An Executive Guide to Unclaimed Property
What is Unclaimed Property?
Unclaimed property is any form of intangible personal property that has gone unclaimed by the rightful owner after a specified period of time. This includes shares of stock, un-cashed dividend checks, un-exchanged stock, checking and savings accounts, brokerage and investment accounts, insurance proceeds, un-cashed vendor and payroll checks, and other financial assets.

When there is no owner-generated activity on the account and/or mail has been returned as undeliverable from the Post Office ("RPO") – the owner is said to be lost and the figurative clock begins to tick. If a company is unable to reconnect with or locate the rightful owner of the asset within a designated period of time ("Dormancy Period"), the asset is presumed abandoned and must be transferred – or escheated, to the proper state to hold in perpetuity until the owner or their heir claims the property.

Each state has its own set of rules and regulations that govern how long property must remain unclaimed or dormant before it must be escheated and how it must be reported to the state. These requirements vary not only by state, but also by the respective property type and industry. In some instances, states may liquidate securities and safe deposit box contents; and therefore the rightful owner may lose out on any growth of the asset and additional dividends.

Why Should You Care?
Although many companies are aware of unclaimed property and its compliance requirements, far too many companies fail to see its impact on their business beyond face value. The tasks associated with unclaimed property compliance are often delegated to their transfer agent or remain in-house with the tax or accounting departments, where they can fall out of sight and out of mind. The mandated reports are filed when they need to be, property is escheated to the state year after year, and everyone is happy.

While following the letter of the law may achieve compliance, compliance alone does not address the greater issues that often arise from unclaimed property. A truly comprehensive unclaimed property plan not only puts you into compliance with all applicable state regulations, but also allows you to retain shareholders and investors, reduce operational costs, and mitigate the risk of fraud and reputational damage.

Hidden Risks & Liabilities
Many corporations are already addressing the issue of unclaimed property internally, or through a relationship with a third-party such as a transfer agent. While these solutions usually achieve compliance, they rarely provide valuable insight into the quality of their shareholder data. The responsibility of ensuring accurate records has often been left to their transfer agent. Armed with independent insight, corporate issuers can not only achieve compliance – but actually get to the root of the problem and gain a greater understanding of their shareholder base. For example, do you know the answers to the following questions?

- Are you able to prove investor activity based on customer-generated Date of Last Contact?
- How many of your investors or shareowners are deceased and how long have they been deceased?
- How much are you paying in unnecessary shareholder servicing fees to maintain these deceased accounts?
- If you’re still mailing out statements or dividend checks, who is opening this mail and cashing the checks?
- How many of your shareholders have moved, but only need to update their address to prevent escheatment?

billion dollars in unclaimed property in the U.S.

Source: NAUPA and CNN, 2013
The Current Regulatory Environment

In today’s economic and regulatory environment, it’s no longer a question of “If I receive an audit…” but “When I receive an audit.” State administrators and the third-party auditors that represent them are becoming increasingly more aggressive in their enforcement efforts. Audit activity in the unclaimed property arena has spanned across all industries. A routine unclaimed property audit, can tie up resources for years and result in multi-million dollar settlements, not to mention the associated fines, interest, penalties, and reputational risk.

Recent Focus on Customer-Generated Activity Vs. Non Return of Mail

A growing area of concern in the unclaimed property space is the subject of inactivity. The traditional trigger for dormancy has been returned mail, also known as RPO. However, in recent years, the majority of states have moved towards enforcing existing requirements to prove “owner generated activity”. If the owners fail to initiate action on their account in a way that the state specifies as acceptable and within the state dormancy period, the state may make a demand for the funds. In some cases, the inactivity standard supersedes the RPO dormancy trigger.

This shift towards “owner activity” has impacted securities-related properties — most notably demutualization proceeds, dividend reinvest accounts (DRP), and non-dividend paying securities. Individual Retirement Accounts have also been the focus in recent months by the state auditors. What constitutes activity is dependent upon the specific property type, but generally includes any owner-initiated transactions or account inquiries, including but not limited to:

- Deposits
- Withdrawals
- Transfers
- Automatic Credits and Debits
- Telephone Inquiries
- Proxy Voting
- Correspondence
- Third-Party or Fiduciary Contact

While your company may have timely and accurate shareholder addresses on file, it is possible that shareholder assets may become eligible for escheatment as a result of inactivity.

Accordingly, the ability to differentiate between owner activity and company activity while tracking and reporting the date of last contact and/or activity is imperative for companies across all industries to avoid a costly audit and the unnecessary escheatment of your shareholders’ or customers’ assets.

Several states have enacted Voluntary Compliance Initiatives in recent years to allow holders to come into compliance without the risk of an audit. Many holders who fear they will be subject to an upcoming audit, or who are looking for a “compliance check-up” are taking advantage of these opportunities such as the one being offered in Delaware.

However, the ability to submit an application to participate in the Delaware VDA program expires on June 30, 2014.

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Minimum Standards Are Not Enough

Because the SEC only requires transfer agents to make minimal search efforts to locate a lost security holder, a high percentage of accounts unnecessarily get escheated to the state. Although escheatment is inevitable in some instances, publically traded companies want to ensure the protection of their investors’ assets and avoid prematurely escheating these funds to the state.

A truly comprehensive unclaimed property compliance program can significantly reduce the amount of escheatable property and dramatically increase shareholder satisfaction. In addition, the volume of deceased accounts that would typically linger on a shareholder file and represent unnecessary shareholder servicing expenses can also be significantly reduced.

What if there was a way to reconnect with the owners of these “lost” or inactive accounts, not only to prevent escheatment, but also to:

- Retain at-risk customers and investors
- Reduce the risk of fraud and identity theft
- Reduce unnecessary operational and mailing costs
- Identify deceased customers and reconnect with their heirs
- Proactively manage compliance obligations

Go Beyond Compliance

- Gain Insight
- Retain Assets & Investors
- Reduce Risk
- Reduce Costs

Keane’s Advanced Owner Location Programs

Unlike most “lost shareholder cleanup programs” that would appear to adequately address the living/lost shareholder population, Keane’s area of expertise involves taking a holistic look at your entire shareholder file, conducting a detailed analysis of the file to identify areas of risk and liability, and then utilizing a customized approach to mitigate and remediate each area of concern.

Keane’s advanced owner location services help these companies protect their investors and customers while reducing the risk of fraud and increasing customer satisfaction. There are cost-effective ways to proactively identify areas of risk and then take action to mitigate or minimize these risks. The unclaimed property specialists at Keane can perform a detailed analysis of your full shareholder file and identify areas of risk that are commonly overlooked, but can have significant implications. Hundreds of issuers have utilized this tool to get educated on their shareholder composition and the liabilities hidden within.

Through a combination of electronic resources, proprietary data sources, and custom algorithms Keane conducts an analysis of the entire shareholder population to identify deceased owners, update and append incomplete or out of date contact information, and denote shareholders whose accounts are at risk of escheatment. This data analysis is bolstered by the efforts of our advanced research team, who utilize a variety of genealogical and archival information sources to locate lost shareholders and/or their heirs.

Keane then conducts multi-faceted outreach campaigns via mail, phone, and email to urge these missing shareholders to take action and update their accounts. For those shareholders that need assistance in updating their account, Keane’s Customer Service representatives guide them through the process at no cost to the shareholder. This in-depth research and outreach allows Keane to achieve success where a simple electronic search from a transfer agent would not.
If our analysis reveals a shareholder to be deceased, our **Legal Claimant Services** group has the necessary expertise to assist Legal Claimants/Entitled Parties of a deceased shareholder’s account with proving their entitlement and claiming their property. Keane’s efforts generate the best possible outcomes for accounts that would otherwise remain unresolved.

Beyond locating heirs and beneficiaries, Keane’s Legal Claimant Services division also offers estate and trust recovery services with a team that is able to navigate the difficult legal environment of estates, wills, and trusts. Our estate recovery team, comprised of former estate administrators and litigators, public administrators, and trust and estate attorneys have helped to settle hundreds of thousands of complex claims on behalf of our clients. With a comprehensive network of local, municipal, and state courts, a dedicated team of estate specialists and a data repository unmatched in the industry – our track record of resolving these often taxing situations is unparalleled.

This attention to detail is why we’ve been chosen as the Industry’s #1 provider of Lost Shareholder Services for the 4th year in a row.

### Why Keane?

Keane is the country’s premier provider of comprehensive unclaimed property solutions. With more than sixty years in business, no other firm can match Keane’s experience serving public and private corporations, banks, broker-dealers, mutual funds, insurance companies, and transfer agents. While many organizations claim to dabble in unclaimed property, or offer escheatment support as an additional service — Keane is the only company completely devoted to unclaimed property and helping our clients meet and exceed their compliance goals.

Our team of professionals is immersed in unclaimed property. Through their experience and expertise they can provide insight into most any compliance situation an organization may face.

Our clients benefit from the fact that we have industry expertise across the securities, banking, brokerage, mutual fund and insurance industries. Their knowledge and experience is an irreplaceable resource, and it allows us to provide much more effective services to companies like yours. Our team knows the compliance risks and liabilities commonly contained within an organization, as well as how to effectively assess and suggest mitigation strategies.

### The Keane Team

- Certified Public Accountants
- Trust & Estate Attorneys
- Certified Fraud Examiners
- Certified Internal Auditors
- Former State Unclaimed Property Administrators
- Former State Unclaimed Property Auditors
- Industry Specialists
Lean on Keane

Keane is the country’s leading provider of comprehensive outsourced unclaimed property solutions. Keane provides corporations, mutual funds, banks, brokerages, insurance companies and transfer agents with a full suite of professional outsourced services, including locating account owners or beneficiaries, risk mitigation, customer communication programs, recovery of escheated assets, consulting, reporting and other unclaimed property compliance-related services.

Led by an experienced group of industry executives, Keane employs more than 200 people across the country. Keane is headquartered in New York, NY with a main operating facility in King of Prussia, PA, and has various satellite offices across the country.

For more information on Keane, please visit www.KeaneUP.com.
Struggling with Unclaimed Property?  
We can help.

If unclaimed property compliance is a challenge for your organization, you aren’t alone. Inconsistent state laws and complex operational requirements can easily strain internal resources. That’s why many organizations choose to supplement or enhance their unclaimed property compliance and reporting processes through Keane.

Keane is the country’s leading provider of comprehensive unclaimed property solutions, serving both public and private corporations across all industries. Our full suite of professional compliance services includes outsourced annual reporting & escheatment, risk & liability assessments, state voluntary disclosure agreements, audit support, and locating account owners or beneficiaries.

With Keane, achieving and maintaining compliance with state unclaimed property laws becomes considerably more efficient and cost effective, allowing you to focus on your organization’s core capabilities and responsibilities.

Why Keane?
• Trusted by thousands of business entities across all industries
• More than 65 years of experience
• A staff comprised solely of unclaimed property professionals
• Customized solutions to address all challenges and budgets

Unclaimed property services and support is all we do - and we’re ready to help you solve your compliance challenges next.

For more information on Keane, please visit www.KeaneUP.com or contact us at (800) 848-8896 to speak with a specialist.