Claim Your Assets or States Will

By JANE J. KIM
DOW JONES NEWSWIRES
November 18, 2003 2:00 a.m.

Each year, millions of people lose track of money tucked away in stocks, mutual funds and insurance policies, which are eventually turned over to the states as unclaimed assets. In many cases, states can take your assets if the company that manages your money can't find you, or if there hasn't been any activity in your account -- a recent deposit or a cashed dividend check, for example -- for several years.

The states' latest gold mine: Demutualization proceeds, or compensation that investors are owed when insurance companies convert from being mutual companies owned by policyholders to stock companies owned by shareholders.

Just this year, 18 states have passed laws to accelerate the collection of demutualization proceeds while four states have proposed laws that are now pending, according to Keane, a West Conshohocken, Pa., company that works with businesses to find unclaimed property. At stake are tens of millions of dollars that states can use to fill budget gaps.

Pennsylvania expects to collect more than $90 million from about 300,000 dormant accounts if proposed demutualization legislation is passed, said Treasurer Barbara Hafer. Meanwhile, Massachusetts took in more than $90 million during the most recent fiscal year as a result of new legislation that allows it to collect funds three years after demutualization or three years after the company's last contact with the policyholder, whichever comes first. The last contact is typically defined as the last time the account owner wrote or called the company. "It accelerated when this property would have come in," said Deputy Treasurer Mark Cavanagh.

Parks Reinhardt, a 68-year-old retired businessman in Apopka, Fla., had forgotten about several hundred shares that Mutual of New York, now known as MONY Group Inc., had given to him when the company went public in 1998. Although he had notified the insurance company of an address change when he moved, he forgot to tell the record keeper of his shares as well. (Information on how to change your address with the record keeper may be included in your statements or stock certificates. You can also change your address by contacting shareholder services.) So when Keane called him this year to tell him they had found assets that belonged to him and would tell him -- for a fee -- how to get it back, he figured he had nothing to lose. He got back about $5,000 (after Keane's fee). "It was kind of a bonus," he said.

Mr. Reinhardt's experience is likely to occur more frequently. States are passing legislation to start the dormancy clock ticking on the date of the last "owner-initiated activity" -- typically a deposit, a withdrawal, written correspondence or phone call from the owner. That means that property may be reportable immediately after the distribution, said Debbie Zumoff, Keane's chief compliance officer. In many cases, states have shortened the dormancy periods from seven years to five years, and in some cases even to three years. By 2005, about half the states will have three-year dormancy periods, she said.

That means that if you have moved or lost track of old accounts, you'll have to be even more diligent about keeping in touch with the companies that manage your accounts.

A good first step: If your insurance company has gone through a demutualization, call up shareholder services to find out if you qualify for any compensation. Keep good records on the type of insurance policies you've bought and document those policies in a will or in files that are kept with your financial advisers or close relatives, said Bob Hartwig, economist at the Insurance Information Institute.

"Three years is relatively quick to try to seize the assets of a type of financial product that literally needs no participation on the part of policyholders potentially until they die," said Mr. Hartwig.

If the insurance company has already turned over the assets to the state, contact the state treasury's office. You can search the state's Web site or talk to a representative in the unclaimed property office who can help track down your assets. Pennsylvania, for example, is able to return about one in every five dollars it collects.

California estimates that it could collect $80 million over the next two years as a result of legislation passed this summer. Under the new law, the state will be able to collect demutualization proceeds immediately if the insurance company knows that the holders' addresses are incorrect. Alternatively, the state can collect funds two years after the date of demutualization (if the company has tried to reach the account owner by mail, but the correspondence is returned and the owner hasn't made any efforts to contact the company) or three years after demutualization (if mail hasn't been returned and the account owner hasn't responded).

Since its IPO in April 2000, MetLifeInc. has turned over unclaimed cash and about 10 million shares of its common stock to eight states. This year, MetLife expects to turn over about 17.5 million unclaimed common shares that it issued to investors and an additional 32.5 million shares through the end of 2006. Prudential Financial Inc. still has $873 million of demutualization proceeds left to distribute to policyholders that it has not been able to find since it went public in 2001, according to a spokeswoman.

States are required to hold these funds until the owners can be found. Meanwhile, the state treasuries, which hold an estimated $22 billion in unclaimed assets, have come to increasingly rely on these forgotten funds. Since states typically return about 20% to 25% of the assets, they usually keep that much in reserve in case someone comes forward to claim the money. The rest of the funds are often placed in the state's General Fund and used for state programs.