

California State Controller's Transformation of the Unclaimed Property Program

Executive Summary

Since 2007, the Unclaimed Property Program has undergone a transformation reversing 20 years of restricting the program from putting property owners first and using the program as a revenue source for the State's budget.

The transformation has been accomplished through a combination of legislative and administrative reforms and has led from January 2007 to June 2014 to:

- \$3.1 billion in cash properties returned, more than double the total returned in the previous 7 years
- 259.7 million shares returned, 66 times the total shares returned in the previous 7 years
- 9.8 million notices being sent out, more than 9 times the total sent in the previous 7 years

Legislative Reforms (See pages 4-6 for a complete listing.)

The Controller successfully sponsored legislation ensuring millions of more Californians were notified about their property being transferred to the State and that their property was protected from immediate sale or destruction to give owners time to claim it. Key legislation includes:

- The milestone reforms in SB 86 (Ch. 179, Stats. of 2007) established California as the only state to provide for dual reporting of unclaimed property by holders and allows the Controller's Office to notify all owners of property valued at \$50 or more that their property will be sent to the State if they do not contact the business holding their property before the property is transferred to the State. This resulted in 6.3 million notices sent that would not have been sent without the SB 86 reforms.
- Prohibiting the transfer of contents of safe deposit boxes if an owner had an existing checking or savings account with the business. Prohibited the sale of safe deposit box contents for 18 months, and destruction of contents with no commercial value for 7 years.
- Prohibiting the sale of securities any sooner than 18 months after reporting the property to the SCO. Previously, securities could be sold immediately.

- Requiring holders to report detailed owner information for properties valued down to \$25

Customer Service – Returning Property and Processing Claims (See pages 7-8 for a complete listing.)

The Controller has implemented program reforms to ensure claimants and the return of property come first.

- Launched eClaims at the end of January 2014 that enables owners of properties under \$500 to claim their property electronically and receive payments within 14 days. Approximately seventy-two percent of properties are potentially eligible for eClaim. In the first five months of operations through June 30, 2014, more than \$6.6 million has been returned with an average wait time of 10 days, an average of more than \$1.3 million per month. (Recent improvements allow owners to electronically claim properties worth up to \$1,000.)
- Developed a mobile device Internet unclaimed property search function.
- Implemented a new Unclaimed Property database system significantly improving the search functionality and ensuring the posting of new properties received in a timely manner.
- Posts all property types reported on the website before the property is transferred to the state.
- Notified owners of properties reported back to 1990 who had never been notified that their property was being held by the SCO.
- Established the Property Owner Advocates Office to help claimants who have not been able to resolve issues in a timely manner. The POA has assisted more than 6,500 claimants.
- Redesigned the website, claiming instructions and all public communications so that they are “jargon free” and clear and easy to follow.
- Expanded the web site to allow owners to search for their property in Chinese, Tagalog, Korean, Vietnamese and Armenian

Holder Outreach (See page 8 for a complete listing.)

The Controller has implemented multiple strategies to ensure businesses are sending the state the unclaimed property owned by Californians.

- Initiated audits on 21 life insurance companies in 2008, putting an end to industry-wide practices of failing to pay death benefits to policyholders and beneficiaries. Since February 2012, fifteen (15) life insurance companies have remitted 80,471 properties totaling \$190 million. The new Life Insurance Unit has located 6,004 owners resulting in 12,041 claims submitted in FY 2012-13 for an estimated \$45.6 million.
- Established a Holder Outreach and Compliance Unit (OCU) to educate holders on unclaimed property reporting requirements. The redesigned web site was recognized by the Unclaimed Property Professionals Organization for the “best State web site” for holder information. As a result of these efforts, the OCU was successful in bringing more than 2,500 holders into compliance, resulting in \$18 million that can ultimately be returned to its rightful owner.

Consumer Outreach (See pages 8-10 for a complete listing.)

The Controller isn't just waiting for people to find the website; he's actively spreading the word about unclaimed property.

- The Controller re-established a Locator Unit to focus on aggressively locating owners of unclaimed property and reuniting them with their property. The unit has located and mailed claim notices for 94,169 accounts including more than \$700 million in cash properties and 65 million shares in security properties since 2007.
- Implemented an annual government agency notification process to alert state and local agencies that they may have unclaimed property.
- Initiating a program to work with CalVETs, CalSTRS, CalPERS, and Savings Plus to get the word out to their membership.
- Reaching out to non-profit associations and veterans groups to help get the word out.
- Conducts telethons where volunteers run callers' names through the UPD database during live news broadcasts. Stations that have participated thus far include KABC in Los Angeles (twice), Bakersfield's Channel 29 (ABC affiliate), KCRA (NBC) in Sacramento, and Univision in Los Angeles.

UNCLAIMED PROPERTY PROGRAM - Full Report

In the last seven years and eight months, the Unclaimed Property Program has undergone a transformation reversing 20 years of restricting the program from putting property owners first and, instead, using the program as a revenue source for the State's budget.

The transformation has been accomplished through a combination of legislative and administrative reforms and has led to significant program accomplishments fulfilling the mission of reuniting owners with their lost property.

Legislative Reforms

During the last seven years and eight months, the Controller has successfully sponsored legislation to put owners of unclaimed property first by enacting provisions to protect consumers and their property, and by lifting restrictions that prevented the Controller from reuniting Californians with their lost property. The legislative reforms enacted are shown below.

Subject Area	Prior Statute	Statutes Enacted in Last 7 Years
Transfer of Property from Holders to the State Controller's Office (SCO)	Owner property was transferred to the State at the same time the annual unclaimed property reports were submitted by holders specifying owner names, addresses, and account information.	Provisions changed to require holders to maintain property until owners have been notified by the SCO and given an opportunity to claim their property from the holder. (SB 86)
SCO Notification to Owners	Notices could be sent to owners after property was delivered to the State.	Notice to owners is made before the property is transferred to the State, allowing the owners to secure their property from the holder rather than waiting until the property is transferred to the State, thus avoiding the necessity of filing a claim with the State to secure their property. (SB 86)

	<p>Notice could only be sent if the Franchise Tax Board (FTB) could provide an address for the owner that was different from the last known address reported by the holder. The SCO was prohibited from sending notices if the FTB confirmed the same address that was reported by the holder for the owner, or if the only address available was the last known address for the owner reported by the holder. These restrictions barred the SCO from contacting what effectively amounts to about 80% of the owners of accounts the State received.</p>	<ul style="list-style-type: none"> • All owners of property valued at \$50 or more are notified by the SCO that their property is being held and will escheat to the State if they do not contact the business holding their property. Notice is sent to either an address obtained from the FTB, or the last known address reported for the owner by the holder. (SB 86) • SCO is authorized to conduct a notification program to inform owners of the possible existence of property received by the State. (SB 86)
Consumer Protection - Protection of Property	<p>Safe deposit boxes escheated to the State if there was no activity for three years, even if the owner had other active accounts at the business association.</p>	<p>Added a provision that a safe deposit box will not escheat if the owner has a checking or a savings account with the business association which is active and not subject to escheat. (AB 1291)</p>
	<p>Deposits and accounts held with business associations could escheat even if the owner had an active Individual Retirement Account with the business association.</p>	<p>Added a provision that deposits and accounts will not escheat if the owner has an active Individual Retirement Account or similar account with the business association. (AB 1291)</p>
	<p>Securities received were required to be sold within 2 years of receiving the property. Securities could be sold immediately upon receipt.</p>	<p>Added a provision that prohibits the sale of securities any sooner than 18 months after the due date for reporting the property to the SCO. (SB 86)</p>
	<p>Safe Deposit box contents were required to be sold with no minimum holding period.</p>	<p>Added a provision that prohibits the sale of safe deposit box contents until 18 months after the due date for reporting the property to the SCO. (SB 86)</p>
	<p>Safe deposit box contents with no commercial value, but possible sentimental value such as photographs and heirlooms, could be destroyed with no minimum holding period.</p>	<p>Added a provision that safe deposit box contents with no commercial value must be held a minimum of 18 months after the property is delivered to the State before being destroyed (SB 86) and later increased the minimum holding period to no less than seven years (SB 495).</p>
	<p>Definition of owner determined to be unclear based on court decision.</p>	<p>The definition of owner that can file a claim was clarified to ensure that creditors and judgment holders cannot file claims for other property owner's property. (AB 1275)</p>
	<p>Detailed property owner information was not required to be reported on properties valued under \$50; instead this property could be aggregated together and reported as one lump sum amount.</p>	<p>The dollar value of aggregated property was lowered to \$25 to allow for more properties to be identified with detailed property owner information being reported thus enabling it to be claimed by the rightful owner. (AB 212)</p>

Holder Notification to Owner	Holders were required to send notice to owners 6 to 12 months before property was reported and transferred to the SCO, or 2 to 2.5 years after the date of last activity. The notice required that a form be provided to allow the owner to declare the intention to maintain the account with the holder.	<ul style="list-style-type: none"> • Requirements were added for specific language in the heading of owner notices to provide owners with better warning that property will transfer to the state if they do not act as follows – “THE STATE OF CALIFORNIA REQUIRES US TO NOTIFY YOU THAT YOUR UNCLAIMED PROPERTY MAY BE TRANSFERRED TO THE STATE IF YOU DO NOT CONTACT US.” (AB 1291) • Holder notification requirements were expanded to include sending a notice to owners of safe deposit box accounts prior to reporting the property to the SCO. (AB 1291) • Provisions were added to allow holders to send owner notice electronically with owner’s consent. (AB 1291) • Provisions were added to allow owners to respond to the holder notice by phone call or electronic communication to stop property from escheating. (AB 1291)
Consumer Protection - Owner Awareness of Escheat Laws	Business associations were not required to notify owners of escheat laws when an owner opened a new account or safe deposit box.	Business associations are now required to provide notice to the person opening a new account or safe deposit box that their property may be transferred to the State if no activity occurs on the account within the time specified by State law. (AB 1291)
Holder Liability for Property After Escheated to the State	Holders were relieved of liability for property after it was escheated to the State. There were no specific requirements enumerated in the law to qualify for this indemnity.	Requirements were added that the holder must comply with the provisions of sending owner notifications (due diligence letters) in order to be relieved of liability for property escheated to the State. (AB 1291)
Controller Offsets of Amounts Owed to City or County agencies	Allows the Controller to offset any amount due a city or county against any amount owing the person or entity by a state agency on a claim for a refund from the Franchise Tax Board or Board of Equalization, and from winnings in the CA State Lottery.	Expands the Controller’s ability to offset any amount due a city or county from a person or entity against any amount owing the person or entity for unclaimed property for payment of a claim filed by the owner for payment of money from unclaimed property held by the state. (SB954)

Program Reforms and Initiatives Implemented

In addition to the legislative reforms, the Controller has implemented the following program reforms and initiatives to substantially improve the program.

Customer Service – Returning Property and Processing Claims

- Launched eClaims at the end of January 2014 to enable owners of properties worth less than \$500 to claim their property electronically and receive payment in 14 days. Approximately 72 percent of properties are potentially eligible for eClaim. In the first five months of operations through June 30, 2014, more than \$6.6 million has been returned with an average wait time of 10 days, an average of more than \$1.3 million per month. (Recent improvements allow owners to electronically claim properties worth up to \$1,000.)
- Developed a mobile device Internet unclaimed property search function.
- Created a Property Owner Bill of Rights, appointed a Property Owner Advocate and established a Property Owner Advocate Unit to help cut the red tape on difficult claims, reunite owners with their lost property, recommend improvements in operations to make the program more customer-friendly, and to recommend legislative reforms. The Property Owner Advocate has assisted more than 11,000 owners with their property claims and has modified the web site to provide clearer claim filing instructions and unclaimed property information to the public.
- Expanded the unclaimed property searchable web site that was available in English and Spanish to also allow owners to search for their property in Chinese, Tagalog, Korean, Vietnamese and Armenian.
- Implemented a new Unclaimed Property System to replace an antiquated legacy system and multiple stand-alone databases that did not communicate with each other. This allows for the consolidation of all unclaimed property data into one database, eliminated disparate stand-alone systems and allows for better customer service as a result of improved system features and efficiencies.
- The Controller established a Fraudulent Claims Detection and Prevention Program to detect and prevent fraudulent unclaimed property claims from being paid. The Program implemented new policies and procedures, and new work tools to assist with detecting and preventing the payment of fraudulent claims. The program has resulted in increased protection of taxpayer's assets, carrying out the Controller's mission, goals, and responsibilities related to consumer protection.
- With the implementation of the Security Remit Report Upfront Reconciliation Project (SrrURP) in 2012, UPD now uploads reports containing securities more

efficiently, allowing claimants to view and claim their property on the Controller's web site. Holder Remit Reports containing securities received from the beginning of the remit cycle, June 1 through the end of each September, are completed within 90 days of receipt by either loading to UPS2000 or initiating written correspondence to the holder. Holder Remit Reports containing securities received from the beginning of each October to the beginning of the normal reporting cycle are completed within 60 days by either clearing or initiating written correspondence to holder. This SrrURP system enhancement and revised process allows SCO to contact the holder for corrections before a report is loaded to UPS2000 and prevents having to remove an incorrect report from UPS2000. This administrative reform eliminated all previously unreconciled securities reports, some older than 20 years, and now provides for timely communication with holders as needed if there is any concerns with their security report.

Holder Outreach

- The Controller established a Holder Outreach and Compliance Unit (OCU) to educate holders on unclaimed property reporting requirements. This Unit has revamped the holder web site to reorganize content and to add useful information to assist holders in complying. The site was recognized and nominated by the Unclaimed Property Professionals Organization for the "best State web site" for holder information. Since expansion of the Unit in July 2011, the OCU has assisted more than 11,000 holders of unclaimed property and participated in numerous educational outreach seminars and conferences, including a webinar with the California Society of Certified Public Accountants. Additionally, the OCU networked with trade associations and governmental agencies that provided links to our public web site reporting instructions. As a result of these efforts, the OCU was successful in bringing more than 2,500 holders into compliance, resulting in \$18 million that can ultimately be returned to its rightful owner.
- The Controller initiated audits of 21 life insurance companies in 2008, putting an end to industry-wide practices of failing to pay death benefits to policyholders and beneficiaries. The Controller entered into major multi-state settlement agreements with 19 life insurance companies. Life Insurance companies began to remit audit settlement property in February 2012 and a Life Insurance Unit was formed in November of 2012 to research and locate policyholders or beneficiaries who could not be located through electronic batch noticing.

Consumer Outreach

Notifying Owners:

- All owners with property valued at \$50 or more are now sent a notice before the property is transferred to the State. The notice warns the owner that property held by the business will be transferred to the SCO unless the owner contacts the business to claim their property. The notice provides a description of the property, the amount, and the contact information for the business holding the property. This change required legislation and significant administrative effort to establish new reporting instructions for holders, outreach to educate the holder community on the reporting changes, system changes to accommodate processing of additional reports and data from holders and to generate notices to owners, and expanded capacity of the Unclaimed Property Program staff and facilities to handle the additional workloads. Under prior practices, only about 20 percent of owners received notice after the property was transferred to the SCO.
- All property reported to the SCO by holders is posted to the SCO's searchable web site before the property is transferred to the SCO by the holder. This allows owners to find their property before it is transferred to the SCO and provides instructions for the owner to contact the holder to prevent the property from being transferred to the SCO. Under prior practices, the property was posted to the web site after it was transferred to the SCO.
- The Controller went back to 1990 to ensure that owners of properties who previously were not notified that their property was being held by the SCO have now received notices. This initiative was necessary to reverse the pre-SB 86 restrictions that had been imposed on the SCO that effectively prohibited sending notices to 80 percent of the owners of accounts transferred to the SCO by holders. For accounts going back to 2005, the Controller sent notices to addresses obtained through the FTB or the last known address for the owner as reported by the holder. For accounts from 1990 through 2004, notices were sent to all accounts where a current address could be obtained from the FTB.

Locating Owners:

- Re-established a Locator Unit to focus on aggressively locating owners of unclaimed property and reuniting them with their property. This unit conducts research using search databases to locate and notify owners of property that has been transferred to the SCO and is available to be claimed, and routinely runs reports to identify high dollar and high share properties and look for those owners. The unit has located and mailed claim notices for 94,169 accounts including more than \$700 million in cash properties and 65 million shares in security properties since 2007. Between 2007 and 2010, after a new Unclaimed Property System was implemented, the Locator Unit performed back sweeps of property that was uploaded to the system since 1989 to send out notices to more than 1.5 million owners not previously noticed.

- Prepares on-demand reports of property for state and federal agencies. Prepares on-demand requests for legislators regarding property belonging to constituents (by zip codes/county).
- Prepares on-demand requests from media (Fresno Bee, KTLA, NBC, and more).
- Developed annual process to notify state legislators of unclaimed property.
- Developed annual process to notify by email fiscal representatives of counties, cities, and state agencies of unclaimed property.
- Implemented a reciprocity process on the new UPS2000 System to locate property for other states and remit that property to them, and additionally request that properties belonging to California be remitted.
- Developed a process to look for owners of safe deposit properties that are of high monetary or sentimental value.
- Periodically looks for high profile or celebrity owners of property, including actors, comedians, and sports figures.
- Periodically look for property belonging to school districts, police departments, universities, unified school districts, private colleges, and charitable organizations.
- Periodically look for property belonging to county and city utility companies and districts.
- Enhanced an existing cross-matching process with a 3rd party vendor to include an address cross-match option when the owner does not report an SSN.
- Routinely look for remaining owners or heirs of properties that have already been partially paid.
- Initiated a process for identifying and notifying owners of safe deposit boxes when the financial institution reports the owner as unknown but identifying information can be found inside the safe deposit box.
- Implemented an annual government agency notification process to alert State and local agencies that they may have unclaimed property. The notice provides instructions on how to search for and claim their property. This process kicked

off in February 2010 with notices to all 58 counties, and was followed by notices to all California cities and State agencies. Since the Controller implemented the annual government agency notification process in 2010, 1,133 government agency claims for 16,666 cash properties valued at nearly \$9 million have been reunited with State and local agencies. In 2012-13, when some local governments were experiencing significant budgetary constraints, the government agency liaison focused on cities and counties reported as having significant challenges and appeared to have unclaimed property.

- Converted the annual unclaimed property information sold to heir finders and investigators to assist in locating owners from a CD to a DVD, reducing the number of discs required for the data from 8 down to 1. The new format will be much easier and more convenient for searching the data to find owners.
- Converted the bi-annual release of the Estates of Deceased Persons data from a purchasable CD to a free downloadable Excel file housed on the Controller's website, reducing the cost to both the department and the consumer. The file, available for download on the website, is an exact replica of the file previously available on CD, making the transition seamless for the consumer.
- Initiating a program to work with CalVETs, CalSTRS, CalPERS, and Savings Plus to educate their members about the unclaimed property program and encourage them to search for property.
- Reaching out to non-profit associations and other groups to encourage their members to search for property.
- Conducts telethons where volunteers run callers names through the UPD database during live news broadcasts. Stations have that participated thus far include KABC in Los Angeles (twice), Bakersfield's Channel 29 (ABC affiliate), KCRA (NBC) in Sacramento, and Univision in Los Angeles.
- In January of this year, Univision in Sacramento covered the launch of eClaim and the story aired in major media markets: Bay Area, Fresno, Los Angeles and San Diego. Univision in San Francisco also dedicated the entire month of February to promote unclaimed property during primetime for Bay Area owners. We are working with other English and Spanish-language TV stations in San Diego and the Bay Area to host telethons this year, as well as Univision in Sacramento.
- The Controller speaks to various organizations an average of more than 200 times a year. His practice is to get the list of attendees and run their names to see if they have UCP. He traditionally closes his speech by talking about the

reforms to UCP and then reading a list of people in the audience whose names appear on our database, along with the amounts and the holder.

- Since taking office in 2007, the Controller has held 101 seminars with more than 7,000 attendees to help small and minority owned businesses, non-profits and individuals with tax issues, and a component of that is UCP education.
- Promoted the program to the media, resulting in hundreds of earned-media coverage in English and Spanish languages (see attached for recent articles and links to TV programs).
- In August 2013, we worked with Spanish Radio Station 1010 KIQI AM Radio, which promoted the program and dedicated a half hour show to answer questions about the program.

Consumer Protection

- Upon taking office, the Controller immediately ordered a halt to the sale of items from safe deposit boxes to give property owners an opportunity to submit claims. Further, the Controller now ensures that a notice was sent to the owner before any safe deposit box is eligible for sale.
- The Controller halted the sale of securities upon taking office. Now securities cannot be sold until at least 18 months after the due date for reporting the securities to the SCO. And the Controller now ensures that a notice was sent to the owner of the security before the security is eligible for sale. This prevents the owner's property from being sold without first giving the owner an opportunity to reclaim their property.
- The Controller also halted the destruction of safe deposit box contents with no apparent commercial value until a minimum amount of time. The law now requires that this property is held a minimum of seven years. This protects items such as heirlooms, photographs and other sentimental items from being destroyed before the owner has time to submit a claim.

Other Program Improvements

- The Controller has modified the State's Interagency Offset Program to offset unclaimed property claim payments against any debt owed to state and local agencies by the claimant. This change has resulted in the offset of \$27.1 million that has been applied to state and local debts since September 2009.

- The Controller implemented the Remote Site Deposit system in August 2012, which allows the Unclaimed Property Division to scan checks remotely using a bank-approved scanner and transmit check images to a bank of deposit via an encrypted Internet connection for electronic deposit. This decreases the resources needed to transport deposits to the bank and allows same-day deposits to the Unclaimed Property Account accounts. The Remote Site Deposit makes deposits much easier, safer and more convenient since deposits are made without going to the bank and staff can make use of extended banking hours.

Program Results

The program results of the above changes provide a true picture of the success of the reforms.

- The total cash property reunited with owners from January 2007 through June 2014 is \$3.1 billion. This includes \$1.8 billion that had been sent to the State and an estimated \$1.3 billion that was reclaimed by owners from the business before it was sent to the State. This is more than double the amount returned in the previous seven years.
- The total shares for security properties reunited with owners from January 2007 through June 2014 were 259.7 million. This includes an estimated 21.3 million shares that had been sent to the State and 238.4 million shares that were reclaimed by owners from the business before it was sent to the State. The 259.7 million shares returned are 66 times the total shares returned in the previous 7 years.
- From January 2007 through June 2014, the Controller sent out 9.8 million notices – 7.2 million warning owners their property was about to be sent to the State, and another 2.6 million notifying owners that their property was being held by the State and available to claim. The 9.8 million notices is equal to more than nine times the total sent out in the previous 7 years.
- From July 2012 through August 2013, the Fraudulent Claims Detection and Prevention Program reviewed 7,848 claims at a value of \$23,539,959 for fraud; of these, the unit identified and prevented payment of 667 claims at a value of \$10,178,510. Overall, the amount of fraudulent unclaimed property claim dollars identified and prevented in FY 2012-2013 represented a 113% increase in detection and prevention over FY 2011-12.
- Since February 2012, fifteen (15) life insurance companies have remitted 80,471 properties totaling \$190 million, with more companies anticipated to remit this

year and for many subsequent years. Between November 2012 and August 2013, the Life Insurance Unit has located 6,004 policyholders or beneficiaries and sent them claim forms for 9,189 life insurance properties valued at \$19.2 million. The result of all notification efforts has resulted in claims submitted by 12,041 owners in FY 2012-13 for an estimated \$45.6 million.