

RESOURCES

LIFE INSURANCE

Description: Life insurance is a contract between an individual(s) (owner) and an insurance company. The individual(s) pays premiums to the company that provides the insurance and the company in return agrees to pay a specified sum to the designated beneficiary upon the death of the insured. Banks also issue life insurance.

Face Value: The basic death benefit or maturity amount of the policy, which is specified, on its face. The face value does not include dividends, additional amounts payable because of accidental death or other special provisions; and

Cash Surrender Value: This is the amount that the insurer will pay upon cancellation of the policy before death (or maturity). This value usually increases with the age of the policy. This amount may be decreased by loans against the policy.

Policy: A life insurance policy is a resource if it generates a cash surrender value (CSV). Its value as a resource is the amount of the CSV. For SSI-related A/Rs, a life insurance policy is an excluded resource if its face value and the face value of any other life insurance policies the individual owns on the same insured total \$1,500 or less.

References:	SSL Sect.	366 366(2)(b)(1) 366-ee
	Dept. Reg.	360-4.4
	ADMs	10 OHIP/ADM-01
	GISs	09 MA/027

Interpretation: The basic types of life insurance are defined as follows:

Ordinary Life Insurance (Whole Life): The insured pays premiums during his/her lifetime (straight life) or until the age 100 (unless purchased by a single premium or by letting dividends accumulate). The company pays the face amount or the cash amount, whichever is higher, of the policy to the beneficiary upon the death of the insured. This type of insurance usually has a cash surrender value after the second year. The policy is flexible in premium payments. Dividends may be used to pay off the contract at an earlier date, or the

RESOURCES

LIFE INSURANCE

premium payment period can be limited to suit the financial resources of the insured. In this situation, the policy is a limited payment life insurance policy;

Limited Payment: Similar to ordinary life, but the premiums are higher while the period of payment may be reduced. The result is a larger cash reserve than whole life;

Endowment: The face value is payable after the time period for payment of the premiums has expired, or the insured has died; and

Term Insurance: A contract of temporary protection. The insured pays relatively small premiums for a limited number of years. The company agrees to pay the face amount of the policy only if the insured dies within the time specified in the policy. Generally term insurance does not have a cash surrender value, however some newer types have a cash value.

NOTE: Generally ordinary life, limited payment life and endowment policies carry a cash surrender value. Although term insurance frequently has no cash surrender value, in those instances where the agency is aware of a term life insurance policy with a cash surrender value, that policy is treated in the same manner as ordinary life insurance policies. When an insurance policy pays annual dividends and those dividends have accumulated, the cash value will be increased, thus increasing the value of the resource.

Individual and Group Policies:

Individual policies are issued to a person and are paid for entirely by the owner;

Group policies are usually issued through an employer or organization and may receive some contribution from the employer.

Accelerated Life Insurance Payments (Living Needs Benefits): These are cash payments to the owner of a life insurance policy. These benefits may be payable upon the diagnosis of a terminal illness or if the insured will need long term care or treatment. Accelerated payments may be made as lump sums or monthly payments. They reduce the death

RESOURCES

LIFE INSURANCE

benefit and cash surrender value, if any. The availability of the option to elect accelerated benefits is not considered a resource; however, when cash payments are actually made, the payments are considered income in the month received and a countable resource if retained into the following month.

If the consent of another individual is needed to surrender a policy for its cash surrender value and that consent cannot be obtained, the policy is not included as a resource.

- When to Verify:**
- (a) When the SSI-related A/R indicates on the application that s/he has life insurance or is paying premiums;
 - (b) When the SSI-related A/R indicates s/he is employed or has present or past membership in a labor union;
 - (c) When an SSI-related A/R indicates that s/he or a member of the family belongs to a fraternal organization, e.g. Elks, Knights of Columbus, etc.;
 - (d) When an SSI-related A/R indicates in the application that s/he is paying the premium on a life insurance policy for him/herself, family or a person outside the family household; or
 - (e) When the SSI-related A/R indicates that s/he or a spouse is a veteran or in the armed forces.

Verification: The life insurance policy itself will generally provide all the information needed to determine when it is counted as a resource and the amount to be counted. If the policy does not provide needed information, contact the insurance company, local agent, or, in the case of group insurance, the employer's payroll office.

Documentation: Sufficient to establish an audit trail:

- (a) Name of the insurance company, the owner of the policy, name of the insured and the policy number; and
- (b) The type of insurance, cash value, face value and the amount of any outstanding loans against the policy.

Owner: To determine the owner of a policy, contact the insurance company issuing the policy.