to expand our outreach efforts

- Developing a new Unclaimed Property system

Outreach Efforts

- Require holder due diligence

- Publish a list of newly reported owners annually

- Appear on national and local television – Good Morning America, DateLine, NBC12, WRIC, WSLS, NBC29, WUSA, and WAVY10

- Increase appearances at public and private events, including fairs, festivals, Triad meetings, National Night Out events, retirement communities, baseball parks, employee benefit fairs, health and wellness clinics, etc.

- Establish a presence on Social Media to increase public awareness (Facebook and Youtube)

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FY 2013 Financial Highlights

- Claims Paid: $29.2 million

- Number of Claims Paid: 49,998
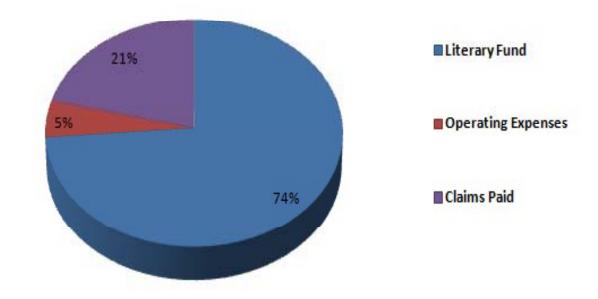
- Operating Expenses: $5.3 million
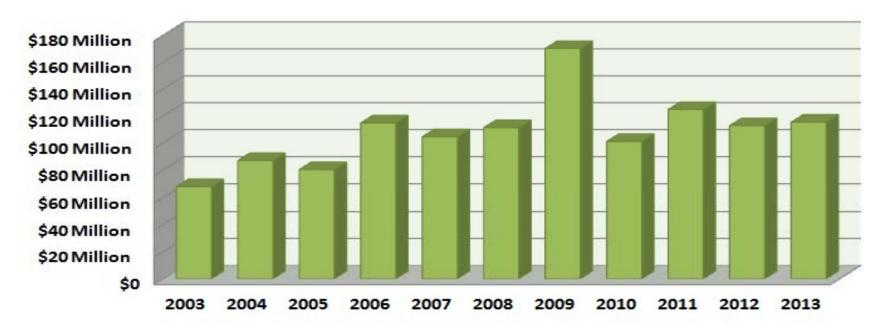
- Literary Fund Transfer: $75 million

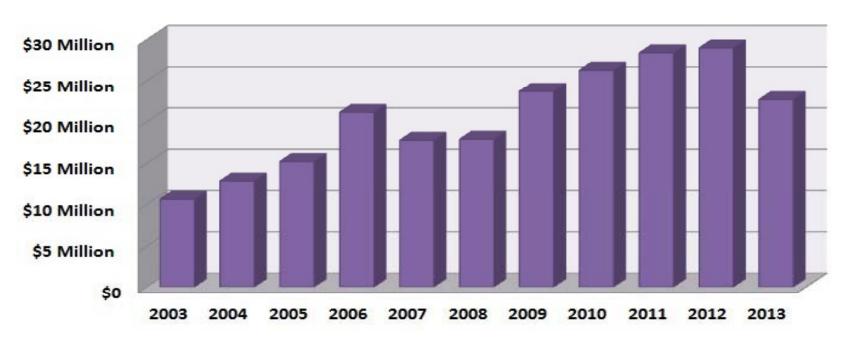Application of Funds – FY1962 - FY2013
Total Receipts: $1.74 Billion

- Literary Fund
- Operating Expenses
- Claims Paid

Historical Program Results

Note: The $161 million in 2009 receipts, includes $36 million in proceeds from the sale of various stocks resulting from demutualization.
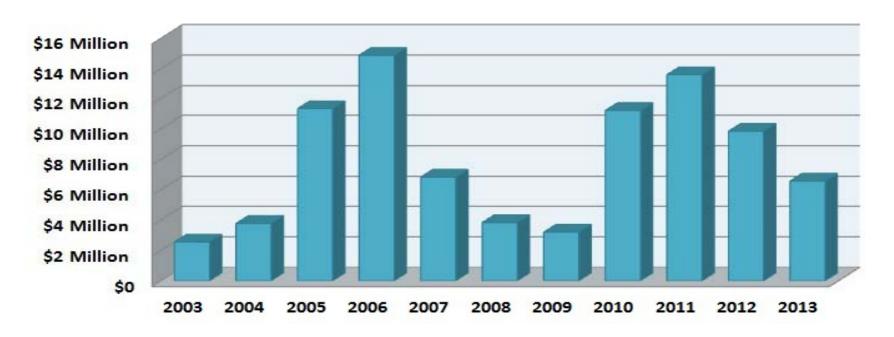
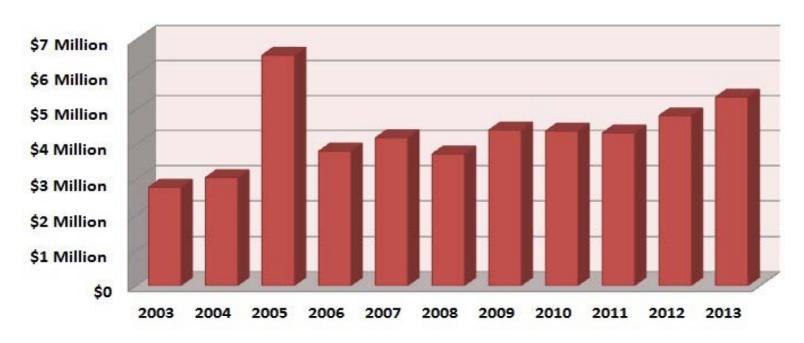Payment of Claims

Stock Claims

Note: Stock claims are returned as stock and reported values are based on closing price the day of the transfer into the claimant's name.
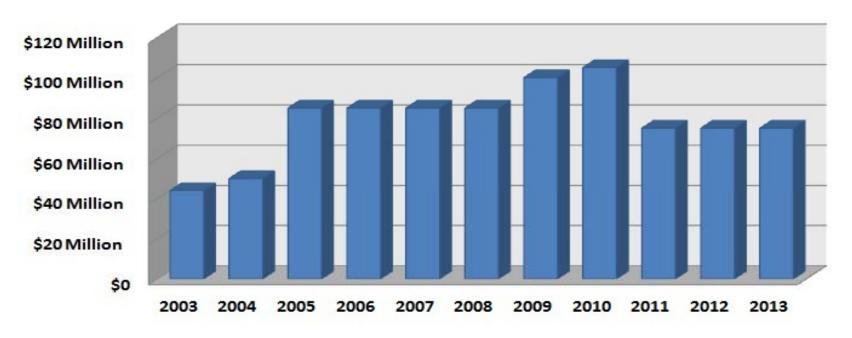
Historical Program Results

Operating Expenses

Note: In FY 2005, the $6.5 million in operating expenses includes $3.1 million in compliance contractor fees due to a $25.7 million MetLife demutualization delivery. In FY 2013, the Division began a rewrite of its automated system that will continue through FY 2015, increasing operating expenses.
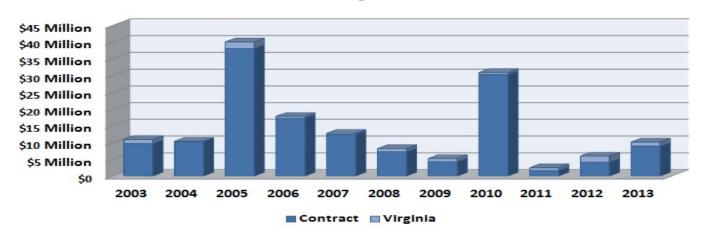
Literary Fund Transfers

Note: FY 2009 and 2010 increases resulted from surplus demutualization proceeds.

Audit and Compliance Efforts

- 5 External Audit and Compliance Contract Vendors

- 9 Unclaimed Property Positions dedicated to Audit and Compliance, which

    - assist Virginia businesses with voluntary compliance and

    - oversee and review the work of external contractors

    - review holder reports for accuracy and completeness

Audit and Compliance Results

	$45 Million
	$40 Million
	$35 Million
	$30 Million
	$25 Million
	$20 Million
	$15 Million
	$10 Million
	$5 Million
	$0

2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

■ Contract □ Virginia

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National Issues

- Uniform Unclaimed Property Act (UUPA) Revision - July 2016

- National audits of large insurers

- National Conference of Insurance Legislators (NCOIL) *Model Unclaimed Life Insurance Benefits Act* for using the social security death master file to identify death benefits payable to beneficiaries

- Property type exemptions

- Statute of limitations

- Unique position for Delaware

- Federal pre-exemption

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Looking Ahead

- Continue to monitor insurance companies for unpaid death benefits and enforce continued compliance after initial cleanup

- Stay abreast of evolving property types to determine impact on unclaimed property

    - pay cards rather than checks and

    - dividend reinvestments plans rather than checks and paper stock certificates

- Monitor best practices implemented by other states

- Consider impacts of further exemptions

- Consider adoption of the revised Uniform Unclaimed Property Act when complete