

MISSISSIPPI DIVISION OF MEDICAID

Eligibility Policy and Procedures Manual

Treatment of Life Insurance under Liberalized Resource Policy (Continued)

Procedure
<p>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.</p>

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.

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Life Insurance (Continued)

Procedure
<p><u>Treatment of Accelerated Life Insurance Payments Under SSI and Liberalized Policy</u></p> <p>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 <u>not</u> required to file for the proceeds.</p> <p>If the individual does file and receives the benefits, the payment will be considered as follows:</p> <ul style="list-style-type: none">• 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.