

**2323- LIFE INSURANCE POLICIES****POLICY STATEMENT**

A life insurance policy is a resource if it has a cash surrender value (CSV). Its value as a resource is the amount of the CSV. The CSV of some policies may be excluded in ABD Medicaid.

This is an excluded resource for Family Medicaid.

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**BASIC  
CONSIDERATIONS****Cash Surrender  
Value**

The CSV is a form of equity value that the policy acquires over time. The owner of a policy can obtain its CSV only by turning the policy in for cancellation before it matures or before the insured dies. A loan against a policy reduces its CSV. In some cases, penalties may be applied for early access of funds. These penalties are deducted from the value of the resource to determine the cash value available.

Term insurance policies that do not generate a CSV are not resources.

Burial insurance policies are not resources if the owner does not have access to the CSV. A burial insurance policy is a contract with terms that preclude the use of its proceeds for anything other than payment of the insured's burial expense.

**NOTE:** For Non-FBR ABD Medicaid COAs, exclude from resources the entire cash value of any life insurance policy that has been purchased to fund a prepaid burial contract. A copy of the prepaid contract and life insurance policy is required for verification/documentation. In order to be excluded, the face value of the policy should be equal to the amount of the burial contract.

If a burial policy has a CSV to which the owner has access, the policy is considered to be a life insurance policy.

A supplementary contract is not a life insurance policy. Supplementary contracts normally provide for an annuity. Treat such contracts in accordance with the instructions on filing for other benefits, just as an IRA or other type of retirement fund.

**Face Value  
(FV)**

FV is the amount of basic death benefit contracted for at the time the policy is purchased. The face page of the policy may show it as such, or as the amount of insurance, the amount of this policy, the sum insured, etc.

**BASIC  
CONSIDERATIONS**

<b>Face Value (FV) (cont.)</b>	<p>A policy's FV does not include the following:</p> <ul style="list-style-type: none"> <li>the FV of any dividend addition that is added after the policy issued</li> <li>additional sums payable in the event of accidental death or because of other special provision</li> <li>the amount(s) of term insurance when a policy provides whole life coverage for one family member and term coverage for the other(s).</li> </ul> <p>Dividend additions are amounts of insurance purchased with dividends and added to the policy, increasing its death benefit and CSV. The table of CSVs that comes with the policy does not reflect the added CSV of any dividend additions.</p> <p>Dividend additions are not included in the face value amount used to determine whether a life insurance policy is an excluded resource. Refer to PROCEDURES in this section for more information on dividends paid on life insurance policies.</p>
<b>Exclusions</b>	<p>The resource exclusion for life insurance policies which have accessible CSV's depends upon whether an A/R's COAs is Non-FBR or FBR.</p>

**PROCEDURES**
**ABD Medicaid  
Non-FBR COAs**

Exclude from resources the CSV of any life insurance policy owned by a Non-FBR A/R or deemor that has a face value of \$5000 or less. There is no limit to the number of policies that may be excluded as long as the face value of each policy is \$5000 or less.

**NOTE:** For Non-FBR A/Rs, funds set aside for burial are **not** subject to reduction by the face value of these excluded policies.

**Exclusion for ABD  
Medicaid FBR COAs**

For FBR A/R's, exclude from resources the accessible CSV of a life insurance policy owned by the A/R if its face value (FV) and the FV of all other life insurance policies with the accessible CSVs owned by the A/R on the same individual is a total of \$1500 or less.

A FBR A/R may own up to a total of \$1500 FV life insurance on **each** individual and still be entitled to the exclusion.

**NOTE:** For FBR A/R's, funds set aside for burial **are** subject to reduction by the **face value** of all excluded policies.

**PROCEDURES****(cont.)****Verification and  
Documentation For  
ABD Medicaid**

Require the A/R to submit all life insurance policies owned by the A/R and deemors.

Document all policies on the system.

Verify the following items on all life insurance policies:

- the owner
- the insured
- the FV
- whether the policy generates a CSV and, if it does, the current CSV, not counting the CSV of any dividend additions.

Make copies of pages from policies which show the above information. If a policy does not reveal any item, contact the insurance agent or company by telephone, letter or Form 106.

**Additional Verification  
Requirements for ABD  
Medicaid FBR COAs**

In addition to the above items, verify the following on all policies owned by FBR A/Rs:

- whether the policy pays dividends and, if it does, what option the individual selected for their disposition, such as accumulation, dividend additions, applied to premiums or paid directly to the A/R by check.
- the CSV of any dividend additions
- the current amount and interest earned on any dividend accumulations.

<b>Dividends</b>	<p>Unless there is evidence to the contrary, assume the following to be true:</p> <ul style="list-style-type: none"><li>• A policy issued by a non-participating or stock company does not pay dividends.</li><li>• A policy issued by a participating or mutual company pays dividends.</li></ul> <p><b>NOTE:</b> Identification of the kind of company usually follows its name on the face page of the policy.</p> <p>If the examination of a policy does not reveal this information, obtain the information by telephone, letter or Form 106 from the insurance agency or company.</p> <p>Refer to Section 2315, Dividends, Accrued, for information on the resource treatment of dividends paid on life insurance policies.</p>
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