

2003 DRAFTING REQUEST

Senate Amendment (SA-SSA1-SB44)

Received: **06/18/2003**

Received By: **rmarchan**

Wanted: **Soon**

Identical to LRB:

For: **Mary Panzer (608) 266-7513**

By/Representing: **herself**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Addl. Drafters:

Subject: **Fin. Inst. - miscellaneous**

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Panzer@legis.state.wi.us**

Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us**

Pre Topic:

No specific pre topic given

Topic:

SA (unclaimed property) to SSA1 (budget) to SB44 (budget)

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan 06/18/2003	kfollett 06/18/2003		_____			
/1			rschluet 06/18/2003	_____	sbasford 06/18/2003	sbasford 06/18/2003	

FE Sent For:

<END>

2003 DRAFTING REQUEST

Senate Amendment (SA-SSA1-SB44)

Received: **06/18/2003**

Received By: **rmarchan**

Wanted: **Soon**

Identical to LRB:

For: **Mary Panzer (608) 266-7513**

By/Representing: **herself**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Addl. Drafters:

Subject: **Fin. Inst. - miscellaneous**

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Panzer@legis.state.wi.us**

Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us**

Pre Topic:

No specific pre topic given

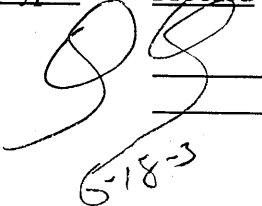
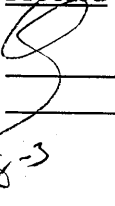
Topic:

SA (unclaimed property) to SSA1 (budget) to SB44 (budget)

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan	11/15/03 6/18/03					

FE Sent For:

<END>

OK

~~WIS~~ ~~Marked~~
~~WIS~~ ~~Marked~~
STATE TREASURER

Senator Darling
Representative Kaufert

RSM

P. Meyer

Reporting Requirements for Unclaimed Insurance Company Demutualization Proceeds

Motion:

Move to amend Chapter 177 of the Statutes to create special reporting requirements for unclaimed property resulting from the demutualization, rehabilitation or related reorganization of insurance companies by specifying that:

prior to January 1, 2003

(1) For property distributable in the course of a demutualization, ~~rehabilitation or related reorganization~~ of an insurance company, abandoned property of presumed owners located in this state is to be reported as unclaimed property to the State Treasurer two years after the date the property was first distributable;

(2) Such property is to be deemed abandoned if: (a) at the time of the first distribution the last known address of the owner is known to be incorrect; or (b) the distribution or statement is returned by the post office as undeliverable; and if the owner has not communicated with the holder of property regarding the person's interest in the property;

(3) Property otherwise distributable as a result of the demutualization, ~~rehabilitation or related reorganization~~ of a mutual insurance company but that would not be required to be reported under this special provision would be reportable under the existing unclaimed reporting statutes.

(4) As a one-time provision, unclaimed property that would be reportable under this special insurance company demutualization proceeds provision would be required to be reported under this new provision to the State Treasurer no later than May 1, 2004, for all property determined to be unclaimed under this special provision as of December 31, 2003.

Note:

Under current law, intangible property owed to a person in the ordinary course of a business's operation and that has been unclaimed by the owner for more than 5 years after it became payable or distributable is presumed abandoned and is to be reported by the holder to the state as unclaimed property. A number of mutual insurance companies have acted in the last few years to convert to stock companies. Such a demutualization typically results in the mutual company distributing its net worth at that time to the mutual "stockholders" -- the policyholders -- in the form of stock, cash or policy credits. For policy holders who have paid-up policies, the mutual company may have not had active contact with the policy holder and as a consequence was not able to contact the policy holder when demutualization occurred. If stock or cash is due a policy holder who cannot be found, that property will become unclaimed property. This motion would create a shorter time period (two years rather than five) of no contact with the property owner before such property is to be reported

to this state as unclaimed. It also would provide for a special one-time early reporting data for such property of May 1, 2004.

Unclaimed property proceeds transmitted to the State Treasurer are held for different period of times, depending on their nature. In this case, it is presumed that most of the unclaimed property proceeds would either be cash or securities (stocks). Cash proceeds, net of claims payments and administrative expenses, would typically be distributed by the State Treasurer during the fiscal year, depending on the time of receipt, to the common school fund and become assets of that fund. However, by statute, securities must be held for a minimum of one year and are typically, depending upon the nature from the individual security, held by the State Treasurer for up to three years. Once sold, the actual proceeds from the security sale are also transferred to the common school fund. The State Treasurer incurs various costs associated with unclaimed property program, including fees charged by national firms who audit business entities, including insurance companies, in other states for unclaimed property due Wisconsin (as well as other states). These firms receive 12.5% of the value of the unclaimed property found and delivered to Wisconsin. For securities, the state deposits such securities with a custodial service that charges fees for holding the securities and ultimately for selling the securities that are not claimed.

A unit of one these national firms, the ACS Unclaimed Property Clearinghouse, Inc., has made an estimate that under this proposed change some \$47 million in unclaimed demutualization proceeds could potentially be made available to the state as unclaimed property. This estimate was based on a percentage of premiums written for Wisconsin residents for five major companies headquartered in other states that have demutualized. ~~The actual amounts realized would require audits of these companies (and others) and any claims granted following the normal reporting and notification of potential claimants.~~ While the proceeds in question would, as found, still come to Wisconsin under the existing unclaimed property statute, this motion would provide a process under which the proceeds would be determined to be abandoned under a shorter time-frame and, based on the change, would be projected to become available to Wisconsin within the 2003-05 biennium.

The presumed intent of this change would be to provide monies to the common school fund sooner than would occur under current law. Unclaimed property proceeds, once transmitted by the State Treasurer's Office to the Board of Commissioner of Public Lands, become a part of trust fund assets and are constitutionally protected. Currently, interest earnings on the monies in that fund are distributed annually to school districts as school library aids. The actual amount of funds that would accrue to common school fund in the 2003-05 biennium under this proposed change would depend upon several factors: the actual amount of proceeds determined unclaimed as a result of contracted audits; the amount of those proceeds that are in cash as opposed to securities; and the deductions from those proceeds for various administrative costs incurred by the State Treasurer's Office in association with the receipt and handling of such proceeds as well as any unclaimed property proceeds which are returned to claimants. No funds are budgeted to the State Treasurer's Office for any added costs that that Office would have in the 2003-05 biennium for the handling of these additional one-time unclaimed property proceeds.

[Change to Bill: See Text]



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBb0621/2

RSM: E.J. J.
AMKR

DWTE

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

**SENATE AMENDMENT ,
TO SENATE SUBSTITUTE AMENDMENT 1,
TO 2003 SENATE BILL 44**

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 **1.** Page 846, line 19: delete lines 19 and 20 and substitute:
- 3 “(1) Any intangible property distributable before January 1, 2003, in the course
- 4 of a demutualization of an insurance company is”.
- 5 **2.** Page 847, line 8: delete lines 8 and 9 and substitute:
- 6 “(2) Any intangible property distributable in the course of a demutualization
- 7 of an insurance company is”.

8 (END)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

Date

LRBb0621/1dn
RSM

Senator Panzer:

Currently, SSA-1 to SB-44 provides for the reporting of certain property "distributable in the course of a rehabilitation or reorganization, conversion, or other transformation of an insurance company" as unclaimed property. This amendment limits these provisions to property distributable before January 1, 2003, in the course of an insurance company demutualization.

Robert J. Marchant
Legislative Attorney
Phone: (608) 261-4454
E-mail: robert.marchant@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb0621/1dn
RJM:kjf:rs

June 18, 2003

Senator Panzer:

Currently, SSA-1 to SB-44 provides for the reporting of certain property "distributable in the course of a rehabilitation or reorganization, conversion, or other transformation of an insurance company" as unclaimed property. This amendment limits these provisions to property distributable before January 1, 2003, in the course of an insurance company demutualization.

Robert J. Marchant
Legislative Attorney
Phone: (608) 261-4454
E-mail: robert.marchant@legis.state.wi.us

