

2615.25.05.15 LIFE INSURANCE EXEMPTION (MED 1)

The **cash surrender value (CSV)** of life insurance is exempt when the total face value (FV) of all policies owned by the applicant/member and their spouse (except term insurance and burial insurance) does not exceed \$1,500, regardless of the beneficiary designation. If the total face value of any or all policies exceeds \$1,500, the CSV is a countable resource. The spouse of the member/recipient is also entitled to have the CSV of life insurance exempted under this provision.²⁶

In order for a trust, an escrow, or a life insurance policy, ~~or a prepaid funeral agreement~~ with a FV that **exceeds** \$1,500 to be exempt as a resource in determining an applicant's or a recipient's eligibility for Medicaid, the applicant or recipient must:

1. Irrevocably assign the asset to a funeral trust or prepaid funeral agreement, and
2. Designate to the State of Indiana or the applicant's or recipient's estate to receive any remaining amounts after delivery of all services and merchandise under the contract as reimbursement for Medicaid assistance provided to the applicant or recipient after fifty-five (55) years of age.

~~If~~ **Once** the life insurance policy has been ~~transferred~~ **irrevocably assigned** to an ~~irrevocable~~ funeral **planning (i.e., irrevocable funeral** trust or an irrevocable prepaid funeral agreement), **only** then ~~it~~ can **it** be exempted if it designates the state or the applicant's/recipient's estate is to receive any remaining amounts after the goods and services are paid for. If questionable, send it to PAL for review.

Example 1:

Sally has a life insurance policy with a face value of \$30,000. The policy was properly transferred over to the funeral home and created an irrevocable funeral agreement which designates the state or Sally's estate to receive any remaining funds after all services and merchandise have been paid. The life insurance cash surrender would be exempt on the date the funeral agreement is irrevocable.

Example 2:

A member has a life insurance policy with a face value of \$20,000. The policy was transferred over to the funeral home and created an irrevocable funeral agreement which did not designate the State or the estate to receive any remaining funds after all services have been paid. Because the life insurance was transferred to an irrevocable funeral agreement, then it is no longer an available resource. However, the funeral agreement did not designate the State or estate to receive remaining funds after the services have been paid, therefore a violative transfer has occurred. A transfer of property penalty should be imposed.

Before the CSV over \$1,500 can be exempt, the worker must verify the face value, the owner, the beneficiary, and the insured.

Policies which ensure the non-recipient spouse or parent of the applicant/recipient cannot be exempt under this provision.

²⁶ 20 CFR § 416.1230(a); 12-15-2-17(f)