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Chapter 9: Modernizing unclaimed property administration through digital intelligence and workflow automation

9.1 Introduction

The world of unclaimed property, also known as abandoned or escheat property, is filled with complexities, representing a unique blend of law, technology, and business processes. Each state in the U.S. has an unclaimed property statute governing the identification of property that has been unclaimed for a period of time. Depending on the type of property, that time period might be anything from one year to 15 years. States use their unclaimed property laws to aggregate unclaimed tangible and intangible property, including bank accounts, insurance contracts and claims, payroll accounts, brokerage accounts, stocks, bonds, real estate, and other items of value. In turn, states audit and impose penalties and interest on entities that have failed to comply with the reporting and escheatment obligations.

Digital intelligence and automation can help. The process of analyzing dormant accounts, reporting lost owners, and escheating remains manually intensive for many holders because it requires significant time and resources, leading many holders to take little or no action. On the state side, unclaimed property has received significant attention of late, including formal calls for state program modernization efforts. Given increased budgets and enhanced internal capabilities, many states have undertaken technology modernization initiatives by adopting unclaimed property technologies to improve their processes. Recently, some states have gone even further, deploying digital intelligence and workflow automation to handle large volumes of holder-dormant account analysis more efficiently. We review four key unclaimed property processes poised for modernization: holder outreach, matching, report processing, escheatment. Building on the pilot projects and program expansions that states have recently undertaken, we

explore how increased productivity can lead to tangible returns and potential future use cases for digital intelligence in unclaimed property.

9.1.1. Overview of the Unclaimed Property Landscape

As long as there have been property rights, there have been legal regimes to govern those properties when they are abandoned or left without an owner. Those regimes exist to protect rightful owners from harm when the property is transferred involuntarily to the government for safekeeping. And keeping track of property that has been temporarily turned over to the state – "unclaimed property" – is a central banking function that, at its core, promotes transparency and implies good faith in government operations. In the United States, the concept of unclaimed property goes by many different names, and a patchwork of laws exists at the federal and state levels to implement unclaimed property policy and procedure for different types of abandoned items.

At the federal level, unclaimed property policies primarily govern unspent checks or amounts controlled by the United States Treasury, but other federal agencies are also involved in providing for a system of unclaimed funds. Federal agencies report unclaimed property to the U.S. Treasury after a designated period of time. State laws govern a much wider range of unclaimed property items for a longer list of holders, including abandoned bank accounts, uncashed checks, insurance policy proceeds, and unused gift cards. The list of items of unclaimed property varies from state to state, and state laws account for the wide discrepancy in the amounts of unclaimed property being held from state to state.

Fig 9 . 1 : Transforming Unclaimed Property Programs

With billions of dollars in unclaimed property waiting to be matched to specialty owners every year, state escheatment operations are critically important to ensuring that owners receive their rightful funds. But many states run these operations on lean budgets and with a skeleton staff, relying on technology to help serve these functions. Even though states have been using technology for decades to manage economic development programs for attracting and retaining businesses, their unclaimed property operations are behind the technological curb. This has resulted in multi-million dollar lawsuits against the states, as angry holders allege that unreasonable and unmanageable reporting requirements impose burdens on their business operations, and disappointed owners questioning whether they will ever receive their funds.

9.2. Understanding Unclaimed Property

After years of benign neglect, unclaimed property is now at the regulatory and fiscal forefront in many states. As a result, the unclaimed property regulatory mission — custodianship, protection, and remittance of the rightful owners' assets — is often thwarted by a lack of funding, personnel, training, and motivation. Unclaimed property programs are frequently treated as "money-making" endeavors. Corporations want to comply with the law but are overwhelmed by funding, staffing, and procedural constraints. Increased reporting and audit scrutiny is hampered by outdated systems and unwieldy processes. New laws that shift the burden of research, due diligence notification, and asset transfer to holders add new risks for corporations, especially when there are new mandatory online filing requirements that do not permit due diligence notification extensions. Given these circumstances, there should be the desire and ability among all stakeholders to work together to enhance the efficient transfer of unclaimed property.

When custodians assume the responsibility for protecting and remitting rightful owners' unclaimed assets, there is an implicit understanding that this custodianship will occur for the benefit of the owner, not the state. In order for the custodian to operate within the seven policies of unclaimed property administration favorably, within a positive regulatory framework with minimal burdens placed upon financial custodians, they must have the depth, focus, and abilities to support unclaimed property initiatives. Too often, custodians associate their responsibility with the revenue-generating aspect that stems from the penalty and interest assessments associated with large unclaimed property audits.

9.2.1. Key Concepts and Terminology in Unclaimed Property

In the scope of this work, unclaimed property refers to any balance due to an individual or corporation that has been neglected for a certain period of time. This definition can be expanded to include the model statute which regulates unclaimed property issues in a minority of states. Neglect occurs due to the hazard of voluntary giving and occurs for amounts that otherwise would be too small or too costly to reclaim. The time period after which the state assumes custody is usually called the dormancy period. Central to unclaimed property legislation in all states is the idea that property is abandoned after a certain period of time has passed without any documented contact between the owner or his assigns and the holder of the funds.

Unclaimed property comes in many different forms, ranging from gift cards over payroll checks, utility deposits, uncashed business checks, securities, and insurance proceeds to bank balances. Most of these items are voluntarily held by businesses or financial institutions for the benefit of customers – generally paying them interest or allowing them to earn money through the transactions tied to that property. Corporations tend to neglect smaller amounts that are uncollectible in practice, and states are guided by the intent of bailment law to prevent businesses from profiting from donations that individuals would make voluntarily if the funds were small enough. The presence of second-mover advantages creates an economic environment similar to that surrounding donations to public charities or bequests by estates.

9.3. Current Challenges in Unclaimed Property Administration

Due to the historical inattention these functions have received, several challenges face the teams responsible for unclaimed property work. State offices and reporting companies are perennially challenged to streamline and upskill functions that are drowning in the volume of work and the number of resources required in antiquated processes. As a relatively minor administrative task historically, state unclaimed property programs have often been given little budget, and posting to the unclaimed property databases is essentially an unfunded state expenditure. As a result, while vital to uncashed checks, an accounting of intangible assets, or a means of getting money to claimants, the databases are rife with errors and uncertainty. Prior to recent changes, the burden often was used to extract substantial penalty funds from ignorance and failure to comply, rather than providing any net benefits to the hotels, insurance companies, or banks. State-retained benefits would be paid when a tax-deferred asset changed hands or was activated.

The conflicting budget issues are common across several of the sentinel states; previously, available resources must meet new and diverse workloads and attract new talent. Not just the processing of reports, but improved outreach, pre-funding incentives for banks, hotels, and insurance companies, and claim processing require personnel and

technology. Concerns from industry participants – whether banks, hotels, or other holders – supply execution and activation challenges. Whether in providing unclaimed owners' options, owners' assets are fees for taxes owed, false ownership inquiries. Penalty assessment policies, creating and disseminating standardized filing formats and program documents, and working with various new automated products are also key for the national administrator. Thus, for states and industry alike, there is little real-time communication of the need to exhibit and resolve the concerns of owners or be submitted to inquiries. The goal of connecting with remitters of capital to discover ways of processing reports and claims more efficiently has become an imperative.

9.3.1. Emerging Issues in Unclaimed Property Management

The long history of unused and unredeemed accounts may be distasteful to the holders of the accounts or to the descendants and heirs of the original beneficiaries, but at its essence, unclaimed property consists of amounts attributable to some market or individual interest or behavior: unexchanged traveler's checks and money orders, undeposited payroll and other checks, abandoned bank deposit accounts, unredeemed insurance premiums. It can be argued that it is the responsibility of each unclaimed property holder to actively practice services for those who possess interest in the account. It is unreasonable to expect offices of state government to expend precious financial resources to administer unclaimed property amounts that can remain dormant for years or for even longer periods of time. Unfortunately, the inability or unwillingness of unclaimed property holders to contact and recover property has spawned interest by some less than reputable entities in hoarding unclaimed property until such time they can claim it free and clear of all requirements. Data mining strives to develop algorithms capable of sorting through large databases containing the names of owners of unclaimed property, post office address amounts and property types identified in order to reduce the number of years of dormancy prior to state escheat laws becoming applicable. The unclaimed property program was initially developed to be a safeguard to protect the interests of individuals regarding property issued to them but not acted upon for a specified period of time.

Over the past several years, many states have implemented, or considered implementing, "ownerless" unclaimed property legislation or promulgated regulations for the express purpose of allowing the states to exert sole authority over unclaimed property that remains neglected for an extended period of time, particularly if no activity has occurred that could give notice that the funds are still the property of the administrator. Activities that periodically occur only to become dormant again affect the "powerlessness" of a dormant account. "Runaway" bank accounts serve as the most common example of dormancy affecting homelessness since actual bank transactions may typically occur for

several months every year. However, electronic resumes are also a factor in the ownership life of an unclaimed property account. However, because such activity generally occurs only for verifiable periods during the year, electronic resumes may also only give notice of the owner's continuing interest.

9.4. The Role of Digital Intelligence

What do we mean by digital intelligence? Today's digital technologies range from a wide variety of automated data collection, processing, and storage capabilities in personal devices, enterprise communications, global trade and transport networks, remote public infrastructure, and massive clouded databases; to rapidly-evolving Artificial Intelligence enhanced narrative, decision making, forecasting, verification, and productivity applications; to large scale technologies like massive data collection for map-based machine learning driven earth observation, transportation management, and smart logistics capabilities; and last, but certainly not least, to the expanded use of robotics not only for industrial production, but for space exploration, industry and agriculture machine automation. Digital technologies function with varying levels of automation, from simple switches and timer function, to telecommunication gadgets that continue to shrink towards invisibility. These functions are now ubiquitous, embedded in virtually everything, even the human body. New capabilities continue to evolve quickly. The level of automation of tasks within the digital technology category is accelerating rapidly, especially powered by the combination of narrow, automated applications of Artificial Intelligence and enclosed Business Process Automation management workflows. Here, we define Digital Intelligence as that body of techno-logic and techno-logic enabled capabilities, with varying levels of automation, embedded in increasingly intelligent devices, that support human mental operations through optimization, augmentation, and expansion. These capabilities systematically enhance quality of life, continuing creativity, and productivity, as well as profit and/or values per output unit global economic performance objectives; while efficiently managing and reconciling disruptions and tradeoffs with other desirable performance objectives as necessary, for the associate accountabilities. What Digital Intelligence brings to the administration of capital, government, and private nonprofit is the ability to embed and structure intelligence into decision products. Decision products that integrate peer expertise and cutting-edge Science on optimizing passage through time; while avoiding intolerably disruptive impact on future shared space, passion, and sentiment prosperity, through intelligent risk assessment and decision recommendations on how to deploy and structure Risk, Trust, and Reputation accountabilities; by Domain at all feasible and preferable levels.

9.4.1. Definition and Scope of Digital Intelligence

What is Digital Intelligence? Digital Intelligence (DI) is the derivative of analytical reasoning that executes a complex cognitive task through Digital Automation, arising from the synergy of several advanced technologies implemented in a systematic and cohesive manner. Digital Intelligence establishes the barriers of cognitive tasks where such complex Digital Automation can both augment and displace the traditional human analytical reasoning. While the gradient of these barriers will continue to evolve and shift over time, Digital Intelligence alleviates the paradox of labor-capital substitution bias by enabling Collective Intelligence. Collective Intelligence being not just the augmentation of human intelligence with machines but the structured orchestration of activities between humans and machines powered by Digital Intelligence. Collective Intelligence generates the sought-after outcome of systematically offloading the mundane, repetitive, and predictable tasks on machines while deferring the one-off, unpredictable, and less rationally-generated tasks with humans. The through Digital Automation as well the orchestration of enabled apprehensions of humans and machines can be achieved through an amalgamation of several advanced technologies, including robotic process automation, Natural Language Processing, machine learning, deep learning, agent-based modeling, semantic knowledge graphs, cognitive expert systems, and other advanced, specialist, or, domain-specific artificial intelligence enabled technologies. With Digital Intelligence, Cognitive Digital Automation can be transformed from an incidental initiative leading potentially to a disconnected set of automated activities across a multitude of functions and processes, specially in back and middle offices not geared towards providing business value and meeting business objectives, to a strategic priority that helps realize operational efficiency across enterprise systems, a unifying platform that enables stakeholders to intelligently engage and interact with the enterprise ecosystem.

9.4.2. Applications of Artificial Intelligence in Administration

A broad array of organizations have adopted artificial intelligence as an integral aspect of routine business functions. AI in the administrative sector is predicted to grow significantly during the forecast period. AI can assist to streamline processes and boost productivity in the following administrative domains: data labels, process automation, outsourcing tasks, telework and remote management, chatbots, analysis and forecasting, decision making, and computerized operations.

In addition to the introduction and maintenance of business IT systems, AI can supply insight into observing and evaluating operations for enhancements. AI used in enterprise resource planning systems can automate routine tasks, help analyze complex data, develop budgets, and assess incomplete or inaccurate data. The significance and

repetition of administrative tasks constitute attractive targets for AI's volume and efficiency. AI can increase proficiency in all dimensions of work quality – optimization of costs, speed of execution, accuracy, and performance consistency – and become engaged in predictable, decision-making domains. A smart workflow helps gain attention to employee capacity and strategic decision-making processes, using AI technology to develop services to further support and supervise the company's main activities and objectives. Predictable, repetitive tasks through workflow automation and business process management can be accomplished by AI. Intelligent Document Processing can help automatically classify and extract information from documents, reducing document labor and making data more accessible and efficient. Competitively, companies need to rapidly upcycle and personalize the building blocks for enabling intelligent workflows and embrace continuous transformation as a new way of working.

9.5. Workflow Automation in Unclaimed Property Processes

Claiming property that has been legally presumed abandoned (or "escheated") by the owner to a state is a complex, specialized process that often is integrated with regulatory compliance, which is why returning property to rightful owners is often assigned to a state agency that is separate from tax collections. Although property escheats to the state, the rightful owner still has a claim on the asset, so property that has escheated and has not yet been returned often is legally categorized as being in the state's "custodial" care, rather than as state "revenues." When an unclaimed property claim is received, it must meet specific legal requirements before it can be paid out. For each claim request, state officials must verify multiple records across specifications in the state law: Claimants must prove they are the beneficiaries of the escheated property. The business or individual holding the property originally must have provided the documentation establishing the claimant relationship. The attorneys, guardians, and other representatives submitting the claim must show proof of authority; In some states, this typically is provided in a Power of Attorney form that allows access to all claim-related records for review and verification. Generally, the business seeking the payout must document it and send the rightful owner a letter asserting their legal entitlement to the asset on record with the state, or at least to the address on record, if the sender had complied with notice specifications in the state's unclaimed property law. In short, the unclaimed property claims process can cover a wide range of information sources, unique conditions, and circumstances. With so many points of possible variation, and the fact that a financial transaction is involved, workflow automation can help ensure all requirements are met consistently for all claim requests, expedite the decision process, and minimize possible errors or delays.

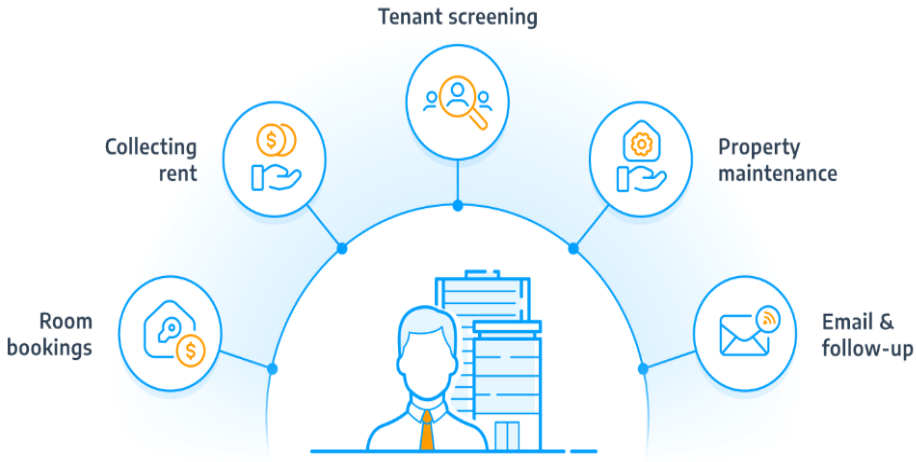

Fig 9 . 2 : Optimize Workflow with Property Management Automation Software

9.5.1. Overview of Workflow Automation

In a rapidly changing world, where the sheer volume of unclaimed property is a concern to many, a daunting trend is the introduction of new regulations and policies requiring states to actively search for property owners, reclaim and remit property, and monitor dormant accounts. What is sometimes thought of as a simple brochure in the hands of a casual tourist is becoming a more complicated process of meeting requirements, complying with rules, and reporting findings. In this new world of intrusion and investigation, states have to modernize their approach to using technology, while using a more aggressive and preemptive policy in the business of unclaimed property. The fiscal return is clear, but other incentives include the good will created by returning unclaimed property, particularly during uplifting and financial-stressed times. For those who are feeling the impact of stealing financial resources and increasing debts, any unclaimed properties that can be legitimately returned can have a positive addition to the state economy.

In this new world of unclaimed property, states are becoming better and more efficient in their search strategies, actively utilizing technology to aid in those strategies. Although the prevention and recovery of fraud may be primary motivations for investing in digital intelligence solutions, the knowledge and data acquired from those investments can be used to identify unclaimed property claimants. This data can also be integrated into administrative review processes to confirm and remediate legitimate claims, identify potentially fraudulent claims, improve the quality of data for resumes and current claims, and prioritize staffing decisions. When the return process is automated using software solutions, customers can get their refunds faster with less frustration. Automation can

deliver a fully connected experience from initial customer attempts through deposit and file reconciliation, maximize forensics, mitigate fraud loss, minimize the cost of digital inquiries, and improve customer satisfaction.

9.5.2. Benefits of Automation in Administration

State unclaimed property programs collect billions of dollars each year on behalf of the rightful owners. However, the processes used in the program's daily operations can be outdated and inefficient, relying on incomplete information silos in many cases. Technology can assist and streamline these processes. Workflow automation can sponsor programs to better manage the process of handling unclaimed property by allowing the person(s) in charge to view and modify automation or by using the automation to further direct the work. Automating unclaimed property processes allows for scalability, consistency, reduction of fraud, increased accuracy, audit tracking, decreased processing time, communication with the outside world, and improved morale. Automated systems produce more accurate and crucially verified results than an employee or team could do, as all relevant information is placed in a single location and reviewed against external taxonomies as appropriate. Employees and program administrators want a degree of control around the automation, but also a level of tranquility knowing that the bot performing the automation will produce consistent results.

In the claims processing area of the unclaimed property industry, these benefits are magnified. States that receive unclaimed property must balance their need for revenue with the corresponding burdens on holders to be compliant, both in process and reporting. When a compliance audit is triggered, either by a business needing to file a claim or an unclaimed property office tasked with locating a property owner, the burden on both the state and business can be substantially increased if submitted data does not match known taxonomies. By automating the claims verification process using existing negative databases and a suite of crawlers to scrape business information, technology can boost a state's compliance efforts while simultaneously reducing the burden on those businesses.

9.6. Case Studies of Successful Implementation

As with anything, the idea of streamlining workflows will likely be met with skeptics in the unclaimed property arena. The good news is that there have already been proven success stories, both at the state level and within corporations that have implemented creative solutions to unclaimed property challenges. Let's take a look at existing success stories and what we can learn from them.

At the state level, states such as Tennessee and Idaho have begun investing in innovative technological offerings to help speed up the process of identifying and redistributing unclaimed property without sacrificing quality. Tennessee's Unclaimed Property Division is leveraging data scraping innovation that will extract claims information from flood-related property listings for online filing and processing. The such efforts are not only aimed at expediting the claims process for the unprecedented volume of flood-related claims that were filed in 2021 but also will lighten the workload when it comes to distributing funds from the remaining claims as well.

Idaho, on the other hand, is leveraging software bot technology to automate the review of unclaimed payments reportedly owed to taxpayers. After designating the contract as a "special project," agency management tenured the bid to a contractor that met all of the specifications required in the state's Request for Proposal. Idaho State Tax Commission Secretary Eric E. McGrane aptly stated for local media, "Technology has the potential to make our processes more efficient and effective, to provide consistent results, and better use taxpayer funds."

9.6.1. State-Level Innovations

Most of the examples in the preceding sections are related to local government. However, some larger cities distinguish themselves by becoming testbeds for new technology. Other examples of technology deployments come from the state level. Even though there are some very large municipalities, most of the examples of local government use of innovative technology automation come from programs that are under state control. In many cases, the local property tax programs are either administered by the state or coordinated through a large centralized state agency. Examples of state-level innovations include the deployment of sensor technology to monitor the condition and estimate the replacement costs of fixed assets like roads, bridges, culverts, buildings, equipment, and other capital assets. The agency is using a program that estimates replacement costs based on a robust database developed by state employees and volunteers.

The technology project allows state and local officials to focus on the resources they can devote to capital improvements and long-range plans by estimating the resources necessary to replace existing capital assets. Knowing how much it would cost to replace roads, bridges, buildings, and other assets helps forecast budgetary needs so that state and local agencies can schedule preventive maintenance, capital improvements, and capital replacement. A division is in the process of implementing an automated assessment and property data program that links multiple physical characteristics to provided data to estimate property values. The program allows township tax assessors

to conduct statistical analysis on the properties in their municipalities to validate property values and highlight those parcels that may not be valued appropriately.

9.6.2. Private Sector Examples

Innovations in workflow automation and digital intelligence that facilitate the unclaimed property functions of data aggregation, data matching, contact attempts, outreach, and payment processing have already become common practice in the private sector. Services that mature consumer and corporate markets have wide-ranging applications not just for the unclaimed property industry, but for debt settlements, collections, and reunification spaces as well. For example, a Canadian firm chiefly focused on bankruptcy administration has developed a proprietary application that is used internally to aggregate, monitor/refresh, inform, reconcile, and communicate with potential claimants. This firm has also utilized its relationship with a competition bureau and an alternative data aggregator to identify people entitled by inheritance to a greater-than-average number of abandoned portfolios or estates, and narrow down the field to the companies who have held or still hold the largest and most valuable properties for the longest time periods.

This allows the firm to sell those potential claims to its bankruptcy clients, recoup their fees, and keep for itself the low-hanging fruit of goners who need to be "made whole" before their cases can be closed. Similar unbundling and dual-channeling strategies could open up additional revitalization possibilities in the abandoned corporation/LLC industry, but the focus here is on improving existing services across the unclaimed property landscape for all constituencies: state administrators, third-party asset finders, financial institutions, and property owners/beneficiaries.

9.7. Technological Tools and Platforms

A range of automation tools is available that can help states achieve these efficiency and modernization goals. In addition to specific software solutions purpose-built for creditor claims processing and unreported property identification, general-purpose funding workflow automation, content management, and chatbot solutions can be leveraged by states. For example, automation enables the automation of data entry from claims. AI helps reviewers classify claims and associated documents. Bots enable automated claim status responses to stakeholder inquiries. A Claim Response Management System helps states connect with owners regarding estate claims electronically and track interactions with those owners. Similarly, an abandoned property claims processing solution streamlines claim investigations and workflows. Multifaceted technology solutions are

available for escheators and property owners alike. Additionally, consumer-friendly websites with online property search capabilities are offered.

The rapidly evolving markets for real estate and unclaimed financial assets have also led to the development of new AI-powered data solutions that could be leveraged by states to improve the efficiency of unreported property identification. For general unreported property identification, a portfolio of address add-on or scraper solutions is used to augment and identify real estate-associated addresses. A platform is marketed as having the ability to quickly allow for the analysis of real estate using Big Data, Image Recognition, and Machine Learning algorithms. A service enables detailed filtering of factors associated with property ownership, such as whether it is currently vacant or in foreclosure, as well as multiple characteristics like flip or rental history. An API touts a capability to quickly serve a comprehensive property report with color images. Its platform boasts creating property reports for the entire US in less than 30 seconds.

9.7.1. Software Solutions for Automation

The content of this section discusses computer programs that efficiently collect unclaimed property information from businesses and individuals. How this is done is arranged in workflows, software routines that users set to mechanically perform many repetitive functions. The conversations usually associated with collecting unclaimed property can be lengthy and require many manual steps that take users away from productive business engagement and interactions. Instead, these functions can be standardized in a communications workflow, using computer scripts that manage the sequence of requests and the responses automatically. In conjunction with member data already prepared in a database, conversations about unclaimed property can be done remotely, using the computer or a communications channel.

The communication step functions just as phone calls have always done. However, everything proceeds at a faster pace, taking much less of everyone's time. It is way more cost-effective for unclaimed property administrators to receive reports and payments this way than waiting for inbound calls after sending a notice and expect those businesses and individuals to reciprocate once they receive it, outbound, or speak, verbal, method. And doing business this way allows for oversight and record keeping that simplify reporting for the whole process – a huge time-saver. These methods are essential for the many notifications that public agencies must send about potential unreported proceeds that they have received that belong to individuals and businesses. By increasing the efficiency of the administration of the current unclaimed property program, they help state and local governments and private businesses reduce the burden and risk of future claims.

9.7.2. AI-Driven Data Analysis Tools

The typical unclaimed property tranche is a direct or spreadsheet format data file containing a variety of transaction types—such as checks, commercial paper, dividends, insurance proceeds, money orders, stocks, mineral interests, securities, wages, and savings and other deposits—sent by a reporting company to one or many states on a periodic basis. The unclaimed property transaction types vary by state and often by each reporting company and business entity under review. Additionally, each state maintains data in different formats and semantics, which complicates the analysis of missing properties valuable for specific entities. Local regulations mandate different activity-to-claims durations per type of transaction, each often with separate forms, reports, declarations, or exceptions supported for an accountant's audit process. This variability creates a daunting problem for accountants charged with the historical analysis of primary entities' transactions. Accountants typically rely on Excel or third-party software to analyze unclaimed property activity in a specific year and guess unclaimed status.

This analysis needs to be more efficient and perform several functions automatically. Initially, during a process phase, the tool should be able to analyze data from many states and repair any discrepancies in file formats and semantics. For example, consider the issue regarding different formats in which social security numbers, dates, and amounts are stored. In a subsequent analytical phase, the tool should recommend expected escheat or exemptions based on the types of transactions and local regulations of each state. This analysis should be further enhanced if history recommends the appropriate exemptions and those that have been voluntarily filed. Finally, there should be an explanation phase of permitting users, whether accountants or others in business, to understand the analysis allowing them to make the appropriate decisions to finalize the filings. These various phases to automate what is an arduous and complex process rely on insights from AI-based analysis and natural language processing.

9.8. Regulatory Considerations

The present regulatory framework governing unclaimed property escheatment and reclamation is rooted in state statutes – often called "escheat laws" – as well as related agency regulations and interpretations. In addition, each state has an unclaimed property administrator that is authorized to issue public statements concerning the policies and positions it takes with respect to compliance and matters of interest to the public. While these statutes originated with a focus on holders, many agencies have been revising their statutes to focus on the return of unclaimed property to rightful owners as a consumer protection function. Increasingly, they are moving beyond a limitation of state obligations to simply unclaimed property recovery by attempting to impose detailed and

stringent claims standards, including verifications and minimum requirements. This is particularly true in connection with claims for property returned from commercial donors, who are typically high-value claims based on assisted success rates.

The digital age has impacted the creation of unclaimed property by creating greater ease of property movement, as well as driving down many values to the point of being considered unclaimed in the escheat context. In addition, the movement of property to unclaimed status has intensified pressure on reclamation activities. The growing public outcry as a result of the social media/internet age has increased consumer awareness surrounding unclaimed property that exists for them, and devastated the traditional inability of their states to properly fund the reclamation of value owed to its taxpayers – making state investment functionally mobile, agile, responsive, and personal. States are constantly striving to efficiently return the value and resources they owe their citizens. However, with the growth of digital technology and the need for cost-effective reclamation, and the existence of varying adoption cycles and risk tolerance between states in the digital age, states are regularly placing new demands on municipalities and the digital world in general.

9.8.1. Compliance with State Laws

The vast majority of unclaimed property laws in the United States are essentially checklists of things businesses must do proactively to stay in compliance. Businesses must account for property types, time periods that define how old the property must be to be considered unclaimed, category and jurisdiction assignment rules, storage of property, reporting formats, deadlines, and delivery methods, and additional requirements that become more complicated with each state added to the abandoned property list. Each of these areas is governed by state law should a company decide to abandon one of its property types or ignore state jurisdiction altogether. The checks and balances associated with the unclaimed property reporting and remittance process require a disclaimer of performance assurances for any external service provider. Liability for property loss actually sits with the business as a breach of its fiduciary responsibility to the claimant.

A proprietary platform that performs all compliance functions relative to state law has been developed. A business organization does not have to worry about whether the work is done correctly or submits in the right format or the funds are placed in the right accounts – all features governed by state law at the additional cost of potential compliance audits or late fines, plus expenses, and, of course, the reputational loss of an unintentional error. When a company trusts its abandoned property compliance process to an external vendor without verification of the vendor’s ability to adhere to each of its states' unique and evolving laws, that company puts the security of its unclaimed

property, potentially thousands of dollars in state fines and audit fees, and its very existence at risk.

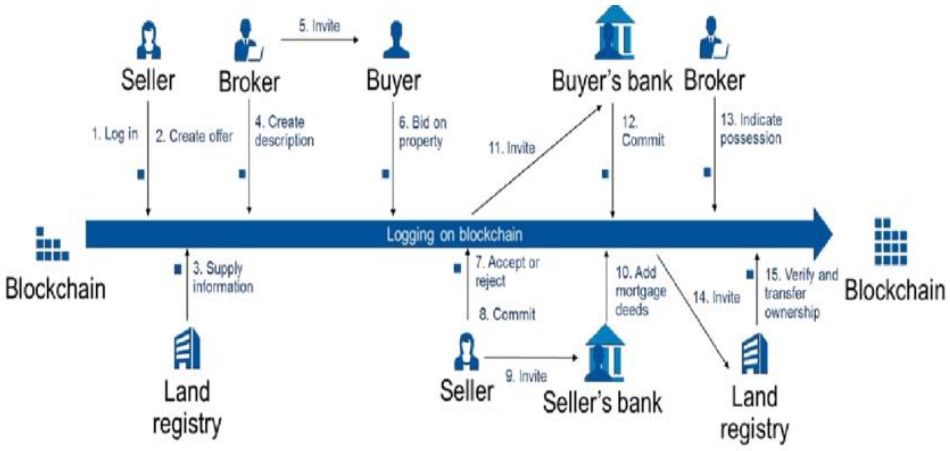

Fig 9.3 : Chromaway real estate transfer workflow

9.8.2. Impact of Technology on Legal Frameworks

Many legal frameworks seem inflexible to the point that they become functionally obsolete. Paragraphs within legal codes may have been drafted 100 years ago when they were envisioned to have dynamic interpretations if they were not preemptively—and thus quickly—proven to be impractical. Nothing short of judicial or legislative intervention, however, has been able to modify these legal frameworks. Artificial intelligence, however, may provoke alterations in the very essence of contracts and laws. When present in transactional and operational tools, artificial intelligence, or even workflow advances, may eliminate all need for an abundance of regulatory limits and conditions because these tools would automatically seek to be compliant. Intelligent tools seamlessly integrated into your business model will transcend transactional compliance and instead ensure that your transaction is compliant to begin with. Legislation drafted at the time of the Administrative Procedures Act may not only become antiquated, it may become impossible to implement. The question for regulatory agencies is whether we wish to modify our regulatory schemes or allow technology to act in a manner that regulates itself.

As these tools become available, we can choose to immediately implement them and act as if regulations do not exist, or choose to work with our regulators and begin the process of modifying rules and regulations before we are just dependent on the ingenuity of the private sector.

9.9. Conclusion

Managing unclaimed property in the United States should be simple, yet it is not. Overlooked for many years, the complexity, anonymity and detail of this subject are such that during the fiscal year ended June 30, 2018, the total number of abandoned property reports received by the fifty states and the District of Columbia was 1,029,894; while the total number of claims made for the same year was 905,879. However, these numbers are small relative to the sizable amounts of abandoned property being held by the states. Today, the estimated total value of unclaimed property is a staggering $60 billion dollars. This total will only increase over time as a result of the economic downturn caused by the pandemic and its related financial dislocations. More and more people will lose track of their money as they travel, relocate, and experience life-changing events associated with the pandemic.

In this paper, we have presented a typical reporting process for a corporation owning some type of unclaimed property and its outside advisor. Through a description of the process, we highlighted the pain points and concerns associated with the reporting process from both the advisor and the client perspectives. In explaining the day-to-day frustrations, we built a case for making some of these standard processes more efficient through improved digital intelligence and workflow automation. As a result, we believe that the unclaimed property owner will be able to enhance the overall experience while significantly reducing the associated reporting costs. Thus, we have concluded that the unclaimed property reporting process can be improved through the implementation of data-driven technologies, which reallocate the repetitive and non-value-added tasks from the overworked and highly-skilled reporting experts assigned to complete the work.

9.9.1. Final Thoughts and Future Directions

The future of the unclaimed property industry will certainly embrace a broader array of efficiency generating technologies to assist its personnel in meeting their goals, as will other industries. Perhaps driven by achieving faster times to complete the business process and with better accuracy rates, possible future directions for the industry include increasing levels of control and automation in conducting functions within the unclaimed property workflow. Such technologies already proven in advanced sectors of the economy are typically employed in conjunction with enterprise content management tools, including artificial intelligence, machine learning, RPA, natural language processing, computer vision, and cognitive automation and recognition technologies. The incorporation of the digital intelligence and workflow automation solutions may allow personnel to spend more of their time dealing with the exceptions or special cases. Additional consumption and incorporation of these advanced systems throughout the

workflow of the unclaimed property process will allow industry leaders to process reports in record speeds with the minimum error rates.

Unclaimed property administration is filled with moving pieces from thousands of diverse sources triggering the need to hold hundreds of diverse property types throughout a person's lifetime. As states receive property abandoned by the owners, they need to maintain periodic audits of their process. With the increase in the abandonment of property and the subsequent increase of returned property to the rightful owners, states may consider the path to least resistance for finding owners and initiating the return process in-house; lowering costs and streamlining processes for the taxpayer. We believe the future of unclaimed property returns is ripe for investment into digitalization and automation; allowing the state's unclaimed property office personnel to handle the unique and complex cases.

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