

ETHICAL PRACTICES BOARD

First Floor South, Centennial Building . 658 Cedar Street . St. Paul, MN 55155-1603

The following publication does not identify the requester of the advisory opinion, which is nonpublic data under Minn. Stat. § 10A.02, subd. 12(b)

RE: Replacement of destroyed campaign materials

ADVISORY OPINION # 239

SUMMARY

The receipt of insurance proceeds by a principal campaign committee is reported as miscellaneous income. Use of insurance proceeds to replace destroyed campaign signs is reported as a noncampaign disbursement.

FACTS

As a candidate with a registered principal campaign committee, you request an advisory opinion from the Ethical Practices Board ("Board") based on the following facts provided in your request:

1. You ran for office in 1990 and 1992 and your principal campaign committee had 500 political signs left over from those elections. The committee planned to use these signs in your 1996 campaign.
2. The signs were destroyed in a fire while they were being stored in a machine shed on your property.
3. You maintained insurance on your property which also covered the signs. Under the insurance policy, a deductible is applicable to the entire claim.

ISSUE

How should the replacement of destroyed political signs through insurance proceeds be reported on a principal campaign committee's Report of Receipts and Expenditures?

OPINION

Insurance proceeds received by your principal campaign committee for the replacement of the destroyed signs must be reported as miscellaneous income. The purchase of replacement signs up to the amount of the insurance proceeds is reported as a noncampaign disbursement. Any cost to replace the signs in excess of the insurance proceeds is a campaign expenditure.

If the destroyed signs are not replaced, or if replacement is not made within a reasonable time after receipt of the insurance proceeds, expenditure of the proceeds must be reported as campaign expenditures or noncampaign disbursements based on how they are spent.

Payment of insurance premiums, a campaign expenditure, creates a contract under which the insurer may become obligated to replace destroyed property. In practice, the replacement may be accomplished by issuance of a check to the insured who then purchases the replacement. This two step process does not shift attribution of the purchase from the insurance carrier to the insured. Treating replacement of the destroyed signs (up to the amount of the insurance proceeds) as a noncampaign disbursement avoids this shift.

Since your policy includes a deductible applicable to the loss, the deductible should be pro rated over the entire loss so that the committee's recovery is decreased proportionally to your recovery for other damages.


You should also note that the value of insurance coverage you maintained for the benefit of your principal campaign committee is a donation in kind to the committee. If the value of the donation in kind exceeds \$20 for the calendar year, it must be reported by your committee along with the concurrent in kind campaign expenditure. You must determine the proper allocation of insurance cost to your committee by pro rating the cost of casualty coverage between your covered property and that of your committee.

Your committee must retain records of this transaction to document it fully. The committee should retain at least:

- a copy of the policy which provided the coverage;
- a copy of any claim forms submitted for the loss, showing the committee's assets;
- a copy of the check from the insurance company settling the claim;
- a copy of any check from you to your principal campaign committee transferring insurance proceeds to it;
- records showing how the deductible was allocated;
- copies of any other documents relevant to the claim or its settlement.

Under the facts you describe, it should also be noted that because the signs were stored in your machine shed, the value of the storage is a donation in kind to your principal campaign committee. If the value of the storage over a calendar year exceeds \$20, both the contribution of a donation in kind and the concurrent in kind campaign expenditure must be reported by your committee.

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Carolyn D. Rodriguez, Chair
Ethical Practices Board