

# MISSISSIPPI DIVISION OF MEDICAID

## Eligibility Policy and Procedures Manual

### 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.

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## Eligibility Policy and Procedures Manual

### Treatment of Life Insurance under Liberalized Resource Policy (Continued)

Procedure
<p><b>Example:</b> 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:

<b>Long Term Care Model</b>	Allows payments if the policyholder requires an extended stay in a care facility or, in some instances, healthcare services at home.
<b>Dread Disease or Catastrophic Illness Model</b>	Allows payments if the policyholder suffers from a specified covered disease or illness such as cancer or AIDS.
<b>Terminal Illness Model</b>	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.