

BILL ANALYSIS

H.B. 64
By: Cook, Robby
Government Reform
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Insurance companies owned by policyholders are called “mutual” companies. Sometimes these mutual companies convert themselves to shareholder ownership, a process called “demutualization.” Demutualization gives policyholders two interests in the company: the value of their policies and their shares in the company’s capital stock. Companies may have sold policies to some holders many years before the demutualization making it difficult to locate them in order to distribute their shares or equity because they have moved or may even be deceased. This “abandoned” or “unclaimed” equity value is reported to the state as unclaimed property after a three-year dormancy period that begins on the date of demutualization.

Unclaimed and abandoned properties whose owners are unknown or cannot be found are placed under the custodianship of the state. This unclaimed property is held by the state in perpetuity and never becomes state property, however the state can use the money for other purposes until it is claimed.

House Bill 64 would amend the Property Code to provide that property distributable from the demutualization, rehabilitation or reorganization of an insurance company is presumed abandoned on the first anniversary of the date it becomes distributable under certain conditions. HB 64 would make these funds reportable and due sooner and could result in additional funds to general revenue.

RULEMAKING AUTHORITY

It is the committee’s opinion that this bill does not expressly grant any rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1: Amends Section 72.101 of the Property Code by adding Subsections (c) and (d) as follows:

Subsection (c) provides that property distributable from the demutualization, rehabilitation, or related reorganization of an insurance company is presumed abandoned on the first anniversary of the date it became distributable if: at the time of the first distribution, the last known address of the owner is known to be incorrect or the distribution or related statements are returned by the post office as undeliverable and the owner has not communicated with the holder regarding the interest.

Subsection (d) provides that property distributable from the demutualization, rehabilitation, or reorganization of an insurance company that is not subject to Subsection (c) is presumed abandoned as provided by Section 72.101 of the Property Code.

SECTION 2: Effective Date.

EFFECTIVE DATE

This Act takes effect immediately with two-thirds vote of each house, or otherwise November 1, 2003.