



State of Missouri

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Department of Economic Development

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Lewis E. Melahn
Director

Bulletin No. 90-01

TO: ALL MISSOURI DOMESTIC INSURANCE COMPANIES

FROM: Lewis E. Melahn, Director *L. Melahn*

RE: Reporting Treatment of Checks, Drafts and other
Items Subject to the Uniform Disposition of
Unclaimed Property Act

DATE: January 26, 1990

The Uniform Disposition of Unclaimed Property Act was enacted by the Missouri Legislature in 1986, and amended in 1989.

RESCINDED AND INOPERATIVE

Section 447.510 RSMo 1986, sets out the provisions of the unclaimed property law applicable to insurance companies. "Unclaimed funds" is defined as "all moneys held and owing by an insurance corporation unclaimed and unpaid for more than seven years after the moneys became due and payable..." Section 447.539, RSMo Supp 1989, contains the reporting required by persons (including business associations, any other legal or commercial entity) holding funds or other property presumed abandoned under the Act. Pursuant to Section 447.539, any insurance company is required to report the abandoned property to the Director of the Department of Economic Development annually. Rule 4 CSR 25-1.070 requires that insurance companies report each year on or before May 1 concerning property and information as of the previous December 31. Section 447.543 provides that the moneys reported be paid to the Director of the Department of Economic Development.

As a result of the enactment and subsequent amendment to the act, questions have arisen regarding the accounting treatment of unclaimed funds held by insurance companies. Most companies have not maintained such funds in a permanent liability account, but charge the drafts back

into an income account after a period of time during which the draft has not been presented for payment.

The issuance of the check or draft by the insurance company is related to a claim on a policy. The insurance company is required to maintain liability accounts, loss reserve or loss expense accounts, to pay losses resulting from claims made on policies of insurance. If a check or draft issued to a claimant in payment for a loss is never presented for payment, the loss occurrence does not disappear. The failure of presentment does not affect the liability of the company for the loss. Such failure also does not result in income or enhancement of a company's financial condition as the result of the soliciting or sale of insurance. Once a loss occurs, the company has incurred a liability. The claimant to whom the check or draft was issued has a continuing right to the check or draft from the company for a period of seven years and thereafter, from the state. In light of the requirements of such laws, unclaimed funds should be held in a liability account as in Amounts Withheld or Retained by Company for Account of Others.

Under the provisions of the unclaimed property statutes, insurance companies are required to report and pay to the state unclaimed funds as defined in Section 447.510. Such funds are a permanent liability and should be reported as such in a liability account. With such reporting treatment, surplus is decreased immediately, not after three to seven years when the funds are transferred to the appropriate state.

LEM/KLRT/ljw