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TO BE RESCINDED

5101:1-39-30      **Medicaid life insurance as a resource.**

- (A) The total value of all life insurance policies is exempt if their face value is equal to or less than fifteen hundred dollars for any one individual. If the total face value of all life insurance policies for any one individual is more than fifteen hundred dollars, then the total cash surrender value of all the policies is counted toward the resource limitation.
- (B) Life insurance which has no cash surrender value (e.g., term insurance) is not considered in determining the face value of insurance and is exempt from all computations. In addition, burial insurance is not considered in computing face value. Burial insurance is insurance which by its terms can only be used to pay the burial expenses of the insured.
- (C) When the total face value of all life insurance policies on an individual exceeds one thousand five hundred dollars, the total cash value of the policy(ies) is combined with other countable resources and compared to the resource limitation (individual or couple, as appropriate).
- (D) When the total face value of all life insurance policies on an ineligible individual exceeds one thousand five hundred dollars and deeming is required, the cash value of the policy(ies) is combined with the ineligible's other countable resources and appropriately deemed to the eligible individual.
- (E) When the cash surrender values of such policies by themselves, or in conjunction with other countable resources, exceed the resource limitation, an individual has the opportunity to adjust his insurance holdings to policies of a reduced face value. If an adjustment is made, the life insurance policies (and any cash adjustments) are reconsidered in determining eligibility for medicaid.
- (F) The following are definitions of terms contained within life insurance policies:
  - (1) "Insured" is the individual whose life is insured.
  - (2) "Beneficiary" is the individual or entity named in the contract to receive the policy proceeds upon the death of the insured.

- (3) "Owner" is the person who has the right to change the policy. This is normally the person who pays the premium.
  - (4) "Insurer/assurer" is the company or association which contracts with the owner.
  - (5) "Face value or amount" is the basic death benefit or maturity amount of the policy, which is specified on its face. This amount may be decreased by loans. The face value does not include dividends, additional amounts payable because of accidental death, or other special provisions.
  - (6) "Cash surrender value" is the amount which the insurer will pay upon cancellation of the policy before death or maturity. The value usually increases the age of the policy.
- (G) The following factors are considered to determine whether a life insurance policy is a resource:
- (1) If the policy does not have a cash surrender value, further examination is not necessary. If the policy does have a cash surrender value, the eligibility determiner must distinguish between the owner of the policy and the insured person. The owner of the policy is the only individual who can receive the proceeds under the cash surrender provisions of the policy. Therefore, it is not material that the applicant/recipient (or his spouse) is the insured individual if he is not also the owner of the policy. If this is the case, there is no resource available.
  - (2) A life insurance policy is an available resource only when the policy is owned by the applicant/recipient or person whose resources are deemed to him. If the consent of another person is needed to surrender a policy for its full cash surrender value, the policy is available as a resource after the applicant/recipient has obtained the consent. He must make a reasonable effort to obtain consent. If the consent cannot be obtained, the policy is not available. Any doubt about possible availability is resolved by contacting the insurance company.
  - (3) The exemption of a fifteen-hundred-dollar face value insurance policy applies to each individual separately and does not mean an average of fifteen hundred dollars per person. An individual and spouse are allowed fifteen hundred dollars each but not any combination of values for a three-thousand-dollar total for both. For example, the eligible individual cannot hold a twenty-five-hundred-dollar policy and his spouse a five-hundred-dollar policy, even though the total is still three thousand dollars for the couple.

- (4) Cash surrender value of a policy is determined by reviewing the table contained in the policy itself. If the policy is not available, this information is secured from the insurance company. The insurance company must compute the cash surrender value if one of the following has occurred:
- (a) The client is unable to furnish the policy.
  - (b) The premiums are not paid up-to-date.
  - (c) The owner of the policy has borrowed against the policy.
  - (d) The cash surrender value cannot be determined from the policy itself.
- (5) The insurance exemption does not apply to a matured endowment policy since the owner may elect to receive the total face value at any time. If the applicant/recipient leaves the matured policy on deposit with the insurance company, it is no longer classified as insurance but is considered a liquid asset, an investment at interest (the same as money in a savings account).
- (H) The applicant/recipient must submit all policies he or his spouse own. The applicant/recipient's statements can usually be verified through examination of the policies. When this is not possible, the insurance company or agent is contacted for the necessary verification. The applicant/recipient's authorization for release of information by the insurance company must be sent with the request to the company.

The following information must be recorded in the case record:

- (1) Name of insured.
- (2) Name of owner.
- (3) Type of insurance (ordinary [whole], life or term).
- (4) Face value.
- (5) For ordinary life, cash surrender value.
- (6) For ordinary life, amount of loans outstanding against the policy.

(7) For term insurance, amount of premium and frequency.

(8) Name of company.

(9) Policy number.

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Certification

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