302.06.02 LIFE INSURANCE

A life insurance policy is a contract. The purchaser (owner) pays premiums to the company (insurer). In return, the insurer agrees to pay a specified sum to a designated person(s), known as a beneficiary, upon the death of the insured individual. The owner and the insured may or may not be the same person. The policy should state the owner's name, if different from the insured. Below are some common terms associated with life insurance:

TERM	DEFINITION
Face Value	**Face value (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. A policy's FV does not include: • The FV of any dividend addition, which is added after the policy is issued; • Additional sums payable in the event of accidental death or because of other special provisions; or • The amount(s) of term insurance, when a policy provides whole life coverage for one family member and term coverage for others.
Cash Surrender Value	An insurance policy's **cash surrender value (CSV)** is a form of equity value that it acquires over time. The owner of the policy can obtain its CSV only by turning the policy in for cancellation before it matures or the insured dies. A loan against a policy reduces its CSV.
Dividends	**Dividends** are shares of any surplus insurance company earnings, which can be applied to premiums due or paid by check or by an addition or accumulation to an existing policy.
Dividend Additions	**Dividend additions** are the amount of insurance purchased with dividends added to the policy, increasing its death benefit and CSV. The table of CSVs that comes with a policy does not reflect the added CSV of any dividends.

Life Insurance (Continued)

TERM	DEFINITION
Dividend Accumulations	**Dividend accumulations** are dividends that the policy owner has constructively received, but left in the custody of the insurer to accumulate at interest. They are not a value of the policy; the policy owner can obtain them without affecting FV or CSV. Dividend accumulations cannot be excluded from resources under the life insurance exclusion, even if the policy that pays the accumulations is excluded from resources. Unless they can be excluded under another provision(e.g., as set aside for burial), they are a countable resource.

Verification of Life Insurance

Obtain documentary evidence to verify the value of life insurance when the client/spouse reports ownership of whole life insurance(s) on any individual with a total FV exceeding the appropriate program exclusion limit: $1500 (SSI) or $10,000 (Liberalized). The individual or authorized representative must provide a copy of all the life insurance policies and the most recent dividend statement for each one. The items should verify the following:

- Face Value
- Owner
- Insured
- Beneficiary(ies)
- Whether any dividends are paid, whether they are accumulations, additions, applied to premiums or paid to the owner
- Current amount of accumulations, if any
- Whether the policy generates cash surrender value and if so, the current CSV (including the CSV of any dividend additions and any loans on the policy which reduce the CSV.)

If the policy does not reveal all needed information, use DOM-331, Request for Information Concerning Insurance, signed by the applicant to obtain information from the insurance company. After exclusions are developed, any remaining cash value must be considered in the eligibility determination. The cash surrender value of any policy that cannot be excluded is countable toward the resource limit.

Life Insurance (Continued)

Types of Life Insurance

Generally, the types of life insurance policies are:

Term Life Insurance	Usually in effect for a specific length of time such as 20 years or length of employment; Does not accrue cash value
Whole Life Insurance	Remains in effect unless the premiums are not paid or the policy matures; Accrues cash value
Burial Insurance	The terms of the contract prevent the proceeds from being used for anything other than the burial expenses of the insured

302.06.02A OWNER VS BENEFICIARY OF LIFE INSURANCE

There is a distinct difference between being the owner of the policy and the beneficiary:

Owner	The owner is the one who has control of the policy. An individual may own life insurance on himself or another person. The owner may take such actions as: • Cash in a policy • Take a loan against the cash value • Change ownership to another person • Change the beneficiary The value of life insurance policies owned by an individual must be considered in the eligibility determination process.
Beneficiary	The beneficiary is the individual(s) who receive the proceeds of the policy at the insured individual's death. One person may be both the owner and the beneficiary. **Example:** Jim Jones purchases a $10,000 life insurance policy on his mother, Jane Williams, and is the beneficiary upon her death.

Life Insurance **(Continued)**

302.06.02B TREATMENT OF LIFE INSURANCE UNDER SSI RESOURCE POLICY

Procedure

Under SSI Resource Policy:

- Term life insurance policies do not have cash value and are excluded
- Burial policies are excluded
- For all other policies determine the total Face Value (FV) of the policies owned by the individual

NOTE: Do not include the Face Value of any dividend additions in determining whether a policy is a countable or excluded resource.

- A life insurance policy is excluded if its Face Value and the FV of any other life insurance policies the individual owns on the same insured person total 1,500.00 or less.
  - Even if a policy is excluded, any accumulated dividends are countable toward the resource limit unless they are excluded under another provision such as set aside for burial
- If the policy is a countable resource, the cash surrender values (CSV, dividend additions, dividend accumulations, outstanding loan amounts reducing the CSV) of the policies must be verified and considered in the eligibility determination.
  - The countable cash surrender values of the policies and accumulations are countable toward the resource limit unless they can be excluded as burial assets.
- Refer to the income section for treatment of life insurance policy dividends.

Example: Lyn Reno is the owner of four life insurance policies. Two have Face Values of $500 and two have Face Values of $250. The total of all FVs is $1500 so the policies are excluded.

Example: Jerry Mann is the owner of three life insurance policies insuring his spouse. The Face Value of each one is $750. The total Face Value is $2,250. The specialist must determine the cash values of the policies and count them toward the resource limit unless a burial exclusion is developed.

Example: Roger West is the owner of two life insurance policies on his spouse. One is whole life with a Face Value of $1,200 and the other is term life with a Face Value of $10,000. The term life policy has no cash value and is excluded. The whole life policy is excluded because the Face Value is less than $1,500.

Life Insurance (Continued)

302.06.02C TREATMENT OF LIFE INSURANCE UNDER LIBERALIZED RESOURCE POLICY

Procedure

Under Liberalized Resource Policy:

- Term life insurance policies do not have cash value and are excluded
- Burial policies are excluded
- For all other policies determine the total Face Value (FV) of the policies owned by the individual

NOTE: Do not include the Face Value of any dividend additions in determining whether a policy is a countable or excluded resource.

- A life insurance policy is excluded if its Face Value and the FV of any other life insurance policies the individual owns on the same insured person total $10,000 or less.
  - Even if a policy is excluded, any accumulated dividends are countable toward the resource limit unless they are excluded under another provision such as set aside for burial.
- If the policy is a countable resource, the cash surrender values (CSV, dividend additions, dividend accumulations, outstanding loan amounts reducing the CSV) of the policies must be verified and considered in the eligibility determination.
  - The countable cash surrender values of the policies and accumulations are countable toward the resource limit unless they can be excluded as a burial asset.
- Refer to the income section for treatment of life insurance policy dividends.

Example: Lane Ryan is the owner of four life insurance policies. Two have Face Values of $1,500 and two have Face Values of $750. The total Face Value is $4,500 so the policies are excluded.

Example: Jennifer Madison is the owner of three life insurance policies on her spouse, with Face Values of $750, $2,500 and $12,000. The total Face Values are $15,250. The specialist must determine the cash surrender values of the policies and count them toward the resource limit unless a burial exclusion is developed.

Treatment of Life Insurance under Liberalized Resource Policy (Continued)

Procedure
Example: Roberta Warren is the owner of two life insurance policies on her spouse. One is whole life with a Face Value of $8,500 and the other is term life with a Face Value of $25,000. The term life policy has no cash surrender value and is excluded. The whole life policy is excluded because the Face Value is less than $10,000.

302.06.02D ACCELERATED LIFE INSURANCE PAYMENTS

Accelerated life insurance payments are proceeds paid to a policyholder before death. Plans vary from company to company; however, all involve early payout of some or all of the proceeds of the policy. Most of the plans fall into three basic types depending on the circumstances that cause the payments to be accelerated:

Long Term Care Model	Allows payments if the policyholder requires an extended stay in a care facility or, in some instances, healthcare services at home.
Dread Disease or Catastrophic Illness Model	Allows payments if the policyholder suffers from a specified covered disease or illness such as cancer or AIDS.
Terminal Illness Model	Allows payments following the diagnosis of a terminal illness where death is likely to occur within a specified timeframe.

Some companies call these payments “living needs” or “accelerated death” payments. Depending on the plan, the receipt of payments may reduce the FV of the policy by the amount of the payments and may reduce the CSV in a proportionate manner. In other cases, a lien may be attached to the policy in the amount of the payments that results in a proportionate reduction in the CSV.

Life Insurance (Continued)

Procedure
Treatment of Accelerated Life Insurance Payments Under SSI and Liberalized Policy If an individual has a life insurance policy that allows them to receive their death benefit while living and the individual meets the requirements set by the insurance company to receive such proceeds, they are not required to file for the proceeds. If the individual does file and receives the benefits, the payment will be considered as follows: • **Month of receipt** – consider as income • **Following Month** - Any money remaining the following month is considered a resource.

302.06.02E LIFE INSURANCE ENDOWMENT POLICIES

A life insurance policy's primary function is to pay out upon the death of the insured. A life insurance endowment policy does not do that; rather it serves as an investment medium with a maturity date or date certain payout, i.e., 5 years from purchase, at which time a benefit is paid to a designated beneficiary. The possible death of the "insured" individual before the maturity date is a secondary consideration. These policies should be treated as annuities.