# Minnesota Health Care Programs

## Eligibility Policy Manual

**This document provides information about additions and revisions to the Minnesota Department of Human Service's Minnesota Health Care Programs Eligibility Policy Manual.**

## Manual Letter #19.4

## August 7, 2019

# Manual Letter #19.4

This manual letter lists new and revised policy for the Minnesota Health Care Programs (MHCP) Eligibility Policy Manual (EPM) as of August 7, 2019. The effective date of new or revised policy may not be the same date the information is added to the EPM. Refer to the Summary of Changes to identify when the Minnesota Department of Human Services (DHS) implemented the policy.

## I. Summary of Changes

This section of the manual letter provides a summary of newly added sections and changes made to existing sections.

### A. EPM Home Page

We added a link to the following DHS bulletins on the EPM Home page:

- #19-21-01, Pre-eligiblity Verification for Medical Assistance for Families with Children and Adults (Published June 17, 2019)
- #19-21-02, DHS Announces Implementation of the Account Validation Service (AVS) for Medical Assistance (MA) ( Published June 28, 2019)

The policy in these two bulletins has not yet been incorporated into the EPM. Continue to refer to the bulletins for policy information.

### B. Section 2.1.1.2.1.3.1 MA Cost Effective Health Insurance

This section was updated to clarify cost effective health insurance policy for people enrolled in Medicare, review of Medical Support for cost effectiveness regarding the non custodial parent and retroactive eligibility.

This section was also updated to correct the legal citations from United States Code, title 26, section 1396d paragraph (a), clause (29) to United States Code, title 42, section 1396d, paragraph (a), clause (29) and United States Code, title 26, section 1396e to United States Code, title 42, section 1396e

### C. Section 2.3.3.2.7.10 MA-ABD Life Insurance

This section has been updated to further clarify the policy for evaluating life insurance policies for Medical Assistance for applicants and enrolless who are Aged, Blind or have a Disability.

### D. Section 2.3.3.2.7.10.1 MA-ABD Life Insurance Funded Burial Contracts (New)

This new section was created to further explain the policy for evaluating Life Insurance Funded Burial Contracts for MA applicants who are Aged Blind or have a Disability.

### E. Section 2.3.3.2.7.11 MA-ABD Burial Assets

This section has been updated from the previous Burial Contracts page to a landing page for Burial Assets policy. The burial contract policy that was previously on this page has now been added to MA-ABD Burial Space Exclusion, MA-ABD Burial Fund Exclusion and MA-ABD Prepaid Burial Arrangements sections listed on this page.

### F. Section 2.3.3.2.7.11.1 MA-ABD Burial Space Exclusion

This section has been amended to further clarify the policy for Burial Space Exclusion for MA applicants and enrollees who are Aged, Blind  or have a Disability.

This section was also updated to include two new legal citations; United States Code, title 42, section 1382b and Code of Federal Regulations, title 20, section 416.1231

### G. Section 2.3.3.2.7.11.2 MA-ABD Burial Fund Exclusion

This section has been amended to further clarify the policy for Burial Fund Exclusion for MA applicants and enrollees who are Aged, Blind or have a Disability.

This section was also updated to include two new legal citations; United States Code, title 42, section 1382b and Code of Federal Regulations, title 20, section 416.1231.

### H. Section 2.3.3.2.7.11.3 MA-ABD Prepaid Burial Arrangements (New)

This section was created to further explain the policy for Prepaid Burial Arrangements for MA applicants and enrollees who are Aged, Blind or have a Disability.

### I.  Appendix I Life Insurance Concepts (New)

This is a newly added appendix was created to define and clarify commonly used life insurance policy terms and concepts.

## II. Documentation of Changes

This section of the manual letter documents all changes made to an existing section. Deleted text is displayed with strikethrough formatting and newly added text is displayed with underline formatting. Links to the revised and archived versions of the section are also provided.

- **A.** **EPM Home Page**
- **B.** **Section 2.1.1.2.1.3.1 MA Cost Effective Health Insurance**
- **C.** **Section 2.3.3.2.7.10 MA ABD Life Insurance**
- **D.** **Section 2.3.3.2.7.10.1 MA ABD Life Insurance Funded Burial Contracts (New)**
- **E.** **Section 2.3.3.2.7.11 MA-ABD Burial Assets**

## A. EPM Home Page

Minnesota Health Care Programs

# Eligibility Policy Manual

Welcome to the Minnesota Department of Human Services (DHS) Minnesota Health Care Programs Eligibility Policy Manual (EPM). This manual contains the official DHS eligibility policies for the Minnesota Health Care Programs including Medical Assistance and MinnesotaCare. Minnesota Health Care Programs policies are based on the state and federal laws and regulations that govern the programs. See Legal Authority section for more information.

The EPM is for use by applicants, enrollees, health care eligibility workers and other interested parties. It provides accurate and timely information about policy only. The EPM does not provide procedural instructions or systems information that health care eligibility workers need to use.

### Manual Letters

DHS issues periodic manual letters to announce changes in the EPM. These letters document updated sections and describe any policy changes.

MHCP EPM Manual Letter #19.1, January 1, 2019

MHCP EPM Manual Letter #19.2, April 1, 2019

MHCP EPM Manual Letter #19.3 June 1, 2019

MHCP EPM Manual Letter #19.4 August 7, 2019

2018 Manual Letters

MHCP EPM Manual Letter #18.1, January 1, 2018

MHCP EPM Manual Letter #18.2, April 1, 2018

MHCP EPM Manual Letter #18.3, June 1, 2018

MHCP EPM Manual Letter #18.4, September 1, 2018

MHCP EPM Manual Letter #18.5, December 1, 2018

2017 Manual Letters

MHCP EPM Manual Letter #17.1, April 1, 2017

MHCP EPM Manual Letter #17.2, June 1, 2017

MHCP EPM Manual Letter #17.3, August 1, 2017

MHCP EPM Manual Letter #17.4, September 1, 2017

MHCP EPM Manual Letter #17.5, December 1, 2017

2016 Manual Letters

MHCP EPM Manual Letter #16.1, June 1, 2016

MHCP EPM Manual Letter #16.2, August 1, 2016

MHCP EPM Manual Letter #16.3, September 1, 2016

MHCP EPM Manual Letter #16.4, December 1, 2016

## Bulletins

DHS bulletins provide information and direction to county and tribal health and human services agencies and other DHS business partners. According to DHS policy, bulletins more than two years old are obsolete. Anyone can subscribe to the Bulletins mailing list.

A DHS Bulletin supersedes information in this manual until incorporated into this manual. The following bulletins have not yet been incorporated into the EPM:

- Bulletin #17-21-05, DHS Explains How Unified Cash Asset Policy Affects Medical Assistance (MA) Eligibility
- Bulletin #17-21-08, DHS Explains Changes to the Minnesota Health Care Programs (MHCP) Application for Medical Assistance for Long-Term Care Services (MA-LTC)
- Bulletin #18-21-03, Periodic Data Matching for Medical Assistance and MinnesotaCare
- Bulletin #19-21-01, Pre-eligibility Verification for Medical Assistance for Families with Children and Adults
- Bulletin #19-21-02, DHS Announces Implementation of the Account Validation Service (AVS) for Medical Assistance (MA)

## Archives

This manual consolidates and updates eligibility policy previously found in the Health Care Programs Manual (HCPM) and Insurance Affordability Programs Manual (IAPM). Prior versions of policy from the HCPM and IAPM are available upon request.

Refer to the EPM Archive for archived sections of the EPM.

## Contact Us

Direct questions about the Minnesota Health Care Programs Eligibility Policy Manual to the DHS Health Care Eligibility and Access (HCEA) Division, P.O. Box 64989, 540 Cedar Street, St. Paul, MN 55164-0989, call (888) 938-3224 or fax (651) 431-7423.

Health care eligibility workers must follow agency procedures to submit policy-related questions to HealthQuest.

## Legal Authority

Many legal authorities govern Minnesota Health Care Programs, including but not limited to: Title XIX of the Social Security Act; Titles 26, 42 and 45 of the Code of Federal Regulations; and Minnesota Statutes chapters 256B and 256L. In addition, DHS has obtained waivers of certain federal regulations from the Centers for Medicare & Medicaid Services (CMS). Each topic in the EPM includes applicable legal citations at the bottom of the page.

DHS has made every effort to include all applicable statutes, laws, regulations and other presiding authorities; however, erroneous citations or omissions do not imply that there are no applicable legal citations or other presiding authorities. The EPM provides program eligibility policy and should not be construed as legal advice.

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Manual Letter #18.4, September 1, 2018
Manual Letter #18.3, June 1, 2018
Manual Letter #18.2, April 1, 2018
Manual Letter #18.1, January 1, 2018
Manual Letter #17.5, December 1, 2017
Manual Letter #17.4, September 1, 2017
Manual Letter #17.3, August 1, 2017
Manual Letter #17.2, June 1, 2017
Manual Letter #17.1, April 1, 2017
Manual Letter #16.4, December 22, 2016
Manual Letter #16.3, September 1, 2016
Manual Letter #16.1, June 1, 2016 (Original Version)

Archive Information

- Publication date:  June 1, 2019
- Archived date:  August 7, 2019
- Links:
  - Archived page
  - Revised page

## B. Section 2.1.1.2.1.3.1 MA Cost Effective Health Insurance

Medical Assistance

# 2.1.1.2.1.3.1 Cost-Effective Health Insurance

Health insurance other than Medical Assistance (MA) that covers an enrollee is a liable third party. A subset of third party liability (TPL) includes group health plans, individual health plans, TRICARE plans, and certain long-term care (LTC) insurance. When an enrollee is covered by, or could be covered by, health insurance that falls within this subset of TPL, MA will pay the premium, or a portion of the premium, if it is cost effective to have the enrollee covered by the other health insurance.

Cost effective means that paying for the other health insurance, and for any MA services the other health insurance does not cover, will cost less than paying for MA services without the other health insurance.

When a county or tribal agency determines that a group health plan, individual health plan, TRICARE plan, or LTC insurance is cost effective, it is called cost-effective health insurance (CEHI).

Enrollees who have CEHI for their primary coverage are covered for the same MA services as enrollees without CEHI because MA pays for any MA services the CEHI does not cover.

## Health Insurance Reviewed for Cost Effectiveness

County and tribal agencies review whether a group health plan, individual health plan, TRICARE plan, or LTC insurance available to an enrollee is cost effective. A person must be an MA applicant or enrollee for an agency to review their other health insurance options for CEHI.

### Group Health Plans

A group health plan, including a self-insured plan, is a plan of, or contributed to by, an employer, including a person who is self-employed, or employee organization to provide health care to employees, former employees, the employer, others associated or formerly associated with the employer in a business relationship, or their families. A group health plan is often referred to as employer-sponsored insurance. For purposes of CEHI, the term group health plan also includes continuation coverage of an employer or employee-sponsored group health plan under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

A person may have access to a group health plan through their own employer or a family member’s employer.

As a condition of eligibility for MA, an enrollee must:

- Report access to a group health plan at the time of application or any time after when access to a group health plan becomes available

- Cooperate in determining whether the coverage under a group health plan coverage is cost effective. Enrollees have 10 days to provide information about a group health plan to maintain MA eligibility.
- Report when coverage under a group health plan ends or changes

If an enrollee has access to a group health plan through their employer and is notified that one or more group health plans available to the enrollee is cost effective, the enrollee must:

- Enroll in the cost-effective group health plan at the earliest possible date if they are not currently enrolled
  - An enrollee loses MA eligibility if they refuse to apply for enrollment in a cost-effective group health plan. The person remains ineligible until the next open enrollment period for the group health plan.
  - A plan sponsor of a group health plan must allow an employee and their dependents to enroll in the plan during a special enrollment period if all of the following conditions are met:
    - The employee or their dependents are eligible for the group health plan and are eligible for MA to pay the premium for the group health plan as CEHI
    - The employee requests such enrollment within 60 days from the date the employee or their dependents were determined eligible for CEHI reimbursement
- Maintain enrollment in a cost-effective group health plan if they are already enrolled. An enrollee already enrolled in a cost-effective group health plan may choose to enroll in a different group health plan through the same employer if the following is true:
  - The new group health plan is also cost effective; and
  - There is no lapse in group health plan coverage.
  - When there is only one cost-effective group health plan option available to the enrollee and they are enrolled in that option, disenrollment from the plan results in termination of MA eligibility. The person remains ineligible until the next open enrollment period for the group health plan.

An enrollee with access to a cost-effective group health plan through their own employer loses MA eligibility if they do not cooperate with these requirements, with the exception of a pregnant woman eligible for CHIP-funded MA.

An enrollee who has access to a cost-effective group health plan through a family member’s employer does not lose MA eligibility if they do not enroll in the group health plan. This is because the enrollee cannot enroll in the plan on their own behalf. See MA Cooperation for more information.

An enrollee does not have to cooperate with CEHI requirements when the enrollee is a Safe at Home (SAH) Address Confidentiality program participant and the policyholder, or the potential policyholder, of the other health insurance is the enrollee’s probable assailant.

### Individual Health Plans

An individual health plan is a health plan other than job-based coverage that a person can purchase on the private insurance market. An enrollee is not required to enroll or maintain enrollment in an individual health plan if it is cost effective. Enrollment is optional.

Individual health plans available on the MNsure marketplace cannot be reviewed for cost effectiveness.

### TRICARE Plans

TRICARE is the health care program for uniformed U.S. service members. An enrollee with access to a TRICARE plan is not required to enroll or maintain enrollment in the plan if it is cost effective. Enrollment is optional.

### LTC Insurance

An LTC insurance policy is cost effective for an enrollee who is currently paying a premium for the policy and living in a nursing facility if the policy covers nursing facility costs and their Medicare co-insurance for the current nursing facility stay. An enrollee is not required to enroll or maintain enrollment in this type of LTC insurance. Enrollment is optional.

## Not Reviewed for Cost Effectiveness: Certain Health Care Accounts, Arrangements, and Plans

The following types of health insurance are not reviewed or reimbursed for cost effectiveness:

- Health flexible spending accounts (FSAs)
- Health savings accounts (HSAs)
- Archer medical savings accounts (MSAs)
- Health reimbursement arrangements (HRAs)
- Voluntary employees' beneficiary associations (VEBAs)
- MinnesotaCare
- Group health, individual health, TRICARE and LTC insurance plans for people who are ~~eligible for~~ enrolled in ~~a~~ Medicare ~~Savings Program (MSP)~~

### FSAs, HSAs, and MSAs

FSAs, HSAs, or MSAs are not legally responsible by statute, contract, or agreement for payment of a claim for a health care item or service.

Though these accounts receive tax-preferred treatment for payment of qualified medical expenses, account funds are spent at the account holder's choosing – they are never legally required to spend the funds for any particular purpose, health care related or otherwise. MA can only pay an enrollee's costs for other insurance coverage strictly limited to health services.

A person with an HSA or MSA must also be covered by a high-deductible health plan (HDHP) for the HSA or MSA to be valid. An HDHP that is a group health plan may be reviewed for cost effectiveness, but the HSA or MSA is not.

### HRAs and VEBAs

While HRAs generally are classified as group health plans, only employers can make contributions to HRAs. Because beneficiaries of an HRA do not pay premiums or make contributions, there is no cost to reimburse.

A VEBA is a tax-exempt account that may include health benefit plans, life insurance, disability insurance, accident insurance, vacation, or other employee benefits. Because VEBAs can be complex, technical, and variable, the administrative cost of reviewing them for CEHI makes them not cost effective.

### MinnesotaCare

County and tribal agencies do not review or reimburse premiums paid for MinnesotaCare under the MA CEHI program. A person cannot be eligible for MA and MinnesotaCare at the same time.

### Plans Available to People Who Are Enrolled in Medicare ~~are Eligible for an MSP~~

An enrollee who is ~~receiving reimbursement for~~ also enrolled in Medicare ~~through an MSP~~ cannot have their premiums for a group health plan, individual health plan, TRICARE plan, or LTC insurance reviewed or reimbursed for CEHI because it is not cost effective to do so.

## Medical Support

County and tribal agencies review certain court-ordered medical support for cost effectiveness. Medical support includes health insurance coverage that a noncustodial parent provides, or is court-ordered to provide, to meet the medical needs of their child. See the MA Medical Support policy for more information.

### Medical Support Reviewed for Cost Effectiveness

If a noncustodial parent has been ordered by a court to carry health insurance for their children, the health insurance is reviewed for cost effectiveness when the parent is enrolled in MA.

If the noncustodial court-ordered parent is not enrolled in MA, but the noncustodial parent's health insurance covers MA enrollees, the insurance can be reviewed for cost effectiveness only when all of the following criteria are met:

- The noncustodial ~~court ordered~~ parent left a job and has continued dependent coverage available through COBRA.
- The child support officer determined that the noncustodial ~~court ordered~~ parent is no longer financially able to keep the coverage in effect.

When the criteria are met and the health insurance is determined to be cost effective, the county or tribal agency reimburses premiums to the former employer or the custodial parent directly. The agency does not reimburse the non-custodial parent for the cost of premiums.

### Medical Support Not Reviewed for Cost Effectiveness

Except as noted in the previous section, county and tribal agencies do not review a noncustodial parent's health insurance for cost effectiveness when all of the following criteria are met:

- The noncustodial parent is not enrolled in MA
- The noncustodial parent has been ordered by a court to carry the health insurance for their children.

~~County and tribal agencies do not review health insurance for cost effectiveness when a parent who is not enrolled in MA has been ordered by a court to carry health insurance for their children, except as noted in the previous section.~~

## Methods for Determining Cost Effectiveness

There are only two methods to determine the cost effectiveness of group health plans, individual health plans, and TRICARE plans.

### Standard Calculation

Under the standard calculation for cost effectiveness, a health plan is cost effective when the monthly insurance premium (or prorated portion of a family premium) plus 1/12th of the annual average cost factor by age, is less than the current MA managed care monthly rate for people of the same age.

The annual average cost factor is the average paid costs of health insurance, including the deductible, coinsurance, and copayments, plus the cost of MA wraparound benefits and administrative costs in a preceding calendar year, averaged by age group or pregnancy status for individuals with CEHI coverage.

When more than one enrollee is considered for CEHI coverage under a single health plan, the prorated premium and average annual costs by age for each individual are added together and compared to the combined MA managed care rate for the individuals.

### 2:1 Ratio Calculation

Under the 2:1 ratio calculation for cost effectiveness, a health plan is cost effective when the plan's annual covered medical expenses for enrollees exceed annual premium costs, plus the annual average cost factor, by at least a 2:1 ratio and the enrollees' medical conditions remain the same.

## Dental and Vision Insurance Reviewed for Cost Effectiveness

If a group health plan, individual health plan, or TRICARE plan is cost effective under the standard calculation, the county or tribal agency can also review whether dental and vision plan options available to an enrollee are cost effective. The agency determines the cost effectiveness of dental and vision plans by factoring the dental and vision plan premiums into the standard calculation.

Dental and vision plan options cannot be reviewed for cost effectiveness unless a health plan covering the enrollee is cost effective under the standard calculation. If a health plan is cost effective under the 2:1 ratio calculation, or not cost effective under either calculation, the dental and vision plan options cannot be reviewed for cost effectiveness.

## Premium Payments for CEHI

County and tribal agencies reimburse the policyholder, employer, or insurer for CEHI premiums when an enrollee either enrolls or remains enrolled in the CEHI.

Premium payment is limited to one health plan and, if available, one dental plan and vision plan.

### Submitting Proof of Premium Payment

For a CEHI policyholder to be reimbursed directly by the county or tribal agency, the policyholder must submit proof to the agency showing they paid the CEHI premiums. The policyholder has up to 12 months beginning from the date the CEHI was reported to submit proof of premiums paid during that time span.

- Reported means information about the insurance was provided to the agency that leads the agency to determine the insurance was cost effective.
- For the policyholder's final premium payment in the 12-month span, the agency provides the policyholder an extra 10 days starting from the beginning of the first month that follows the 12-month span to submit proof of the final premium payment.

### Retroactive Eligibility

A person can receive retroactive MA eligibility for up to three months before the month of MA application. If the person was covered by other health insurance during the retroactive eligibility period, and the health insurance is determined cost effective, the agency reimburses CEHI premiums paid during that period if proof of payment is submitted, even if that period began before the CEHI was reported. See MHCP Retroactive Eligibility for more information.

## Managed care exclusions

Enrollees with coverage under a cost-effective group or individual health plan are excluded from enrollment in managed care. MA pays fee-for-service for any services that enrollees are entitled to under MA that their CEHI does not cover. However, there can be a one-month overlap of managed care enrollment and reimbursement for CEHI when an enrollee is unable to timely disenroll from MA managed care because of administrative processes.

Refer to the Prepaid Minnesota Health Care Programs Manual for more information.

## Redetermination of Cost Effectiveness

County and tribal agencies must redetermine the cost effectiveness of a CEHI plan for which premiums are being paid when any of the following occurs:

- The agency conducts an MA renewal
- There is a change to the health insurance plan that may affect whether it is cost effective, including, but not limited to:
    - A change in the plan’s premium
    - An enrollee is added or dropped from the health insurance plan coverage
    - A person covered under the health insurance plan loses MA eligibility

## Legal Citations

Code of Federal Regulations, title 42, sections 433.147 and 433.148

Code of Federal Regulations, title 42, section 435.1015

Minnesota Rules, part 9505.0071

Minnesota Rules, part 9505.0430

Minnesota Statutes, section 256B.056, subdivision 8

Minnesota Statutes, section 256B.0625, subdivision 15

United States Code, title 26, section 220

United States Code, title 26, section 223

United States Code, title 26, section 501, paragraph (c), clause (9)

United States Code, title 26, section 5000, paragraph (b)

United States Code, title 26, section 9801, paragraph (f), clause (3)

United States Code, title ~~26~~42, section 1396d, paragraph (a), clause (29)

United States Code, title ~~26~~42, section 1396e

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  - Archived page
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## C. Section 2.3.3.2.7.10 MA-ABD Life Insurance

Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability

# 2.3.3.2.7.10 Life Insurance ~~Policies~~

The cash surrender value (CSV) of life insurance policies owned by a person is an asset that counts toward the MA-ABD asset limit when the total face value of all policies owned by the person that insures the same person, is more than $1,500. A limited life insurance exclusion applies to the CSV of a life insurance policy when the FV of all policies owned by a person that insures the same person is $1,500 or less.

A life insurance policy is a contract that can sometimes be turned into cash. The basic concept of the contract is that the policy owner pays the premiums during the insured's lifetime and, when the insured dies, the life insurance company will make one or more payments to the designated beneficiary(ies). The policy owner may not be the person who is insured. However, life insurance companies have created many varieties of their products, which may require additional research and documentation. For additional detailed information and definitions of types of life insurance and life insurance provisions, see Appendix I – Life Insurance Concepts.

Burial insurance and term life insurance do not have a cash surrender value. These insurance products do not count toward the MA-ABD asset limit.

Annuities are a type of life insurance product that may provide income to the policy owner while they are still living. Annuities are evaluated differently than life insurance. See Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability (MA-ABD) Annuities for how the annuity is evaluated as an asset.

## Policy For Evaluating Life Insurance

### Life insurance as an asset

The asset value of a life insurance policy is its cash surrender value (CSV), not its face value (FV).

Dividend accumulations and interest attached to the life insurance policy are separate assets and are evaluated separately.

### Limited life insurance exclusion of cash surrender value

The limited life insurance exclusion of CSV applies when the FV of all policies owned by one person that insure one person is $1,500 or less. This exclusion is applied per person.

- The cash surrender value of life insurance policies owned by one person that insure only one person, if the cumulative face value of all policies held for the benefit of that one person amount to $1,500 or less, is excluded as an asset. If the cumulative FV of all policies held on that one person amount to over $1,500, then the CSV of the policies is counted as an asset (subject to possible exclusion under the burial fund exclusion - see MA-ABD Burial Fund Exclusion).

- o Interest and dividend additions are not included when determining whether the total face value of all polcies is over $1,500 a life insurance policy is a countable or excluded asset.

EXAMPLE

Maria is 67 years old and  owns three life insurance policies on herself with the following values:

- o $400 FV with $700 CSV,
- o $500 FV with $1000 CSV, and,
- o $200 FV with $400 CSV

The total FV of her policies is $1,100 ($400 + $500 + $200 = $1,100). Even though the total CSV of the three policies ($700 + $1,000 + $400 = $2,100 CSV) is $2,100, the CSV of the life insurance policies are entirely excluded because the life insurance policies are for the same insured person and the total FV is less than $1,500.

EXAMPLE

Maria, from the previous example, also owns three additional life insurance policies on three other insured people. In this case, if the total FV of the policies owned on each of the other people is less than $1,500, the CSV of those policies are also excluded.

EXAMPLE

Maria is 67 years old and owns three life insurance policies on herself with the following values:

- o $600 FV with $900 CSV,
- o $900 FV with $1,200 CSV, and,
- o $400 FV with $600 CSV

The total FV of her policies is $1,900 ($600 + $900 + $400 = $1,900). The total CSV of the three policies ($900 + $1,200 + $600 = $2,700 CSV) is $2,700. Because the total FV of the polices is over $1,500, the CSV of the life insurance policies are counted as an asset with a value of $2,700.

**Interaction with the burial fund exclusion**

The $1,500 burial fund exclusion is reduced by the FV of:

- o any life insurance policy where the CSV is excluded; and,
- o any burial insurance policy for the burial expenses of the person.

The $1,500 burial exclusion is also reduced by the FV of a life insurance policy for which a funeral provider has been made the irrevocable beneficiary, if the life insurance policy owner has irrevocably waived his or her right to, and cannot obtain, any CSV the life insurance policy may generate.

For burial fund exclusion policy, see MA-ABD Burial Fund Exclusion.

**Dividend accumulations and dividend additions**

Dividends are payments from annual surplus earnings that life insurance companies may offer their policy owners. Dividends are not included when determining the face value of a life insurance policy. When dividends accrue in an account controlled by the insurance company for the policy owner, these are called dividend accumulations. When dividends are used to purchase more insurance for the policy owner these are called dividend additions.

Dividend accumulations

- Dividend accumulations under the life insurance provision are counted, even if you exclude the CSV of a life insurance policy that pays the accumulations.
- Unless the accumulations are excluded under another provision (for example, because they have been designated under the burial fund exclusion), the accumulations are counted as an asset, even if you exclude the CSV of the life insurance policy itself because the policy's FV is $1,500 or less.

Dividend additions

- If the CSV of a life insurance policy is a countable asset, the CSV of dividend additions is included when determining the person’s countable assets.
- If the CSV of a life insurance policy is an excluded asset, the CSV of dividend additions is not included when determining the person's countable assets.

**Income treatment of dividends**

Dividends count as income if the CSV of the life insurance policy is excluded.

Dividends are excluded as income if the CSV of the life insurance policy is counted as an asset. If the CSV of a life insurance policy is designated under the burial fund exclusion, dividends are also excluded.

## Accelerated Life Insurance Payments

Receipt of an accelerated life insurance payment may reduce the FV and CSV. A policy owner may take out a loan against the life insurance policy which also may reduce the CSV.

~~A life insurance policy is a contract that may be turned into cash. The basic concept of the contract is that the policy owner pays the premiums during the insured’s lifetime and, when the insured dies, the life insurance company will make one or more payments to the designated beneficiary.~~

## ~~Treatment of Non-Term Life Insurance Policies~~

~~The cash surrender value (CSV) of non-term life insurance policies (sometimes referred to as "whole" or "universal" policies) owned by one person that insure only one person count toward the asset limit if the face value (FV) of all the policies for the person are more than $1,500. The CSV of life insurance policies owned by one person that insure only one person are excluded if the cumulative FV of all the policies held on that person amount to $1,500 or less. The FV of term life insurance and burial insurance policies are not counted when determining the total FV of the life insurance policies owned on a specific insured person.~~

~~The interest or dividend additions that have accumulated on the FV are not included when determining whether a life insurance policy is a countable or excluded asset.~~

### ~~Life Insurance Policies and the Burial Fund Exclusion~~

~~Life insurance policies may affect the amount of the burial fund exclusion (BFE). See MA-ABD Burial Fund Exclusion for more information.~~

### ~~Face Value of Life Insurance~~

~~The FV is the contracted value at the time the life insurance policy is purchased; it is the amount to be paid out when the insured dies. The FV may also be known as the "amount of insurance," "the amount of this policy," "the sum insured," etc. A life insurance policy's FV does not include:~~

- ~~Any dividend additions, which are added after the life insurance policy is issued~~
- ~~Additional sums payable in the event of accidental death or because of other special provisions~~

### ~~Cash Surrender Value~~

~~The CSV is the monetary or equity value that a life insurance policy acquires over time as the policy owner pays the premiums and dividend additions and interest are added to the policy. The policy owner can take out loans against this amount and can obtain the full CSV by cancelling the life insurance policy before the insured dies or the policy matures. A loan against a life insurance policy reduces its CSV. Dividend accumulations and other available cash vehicles (such as annuities) attached to the life insurance policy must be evaluated separately.~~

## ~~Treatment of Other Insurance Policies~~

### ~~Term Life Insurance Policies~~

~~Term life insurance policies have FV but do not have a CSV or dividends. The insured can cancel the policy but there is no cash value to receive. The death benefit is only available upon the insured's death.~~

~~Term life insurance policies are not counted toward the asset limit.~~

### ~~Burial Insurance~~

~~Burial insurance is a contract whose terms preclude the use of its proceeds for anything other than payment of the insured's burial expenses. If a policy has a CSV to which the owner has access, the policy is not burial insurance.~~

~~Burial insurance policies are not counted toward the asset limit.~~

## ~~Accelerated Life Insurance Payments~~

~~Some life insurance policies, in certain circumstances, allow the policy owner to receive some or all of the proceeds of the life insurance policy in the form of accelerated life insurance payments prior to the death of the insured. Payments are considered income when received, and an asset if retained in the month following the month of receipt.~~

~~Accelerated life insurance policies can provide three basic types of payments:~~

- ~~Long-term care model – policy owner can access the death benefit of the contract to pay for extended care in a facility or for home health care.~~
- ~~Dread disease or catastrophic illness model – policy owner can access the death benefit of the contract in order to care for the insured during any specified covered condition.~~
- ~~Terminal illness model – policy owner can access the death benefit of the contract when a terminal illness is diagnosed for the insured and death is expected to occur within a specified period.~~

## ~~Dividend Additions and Dividend Accumulations~~

~~Life insurance companies may offer their policy owners payment from the company's annual surplus earnings, which they call dividends. Insurance companies pay these dividends in one of three ways:~~

- ~~Issuing checks to the owners (usually annually)~~
- ~~Applying the funds to premiums due~~
- ~~Crediting the funds as an addition or accumulation to the existing policy~~

### ~~Dividend additions~~

~~The insurance companies use surplus company earnings, called dividend additions, to buy more insurance protection for the life insurance policy owner.~~

~~The FV of dividend additions is not included when determining whether a life insurance policy is a countable or an excluded asset.~~

- ~~If the life insurance policy is a countable asset, the CSV of dividend additions is included when determining the asset value of the policy.~~
- ~~If the life insurance policy is an excluded asset, the CSV of dividend additions is not included when determining the person's countable assets.~~

~~**Dividend accumulations**~~

~~Dividend accumulations are surplus company earnings, which accrue in an account that the insurance company controls for the policy owner. The policy owner can access these funds without penalty at any time without affecting the FV or CSV. Therefore dividend accumulations may be countable assets unless they are excluded under another asset exclusion (for example, because they have been set aside for burial).~~

~~Dividend accumulations under the life insurance provisions are not excluded even if the life insurance policy paying the accumulations is excluded.~~

~~Unless the accumulations are excludable under another asset exclusion (for example, because they have been set aside for burial), they are counted as an asset, even if the life insurance policy itself is excluded, because the policy's FV is $1,500 or less.~~

~~**Income treatment of dividends**~~

~~Dividends count as income if the life insurance policy is excluded as part of the $1,500 life insurance exclusion. Dividends are excluded as income if the life insurance policy is a countable asset. If the life insurance policy is used to meet the BFE, dividends are also excluded.~~

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## D. Section 2.3.3.2.7.10.1 MA-ABD Life Insurance Funded Burial Contracts (NEW)

Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability

# 2.3.3.2.7.10.1 Life Insurance Funded Burial Contracts

## Life Insurance Funded Burial Arrangements

A life insurance funded burial (LIFB) contract involves a person purchasing a life insurance policy on his or her own life and then assigning, revocably or irrevocably, either the proceeds or ownership, or both, of the policy to a third party, generally a funeral provider. The purpose of the assignment is to fund a burial contract. Life insurance funded burial contracts are not burial insurance.

If an annuity policy is being used to fund a burial contract, it is called an annuity-funded burial (AFB) and follows LIFB policies. Otherwise, see Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability (MA-ABD) Annuities for how the annuity is evaluated as an asset.

### Proceeds

Proceeds of a life insurance policy are the face value of the policy plus any additions payable at maturity or death. This does not include dividends, cash surrender value (CSV) or interest.

### Dividend Accumulations

Dividend accumulations of a life insurance policy as part of the value of the policy or the burial contract are not excluded assets. Dividend accumulations are separate assets and must be evaluated separately.

If ownership of the life insurance policy has been irrevocably assigned, then absent evidence to the contrary, the dividend accumulations are also assigned.

### Contingent Beneficiary

A person's estate must be named as contingent beneficiary when irrevocably assigning ownership of a life insurance policy to fund a burial arrangement. If a person's estate is not named as the contingent beneficiary, the policy is treated as a life insurance policy, not a life insurance funded burial or annuity funded burial.

## Effect of Revocable Assignment of Ownership

### Burial Spaces

The burial space exclusion does not apply. This is because the funeral provider has not received any payment and no purchase of burial spaces has been made. The provider has no obligation to provide any spaces until the person dies and therefore no spaces are being held for the person.

### Burial Funds

The asset value of the burial contract is equal to the CSV of the life insurance policy.  Up to $1,500 of the CSV of the life insurance policy may be excluded under the burial fund exclusion, after accounting for any other assets that reduce the maximum amount of the burial fund exclusion. See MA-ABD Burial Fund Exclusion.

### Example

Emma has a burial contract funded by the revocable assignment of ownership of a life insurance policy. She doesn't have any other burial assets. The face value (FV) of both the burial contract and the life insurance policy is $3,000 and the CSV of the life insurance policy is currently $1,700. The total asset value of Emma's burial contract is equal to the CSV of $1,700.

The burial space exclusion does not apply to Emma's contract. However, Emma can exclude $1,500 of the CSV under the burial fund exclusion. The remaining $200 of the CSV is considered a countable asset.

## Effect of Irrevocable Assignment of Ownership

### Burial Spaces

The burial space exclusion may apply, depending on the nature of the contract (See MA-ABD Burial Space Exclusion). Any portion of the contract that represents the purchase of a burial space has no effect on the burial fund exclusion.

### Burial Funds

The life insurance policy and the burial contract are not assets because the person no longer owns them. The FV of the burial fund portion of the contract (if any) offsets the $1,500 burial fund exclusion.

### Example

Bill has made provision for his burial by irrevocably assigning ownership of a life insurance policy on his life to a funeral home to fund a burial contract. The FV of the life insurance policy is $3,000.

The burial contract identifies the purchase of $1,300 of burial spaces and $1,700 of burial funds. The $1,700 burial funds portion of the contract is not an asset because he no longer owns them, but, since the assignment of policy ownership is irrevocable, the $1,700 burial funds portion reduces the $1,500 burial fund exclusion.  Bill may not designate any additional assets under the burial fund exclusion (the $1,700 reduced the $1,500). The $1,300 burial space purchase is not an asset either, and will not reduce the amount of the burial fund exclusion.

## Effect of Revocable Assignment of Proceeds

### Burial Spaces

The burial space exclusion does not apply to the CSV of the life insurance policy. This is because the funeral provider has not received any payment and no purchase of burial spaces has been made. The provider has no obligation to provide any spaces until the person dies and, therefore, no spaces are being held for the person.

**Burial Funds**

The asset value of the burial contract is the amount of the CSV of the life insurance policy.

**Treatment of CSV**

If the FV of all life insurance policies on the person's life is $1,500 or less, the CSV is excluded under the life insurance exclusion.

If the face value of all policies exceeds $1,500, the CSV of the policy is applied according to the burial fund exclusion, if applicable (See MA-ABD Burial Fund Exclusion).

**Examples**

Lydia has a burial contract funded by the revocable assignment of the proceeds of an insurance policy on her life, with a face value of $1,300. The CSV of the policy is $1,000. If this is the only life insurance policy she owns on her life, then the CSV of the life insurance policy would be excluded under the life insurance exclusion and the burial fund and burial space exclusions would not apply, because the FV is $1,500 or less.

The life insurance policy's FV of $1,300 reduces the maximum $1,500 burial fund exclusion by that same amount. So, Lydia may designate an additional $200 under the burial fund exclusion.

If Lydia has another life insurance policy on her life and the total FV of the two policies exceeds $1,500 (and, therefore, the life insurance exclusion does not apply), then $1,500 of the CSV may be excluded under the burial fund exclusion. No burial space exclusion applies.

## Effect of Irrevocable Assignments of Proceeds

When there is an irrevocable assignment of proceeds or an irrevocable designation of a beneficiary, but the insured has not irrevocably assigned ownership, the CSV is a countable asset if the person has access to the CSV. Each policy may be different and must be reviewed to determine the terms of the contract. If the policy indicates that the person does not have access to the CSV, then the CSV is not a countable asset because it is unavailable.

**Burial Spaces**

The burial space exclusion may apply, depending on the nature of the contract (See MA-ABD Burial Space Exclusion). Any portion of the contract that represents the purchase of a burial space may be excluded and has no effect on the burial fund exclusion.

**Burial Funds**

If the CSV of the life insurance policy and the burial contract are unavailable, because the person cannot access them, then the FV of the burial funds portion of the contract (if any) offsets the

$1,500 burial fund exclusion. This is because the contract represents an irrevocable arrangement available to meet the person's burial.

## Life Insurance Policy Placed In A Trust

A life insurance company may provide a person with the option of irrevocably transferring ownership of a revocable life insurance policy that funds a burial contract to a trust established by the company. If a policy is placed in trust, the asset value of the policy (its CSV) is evaluated according to the rules governing trust funds (see MA-ABD Trusts).

### Treatment of Policy's CSV

The CSV is not an asset when a person does not own or have the legal right to direct the use of trust assets to meet his or her support and maintenance.

### Treatment of Dividends

If the policy's CSV is not an asset, then, any dividends paid on the policy are also not an asset.

### Person Retains Right to Change Funeral Firm

Under an irrevocable trust arrangement, the life insurance policy's CSV is not an asset even if the person retains the right to change the funeral firm that will provide the burial goods and services.

### Burial Fund Exclusion Offset

A revocably assigned life insurance policy placed in an irrevocable life insurance trust is treated the same as a life insurance policy for which the ownership has been irrevocably assigned to fund a burial contract. This means that the value of the burial funds portion of the contract (if any) reduces the $1,500 burial fund exclusion.This is because the burial funds portion of the contract represents an irrevocable arrangement that is available to meet the person's burial expenses.

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United States Code, title 42, section 1382b

Code of Federal Regulations, title 20, section 416.1230

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Minnesota Statutes, section 72A.325

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## E. Section 2.3.3.2.7.11 Burial Assets

Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability

# 2.3.3.2.7.11 Burial ~~Contracts~~ Assets

This subchapter provides policy about a person's financial eligibility regarding evaluation of their burial assets.

This subchapter includes policies that apply to Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability (MA-ABD).

MA-ABD Burial Space Exclusion

MA-ABD Burial Fund Exclusion

MA ABD Prepaid Burial Arrangements

~~Burial contracts are contractual agreements between a consumer and a funeral provider, such as a funeral home or a cremation society. Burial agreements require that a buyer pay in advance for funeral services and items that a funeral director agrees to furnish upon the death of the buyer or other designated person.~~

~~Burial contracts are funded in a variety of ways. The burial contract and the funding source are two separate items and both must be evaluated.~~

### ~~The Burial Contract~~

~~In exchange for the buyer paying in advance, the funeral provider draws up a contract, itemizing burial services and/or burial space items, and noting the amount allocated towards each service and space.~~

- ~~Burial space items (BSI) includes a repository used for bodily remains, as well as services performed at the burial location, and burial goods related to a person's burial site. BSIs include, but are not limited to:~~
  - ~~Burial plot or site~~
  - ~~Gravesite~~
  - ~~Casket~~
  - ~~Urn~~
  - ~~Niche~~
  - ~~Crypt~~
  - ~~Mausoleum~~

    - ~~Vault~~
    - ~~Burial container (for a casket)~~
    - ~~Headstone, marker or plaque~~
    - ~~Engraving~~
    - ~~Opening/closing of the grave~~
    - ~~One-time payment for care and maintenance of the gravesite, sometimes called preservation or perpetual care~~
- ~~Burial services prepare the body for burial and all services prior to burial. Burial services include, but are not limited to:~~
    - ~~Transportation of the body~~
    - ~~Embalming~~
    - ~~Cremation~~
    - ~~Flowers~~
    - ~~Clothing~~
    - ~~Services of the funeral director and staff~~

~~Burial contracts may be irrevocable, revocable, or a combination.~~

### ~~Irrevocable Burial Contracts~~

~~If a burial contract is irrevocable, the funds deposited into the agreement are unavailable and cannot be withdrawn by the person or the funeral provider until the time of need. Irrevocable burial contracts include those funded by life insurance, those funded by annuities, and those in which the person directly pays the funeral provider.~~

~~Interest earned on these contracts may be separately designated as revocable or irrevocable. If the interest is designated as irrevocable, it is unavailable. If the interest is designated as revocable, it is a counted asset.~~

### ~~Revocable Burial Contracts~~

~~If an agreement is revocable, the funds deposited into the agreement are available and can be withdrawn at any time. A revocable burial contract may be an excludable asset, depending on what burial costs it is intended to cover and whether any portion of the allocated funds can be excluded due to the burial space exclusion (BSE) or the burial fund exclusion (BFE).~~

~~When a revocable burial contract is a countable asset, either the amount the owner would receive if the contract was revoked, or the current market value if it is a saleable contract, is counted.~~

## ~~The Funding Source~~

~~A person may fund a burial contract in several ways, with the most common funding sources being liquid assets, life insurance policies, and annuity policies purchased from an insurance company. This section describes how these funding sources are evaluated.~~

### ~~Liquid Assets and Pre-Need Burial Agreements~~

~~Liquid assets may be designated for burial expenses. This category includes cash and bank accounts and financial instruments with a cash value, such as stocks, bonds and certificates of deposit. If these assets are applied to the BFE, they must be kept in a separate account and designated for burial.~~

~~Pre-need burial arrangements funded by liquid assets contain the following unique provisions in Minnesota:~~

- ~~A specific funeral provider draws up the contract, but state law requires freedom of choice, meaning the family may choose a funeral provider when the person dies.~~
- ~~The funeral provider must place available funds into a trust for the person's burial expenses.~~
- ~~If it is an irrevocable agreement, the purchaser may designate an irrevocable amount up to $2,000 for burial services. Any amount over $2,000 for services and any amount not designated as a BSI can be cashed in at any time.~~
- ~~Interest earned is either revocable or irrevocable, as designated by the purchaser.~~
- ~~The contract itemizes burial services separate from BSIs (generally on a Statement of Goods and Services).~~

### ~~Life Insurance-Funded Burials and Annuity-Funded Burials~~

~~A life insurance-funded burial (LIFB) involves a person purchasing a life insurance policy on his or her own life. Life insurance funded burial contracts are not burial insurance.~~

~~If an annuity policy is being used to fund a burial contract, it is called an annuity-funded burial (AFB) and follows LIFB policies. Otherwise, see Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability (MA-ABD) Annuities for how the annuity is evaluated as an asset.~~

~~A person may assign, revocably or irrevocably, either the proceeds or ownership of an LIFB/AFB policy to a third party, generally a funeral provider. The purpose of the assignment is to fund a burial contract.~~

- ~~Effect of Assignment of Ownership on Burial Exclusions~~
  - ~~Revocable Assignment~~
    - ~~The BSE does not apply, because the funeral provider has not received any payment and no purchase of burial spaces has been made.~~

        - ~~The BFE may apply. The asset value of the burial contract is equal to the cash surrender value (CSV) of the LIFB/AFB policy, subject to the $1,500 BFE.~~
    - ~~Irrevocable Assignment~~
        - ~~The BSE may apply, depending on the nature of the contract. See MA-ABD Burial Space Exclusion for more information. Any portion of the contract that represents the purchase of a burial space has no effect on the BFE.~~
        - ~~The LIFB/AFB policy and the burial contract are not assets because the person no longer owns them. The face value (FV) of the burial funds portion of the contract offsets the $1,500 BFE because the contract represents an irrevocable arrangement available to meet the person's burial.~~
        - ~~A person's estate must be named as contingent beneficiary. If a person's estate is not named as contingent beneficiary, the policy is treated as a life insurance policy, not an LIFB/AFB.~~

~~Proceeds of an LIFB/AFB policy are the FV of the policy plus any additions payable at maturity or death. This does not include dividends, CSV or interest.~~

- ~~Effect of Assignment of Proceeds on Burial Exclusions~~
    - ~~Revocable Assignment~~
        - ~~The BSE does not apply to the CSV of the LIFB/AFB policy. This is because the funeral provider has not received any payment and no purchase of burial spaces has been made.~~
        - ~~The asset values of the burial contract is equal to the CSV of the LIFB/AFB policy. If the FV of all LIFB/AFB policies on the person's life is $1,500 or less, the CSV is excluded under the life insurance exclusion. If the FV of all policies exceeds $1,500, the CSV of the policy is treated according to the BFE.~~
    - ~~Irrevocable Assignment~~
        - ~~Life insurance companies generally do not permit the proceeds of a LIFB/AFB policy to be irrevocably assigned.~~

~~Dividend accumulations of a LIFB/AFB are not counted as part of the value of the policy or the burial contract. Dividend accumulations are separate assets and must be designated separately in order to qualify for the BFE. If ownership of the life insurance policy has been irrevocably assigned, absent evidence to the contrary, it is assumed that the dividend accumulations are also assigned.~~

## ~~Legal Citations~~

~~Minnesota Statutes, section 256B.056, subdivision 1a~~

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## F. Section 2.3.3.2.7.11.1 MA-ABD Burial Space Exclusion

Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability

# 2.3.3.2.7.11.1 Burial Space Exclusion

A burial space or agreement which represents the purchase of a burial space held for the burial of the person, his or her spouse, or any other member of his or her immediate family is an excluded asset, regardless of value.

### Burial Space

A burial space is a(n):

- burial plot;
- gravesite;
- crypt;
- mausoleum;
- casket;
- urn;
- niche; or
- other repository customarily and traditionally used for the deceased's bodily remains.

A burial space also includes necessary and reasonable improvements or additions to such spaces, including but not limited to:

- vaults;
- headstones, markers, or plaques;
- burial containers (e.g., for caskets); and
- arrangements for the opening and closing of the gravesite.

For example, a contract for care and maintenance of the gravesite, sometimes referred to as endowment or perpetual care, can be excluded as a burial space.

**No Effect on Burial Fund Exclusion**

The burial space exclusion is in addition to, and has no effect on, the burial fundexclusion (see MA-ABD Burial Fund Exclusion).

**Multiple Burial Spaces**

For items that serve the same purpose, only one item is excluded per person. For example, a cemetery lot and a casket for the same person is excluded, but not a casket and an urn for the same person. If a person has multiple burial space items for the same purpose, the person may choose the one to which the exclusion will apply.

**Spaces Owned by A Person's Spouse or Sponsor**

Burial spaces owned by a spouse whose assets deem to a person for the burial of an eligible person, his/her spouse and/or any member of the eligible person's immediate family (including the spouse or sponsor) are excluded.

**Agreement Which Represents the Purchase of a Burial Space**

An agreement which represents the purchase of a burial space is a contract with a provider for a burial space held for the eligible person or a member of their immediate family.

**Person's Immediate Family**

The person's immediate family includes the person's:

- parents, including adoptive parents;
- minor or adult children, including adoptive and stepchildren;
- siblings (brothers and sisters), including adoptive and stepsiblings.
- spouses of the above relatives.

If the relative's relationship to the person is by marriage only, the marriage must be in effect in order for the burial space exclusion to continue to apply. For example, a burial space held for a sister-in-law is no longer excluded if she and the person's brother divorce.

**Held For**

A burial space is "held for" a person when they have:

- title to and/or possesses a burial space intended for the person's use (for example, has title to a burial plot or owns a burial urn stored in the basement for his or her own use); or
- a contract with a funeral service company for specified burial spaces for the person's burial (i.e., an agreement which represents the person's current right to the use of the items at the amount shown).

Until the purchase price is paid in full, burial spaces are not "held for" a person under an installment sales contract or similar device if:

- the person does not currently own the space;
- the person does not currently have the right to use the space; and

- the seller is not currently obligated to provide the space.

Until all payments are made on the contract, the amounts paid may be excluded under the $1,500 burial funds exclusion (see MA-ABD Burial Fund Exclusion).

**Agreements Which Represent the Purchase of a Burial Space**

If the contract shows the purchase of a burial space at a specified price, the space is held for the person, and the contract is irrevocable, it is not an asset. If the contract is revocable, or the space is not held for the person, it is an asset that is not excluded under the burial space exclusion but could be excluded under the burial funds exclusion.

~~Two separate and distinct exclusions apply to assets set aside for burial expenses. All assets set aside for burial expenses must be evaluated to determine if they may be excluded under one of the exclusions. This section discusses the Burial Space Exclusion (BSE). The Burial Fund Exclusion (BFE) will be discussed in the subsequent section~~.

~~The BSE allows burial space items to be excluded without limiting their value. Burial space items include the burial site, a repository for bodily remains, services performed at the burial site, and items related to the burial site. Only burial space items (BSI) may be excluded under the BSE. Burial services are never excluded under the BSE.~~

## ~~Requirements for an Asset under the BSE~~

~~An asset excluded under the BSE must meet all of the following requirements:~~

- ~~Each BSI must be itemized on the burial contract.~~
- ~~Each BSI must be paid in full.~~
- ~~There is no limit to the value of a BSI excluded under the BSE.~~
- ~~Each person is allowed one BSI serving a particular purpose.~~
- ~~A married person may purchase two burial contracts allocating funds for each spouse, but cannot have one contract covering expenses for both spouses.~~
- ~~When someone owns additional BSIs, a signed statement or copy of the burial contract with the name of the person for whom each BSI is intended and that person's relationship to the buyer will be evaluated.~~

## ~~Assets Held for Family Members~~

~~People can exclude assets under the BSE for themselves and the following immediate family members:~~

- ~~Parents, including adoptive parents~~
- ~~Minor or adult children, including adoptive and stepchildren~~

- ~~Siblings, including adoptive and stepsiblings~~
- ~~Spouses of the above family members if they are still legally married at the time of the purchase~~

## ~~Assets Excluded under the BSE~~

~~The following is excluded under the BSE:~~

- ~~The total value of a contract that only allocates an amount for BSIs~~
- ~~The amount allocated for itemized BSIs when the contract lists both BSI and burial services~~

~~If the person cannot distinguish BSIs from burial services in the contract:~~

- ~~All expenses are categorized as services and none as BSIs.~~
- ~~The person may ask the funeral provider to amend the contract, distinguishing burial services from BSIs.~~
- ~~The expenses under the BSE are not excluded if the contract is not amended.~~

~~The BSE is in addition to the $1,500 BFE. A burial asset is excluded under one exclusion or the other, but not simultaneously under both.~~

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## G. Section 2.3.3.2.7.11.2 MA-ABD Burial Funds Exclusion

Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability

# 2.3.3.2.7.11.2 Burial Fund Exclusion

Up to $1,500 of liquid assets set aside for a person's burial expenses is excluded. The $1,500 burial fund exclusion is reduced when a person owns certain other assets.

### Burial Funds

Burial funds may be:

- revocable burial contracts;
- revocable burial trusts;
- other revocable burial arrangements (including the value of certain installment sales contracts for burial spaces);
- cash;
- financial accounts (e.g., savings or checking accounts); or
- other financial instruments with a definite cash value (e.g., stocks, bonds, certificate of deposit, etc.).
- cash surrender value of a non-excluded life insurance policy

These funds must be clearly designated for the person or the person's spouse's burial, cremation or other burial-related expenses. Property other than that listed in this definition is not considered burial funds and cannot be excluded under the burial funds provision. For example, a car, real property, and livestock, are not burial funds.

### Expenses for Burial Fund Exclusion Purposes

Expenses included for burial fund exclusion purposes are generally those related to preparing a body for burial and any services prior to burial. They may include, for example: transportation of the body, embalming, cremation, flowers, clothing, and services of the funeral director and staff. Expenses may also be associated with cultural customs, other than burial, when a person dies such as scattering of ashes.

Usually, expenses for items used for interment of the deceased's remains are not included for burial fund exclusion purposes. Such items may be subject to the burial space exclusion (See MA-ABD Burial Space Exclusion). However, items that do not qualify for the burial space exclusion, for example, a space being purchased by installment contract, may be excluded under the burial fund exclusion.

## Originally Designated Amount

The originally designated amount of a burial fund is the amount set aside for burial, including excluded and nonexcluded funds, but exclusive of interest and appreciation, at the time of the most recent designation. Any amount can be designated for burial and excluded, but only up to a certain amount.

### Increases in Value of Burial Funds

Any appreciation in the value of excluded burial funds is an excluded (and excluded income) as long as the appreciation is left to accumulate in the fund, even if the total burial fund exclusion exceeds $1,500 due to appreciation in value.

### Increases in Maximum Exclusion of Burial Funds

Once the amount of designated burial funds equals $1,500, the only additions to that amount that can be excluded under the burial fund exclusion are appreciation and/or interest.

Until $1,500 (or the remaining amount available to be excluded) in burial funds has been designated, additional amounts can be excluded under the burial fund exclusion if the person designates them for burial expenses. Interest on excluded burial funds is not included in determining if the $1,500 maximum has been reached.

A person's designated burial fund remains in effect until:

- MA eligibility terminates; or
- the person uses the funds for another purpose.

A person may designate additional funds, up to $1,500, as their burial fund when assets originally designated as the burial fund are no longer excluded under the burial fund exclusion.

## Amount of Funds That Can Be Excluded

Up to $1,500 of liquid assets set aside for a person's burial expenses is excluded. The $1,500 burial fund exclusion is reduced when a person owns certain other assets.

### Maximum Exclusion

The maximum amount that can be excluded is $1,500 set aside for:

- the burial expenses of the person; and
- the burial expenses of the person's spouse. The spouse does not have to be eligible for MA.
- The burial expenses of the persons dependent children who are MHCP enrollees, and live with the person or the person's spouse

This exclusion is separate from, and in addition to, the burial space exclusion. However, the $1,500 burial fund exclusion may also include the value of funds paid on installment contracts for burial spaces that do not qualify for the burial space exclusion because they have not yet been paid for in full.

**Other Assets and the Maximum Exclusion**

These burial service arrangements apply to the maximum $1,500 exclusion, to the extent that they do not represent excluded burial spaces:

- the face value (FV) of any life insurance policy on the person (or spouse, if applicable), if such policy is excluded under the life insurance exclusion (See MA-ABD Life Insurance); and
- any amount held in an irrevocable trust, burial contract, or other irrevocable arrangement for the person (or person’s spouse) burial expenses unless it is excluded under the burial space exclusion.
- the face value of burial insurance.

**Subsequent Purchase of Excluded Life Insurance or Irrevocable Burial Contract**

A subsequent purchase of an excluded life insurance policy or an irrevocable burial contract reduces the amount of the available burial fund exclusion as described above. The reduction is effective the month after the month in which the life insurance or the irrevocable burial contract was purchased. This may also change which funds are excluded.

EXAMPLE:

Jacob has the following burial assets:

| | |
|---|---|
| $1,000 | designated savings account |
| $ 200 | irrevocable burial contract |
| $1,500 | maximum exclusion |
| - 200 | irrevocable burial contract |
| $1,300 | available exclusion |

| | |
|---|---|
| - 1,000 | designated savings account |
| $ 300 | still available for exclusion |

The designated $1,000 savings account is excluded under the burial fund exclusion. Two years later, Jacob wants to add to his designated burial savings account which now has a balance of $1,150 due to accumulated interest. He can increase the excluded funds in the account by up to $300 which would bring the total designated burial funds up to $1,300 (1,500 - 200) plus interest.

The amount of interest which accumulated in the account was not counted.

## Modifications are Permitted

### Change of Form

Transferring excluded burial funds from one form to another (for example, from a certificate of deposit to a burial contract) is allowed.

### Loans against Burial Funds

A loan against the cash surrender value (CSV) of a life insurance policy that has been excluded under the burial fund exclusion is allowed if the loan is for the purchase of another burial fund.

Use of a burial fund as collateral for a loan is not allowed because the loan creates an encumbrance on the funds. Since the funds are not available for the individual's burial as long as they are encumbered, the funds cannot be considered set aside for the individual's burial. This is true even if the loan is used for burial purposes.

## Burial Funds Must Be Kept Separate

Burial funds may be commingled with other burial expense-related assets, but must be kept separate from nonburial-related assets to be excluded. Burial-related assets are burial funds (excluded and nonexcluded) and burial spaces (including agreements representing the purchase of a burial space). If burial funds are commingled with nonburial-related assets, the exclusion does not apply.

### Examples

A single burial contract for $2,500 of burial services and $2,000 in burial spaces does not have to be separated into 2 contracts since the whole amount is burial-related, even though only $1,500 of the contract as a burial fund is excluded.

A bank account containing $1,200, $500 of which is designated for burial and $700 of which is other funds the individual uses for living expenses, is not allowable and the $500 may not be excluded as a burial fund.

## Redesignation

The burial fund exclusion may change when a person obtains additional assets for burial expenses or the amount or nature of the existing assets designated as the burial fund occur. A redesignation is a change or correction of a previous burial fund designation made necessary by a change in the amount of burial funds originally designated (not including accumulated interest or appreciation). This may be caused by addition of funds (other than interest) or use of funds. The burial fund exclusion is not lost and reapplied, but merely corrected.

## Deeming Considerations

The burial fund exclusion also applies to assets owned by the person's spouse that are designated as set aside for the burial expenses of the person or their spouse or eligible dependent children.

~~Two separate and distinct exclusions apply to assets set aside for burial expenses. All assets set aside for burial expenses must be evaluated to determine if they may be excluded under one of the exclusions. This section discusses the Burial Fund Exclusion (BFE). The Burial Space Exclusion (BSE) was discussed in the previous section.~~

~~The BFE allows a person to exclude up to $1,500 of assets for burial services. Burial services include preparing the body for burial and services that are not performed at the burial site. These assets must be clearly designated for the person or their spouse's burial, cremation, or other burial-related services; they cannot be commingled with other assets not intended for burial. This exclusion applies only if the funds set aside for burial expenses are kept separate from all other assets not intended for burial.~~

## ~~Assets Held for Family Members~~

~~People can exclude assets under the BFE for themselves and the following family members:~~

- ~~Spouse~~
  - ~~This includes the community spouse of a person who resides in a long-term care facility (LTCF) or receives Elderly Waiver (EW) services.~~
  - ~~The spouse does not have to be eligible for Minnesota Health Care Programs (MHCP).~~
- ~~Dependent children who:~~
  - ~~are MHCP enrollees, and~~
  - ~~live with the person or the person's spouse.~~

## ~~Order of Assets Applied to the BFE~~

~~Each person's $1,500 exclusion is reduced in the following order:~~

1. ~~The face value (FV) of any life insurance policy on the person (or spouse) if such policy is excluded under the life insurance exclusion~~
2. ~~Any amount held in an irrevocable trust, an irrevocable burial contract, burial insurance, or other irrevocable arrangement for the person's (or spouse's) burial expenses, in the order purchased, except to the extent that it represents excluded burial spaces. See Medical Assistance for people Who Are Age 65 or Older and People Who Are Blind or Have a Disability (MA-ABD) Burial Space Exclusion for more information.~~
    - ~~Burial insurance is considered an irrevocable arrangement whose FV reduces the $1,500 BFE by the policy's value. However, burial insurance is not counted as an asset even if it is not applied to the BFE.~~
3. ~~Liquid assets, up to $1,500, may be designated for any remaining balance of the BFE. This category includes such liquid assets as:~~
    - ~~Cash and bank accounts~~
    - ~~Financial instruments with a cash value, such as stocks, bonds and certificates of deposit~~
    - ~~CSV of insurance policies when the total FV exceeds $1,500~~
    - ~~Revocable burial contracts~~
    - ~~Installment sales contracts for burial space items (BSI)~~
        - ~~If the person cannot distinguish BSIs from burial services in the contract:~~
            - ~~All expenses are categorized as services and none as BSIs.~~
            - ~~The person may ask the funeral provider to amend the contract, distinguishing burial services from BSIs.~~
    - ~~The contract amount allocated to purchases that cannot be categorized as either a burial service or a BSI, such as certified copies of the death certificate or a meal prior to the burial service.~~

## ~~Changes in Burial Exclusion Amounts~~

~~Once the amount of designated burial funds equals $1,500, the only additions to that amount that can be excluded under the BFE are appreciation and/or interest. Interest earned on excluded burial funds and appreciation in the value of excluded burial arrangements are excluded as income and assets if left to accumulate and become part of the burial fund.~~

~~Until $1,500 in burial funds has been designated, additional amounts can be excluded under the BFE if the person designates them for burial expenses. Interest on excluded burial funds is not included in determining if the $1,500 maximum has been reached.~~

## Legal Citations

United States Code, Title 42, Sectoin 1382b

Code of Federal Regulations, Title 20, Section 416.1231

Minnesota Statutes, section 256B.056, subdivision 1a

Minnesota Statutes, section 256B.056, subdivision 3d

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## H. Section 2.3.3.2.7.11.3 MA-ABD Prepaid Burial Arrangements (NEW)

Medical Assistance for People Who Are Age 65 or Older and People Who Are Blind or Have a Disability

# 2.3.3.2.7.11.3 Prepaid Burial Arrangements

A prepaid (or preneed) burial contract is an agreement, whereby the buyer pays in advance for burial services and/or burial spaces that the seller agrees to furnish upon the death of the buyer or other designated individual.

Pre-need Burial Arrangements funded by a life insurance policy should be evaluated under the Life Insurance and Burial Contracts policy.

### Contract is a Countable Asset

If a burial contract is revocable it is a countable asset. However:

- any portion of the contract that clearly represents the purchase of burial spaces may be excluded, regardless of value; and
- some or all of any remaining value of the contract may be excluded under the burial fund exclusion.

### Contract is Not a Countable Asset

Up to $2,000 of a burial contract can be irrevocable for one person or $3,000 for a couple. This amount is not counted because it is unavailable to the person. The portion of a burial contract that cannot be revoked is not a countable asset. However:

- any portion of the contract that clearly represents the purchase of burial spaces is excluded, regardless of value; and
- any portion of the contract that represents burial funds reduces the $1,500 burial fund exclusion for an individual.

EXAMPLE

A contract for $2,850 in unspecified burial goods or services:

| | | |
|---|---|---|
| $2,850 | - | total value of contract |

| | | |
|---|---|---|
| $2,000 | - | maximum irrevocable under State law |
| $1,500 | | Applied to the burial fund exclusion |
| $500 | | not excluded, but unavailable due to irrevocability of contract |
| $850 | - | available, counted asset |

For people who are married, any division of burial contract funds is acceptable. For example, one spouse may have a $2,500 burial contract, the other spouse a $500 burial contract.

Interest earned on the irrevocable burial contract is neither income nor assets, as long as it is left to accumulate.

## Evaluating Contracts

### Conditions for Liquidation

A prepaid burial contract, even when not technically irrevocable, may have conditions attached to its liquidation or revocation. If either of the following conditions exists, the contract is not an asset.

- Significant hardship may result from the conditions required for revoking a contract. Significant hardship means an unrealistic demand; for example, having to move out of state.
- State law or contractual terms may require mutual consent of buyer and seller in order to sell or revoke a contract. If the seller will not consent, or will consent only under conditions that would pose a significant hardship to the buyer, this must be documented.

### Value of Contract as an asset

If a burial contract is an asset, the value is the amount payable to the owner upon revocation, or cash surrender value.

### Single - Purpose Burial Space Contracts

General

The burial space exclusion applies to any single-purpose burial space contract if:

- the contract lists all of the burial spaces and either includes a value for each space or the total value of all the spaces combined; and

- the seller's obligation to provide those items is not contingent on further payment (as in certain installment contracts); for example, the items are actually being held for the individual's future use.

Exception: The burial fund exclusion applies (subject to the $1,500 maximum or as reducing that maximum) to:

- the unidentified portion of a contract that implies it covers only burial spaces but does not identify some or all of the spaces, or does not include either a value for each burial space or the total value of all the spaces combined; and
- the amount paid on an installment contract for burial spaces if the contract does not entitle the person to the spaces until the full purchase price has been paid.

Until the contract has been paid in full, all payments are considered to be funds set aside for burial. Amounts paid in excess of the maximum available burial fund exclusion are countable assets. On the first of the month following the month in which full payment has been made, these items can become subject to the unlimited burial space exclusion because at the point of full payment the contract becomes an agreement representing the purchase of a burial space.

**Single - Purpose Contracts for Burial Expenses**

A single-purpose contract for burial expenses includes only services that are applicable to burial expenses and that are subject to, or reduce the amount of, the burial fund exclusion.

**Contracts for Both Burial Spaces and Burial Expenses**

**Irrevocability Designation**

If a combined contract designates which portion is irrevocable and which is not, that designation is controlling. That is, if the contract designates only the burial space purchase as irrevocable, the portion dealing with burial funds is revocable and is subject to the burial fund exclusion.

If it cannot be determined which amounts represent the purchase of burial spaces and which represent burial funds, and which parts of the contract, if any, are irrevocable, the person has not distinguished spaces versus services. In those cases, the entire contract is considered as an asset in the form of burial funds. The person may ask the funeral provider to amend the contract to distinguish burial services from burial space items.

**Maximum on Irrevocable Amount**

If the contract does not designate which part is irrevocable and the contract value exceeds $2,000 ($3,000 for a couple), we apply the maximum to burial spaces first.

- If space purchases exceed the maximum excluded contract value of $2,000, the excess is revocable but subject to the burial space exclusion.
- If space purchases are less than the maximum excluded contract value of $2,000, the balance is considered burial services.

Irrevocable burial funds reduce the amount available for excluding other burial funds.

**Installment Contracts**

The amount paid for any spaces and services in a combined contract being purchased in installments are considered burial funds if the contract:

- does not entitle the individual to the spaces and services listed until the full purchase amount has been paid; or
- relieves the seller of the obligation to provide the spaces and services listed at the price listed until the contract is paid in full.

Once the contract has been paid in full, the space and fund exclusions are applied as appropriate.

**Value of a Revocable Contract**

The amount refundable upon revocation of the contract should be stated in the contract. If it is not, additional documentation may be required.

## Legal Citations

United States Code, title 42, section 1382b

Code of Federal Regulations, title 20, section 416.1231

Minnesota Statutes, section 256B.056, subdivision 1a

Minnesota Statutes, section 256B.056, subdivision 3d

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## I. Appendix I

Appendix I

# Life Insurance Concepts

The following are some key concepts that are important to understand in order to assess life insurance as part of MA financial eligibility.

### Accelerated life insurance payments

Accelerated life insurance payments allow some or all of the proceeds of the life insurance policy to be paid out to the policy owner prior to the death of the insured. Receipt of these types of payments may reduce the face value (FV) and cash surrender value (CSV). A policy owner can also take out a loan against the life insurance policy.

Accelerated life insurance policies can provide three basic types of payments:

- Long term care model – policy owner can access the death benefit of the contract to pay for extended care in a facility or for home health care.
- Dread disease or catastrophic illness model – policy owner can access the death benefit of the contract in order to care for the insured during any specified covered condition.
- Terminal illness model – policy owner can access the death benefit of the contract when a terminal illness is diagnosed for the insured and death is expected to occur within a specified period.

### Annuity

An annuity is a life insurance product that may be converted to an income stream for the owner while they are still living. The individual deposits money with an insurance company either all at once (lump sum) or over several years. The terms of the contract determine whether an owner may annuitize at any time, or is subject to an accumulation period. During an accumulation period the money earns interest at a tax deferred rate and the owner has limited access to the fund for that period. At the end of the accumulation period, the policy owner may have several distribution or annuitization options, ranging from a higher monthly income for a short specified period to a smaller income until their death.

### Beneficiary

The insurance or annuity policy owner names the beneficiary(ies) who will receive the proceeds upon the death of the insured or annuitant.

## Burial insurance

Burial insurance is a contract whose terms preclude the use of its proceeds for anything other than payment of the insured's burial expenses.

NOTE: If a policy has a CSV to which the owner has access, the policy is not burial insurance for MA purposes.

## Cash surrender value (CSV)

Cash surrender value (CSV) is the monetary or equity value that an endowment or whole life insurance policy acquires over time as the policy owner pays the premiums and dividend additions and interest are added to the policy. The policy owner can take out loans against this amount and can obtain the full CSV by cancelling the life insurance policy before the insured dies or the policy matures. A loan against a life insurance policy reduces its CSV.

NOTE: Dividend accumulations are considered a separate asset.

## Demutualization

Demutualization occurs when a life insurance company converts from a policyholder owned mutual company to a stockholder owned company. As part of demutualization, the insurance company issues shares of stock or cash to its policy owners to compensate them for the loss of certain ownership rights.

## Dividends

"Mutual" or "participating" life insurance companies may offer their policy owners payment from the company's annual surplus earnings, which they call dividends. Insurance companies pay these dividends in one of three ways:

- Issuing checks to the owners (usually annually),
- Applying the funds to premiums due; or
- Crediting the funds as an addition or accumulation to the existing policy.

Dividend accumulations are surplus company earnings, which accrue in an account that the insurance company controls for the policy owner. The policy owner can access these funds without penalty at any time without affecting the FV or CSV.

The insurance companies use surplus company earnings, called dividend additions, to buy more insurance protection for the life insurance policy owner. Dividend additions increase the FV and CSV.

NOTE: The tables of CSVs that come with a life insurance policy do not reflect the added CSV of any dividend additions.

## Endowment

An endowment is a type of life insurance policy in which CSV is built up within the policy until the CSV equals the FV at a fixed maturity date. If the insured outlives the policy, the FV is paid to the insured. If the insured does not outlive the policy, the FV is paid to the beneficiary.

## Face value (FV)

Face value (FV) is the amount that is contracted for at the time the life insurance policy is purchased – it is the amount to be paid out when the insured dies. The front page of the life insurance policy may show it as such, or as the “amount of insurance,” “the amount of this policy,” “the sum insured,” etc. A life insurance policy's FV does not include:

- the FV of any dividend additions, which are added after the life insurance policy is issued;
- additional sums payable in the event of accidental death or because of other special provisions; or
- the amount(s) of term insurance, when a policy provides whole life coverage for one family member and term coverage for the other(s).

## Insurable interest

Insurable interest means there would be a financial loss by the owner in the event of the death of the insured person.

## Insured

The insured is the person on whose life the insurance company issues the policy.

## Limited pay

A limited pay policy is a type of whole life policy in which all premiums are paid for a certain period, after which no more premiums are due.

## Loan

A loan is a cash advance made by the life insurance company to a policy owner on the security of the cash value of the life insurance policy. Loans reduce the CSV of the policy.

## Modified whole life policy

A modified whole life policy charges smaller premiums for a specified length of time after which the premiums increase for the remainder of the policy.

## Owner

The life insurance policy owner can be the insured, another individual, a company, or a trust with an insurable interest in the insured person. The life insurance policy can be an asset only to the owner of the policy. The owner, who might not be the person who is insured, is the person with ownership interest in the policy: this includes the right to surrender the policy or change the beneficiary.

## Participating policy

A participating policy is life insurance that is eligible for payment of dividends by the insurer.

## Permanent policy

A permanent policy is any form of life insurance except term policies. Generally, a permanent policy, such as whole life, universal life, etc builds up a cash value.

## Premiums

Premiums are the amount the policy owner pays during the lifetime of the policy to keep it in force. In most cases, if the owner stops paying the premiums the policy will lapse and become inactive.

## Pre-need senior or final expense

Pre-need senior or final expense policies are whole life policies designed specifically to cover funeral expenses. The life insurance policy owner signs an arrangement with the funeral home and, at the insured's death, the proceeds are assigned to the funeral home for payment of services it promises to render. Most contracts dictate that any excess proceeds are paid either to the insured's estate or to designated beneficiary(ies).

## Proceeds

The proceeds of a life insurance policy are the total of the FV of the life insurance policy plus any additions payable at maturity or upon death. Proceeds do not include dividends or interest that are left to accumulate in the life insurance policy. Also, proceeds do not include a life insurance policy's CSV.

## Riders

Riders are modifications the policy owner adds to the life insurance policy at the time of purchase. A common example is accidental death (which pays twice the FV if death is from accident). Riders do not alter the FV or CSV of the policy.

## Single premium whole life

Single premium whole life is a life insurance policy with only one premium payable at the time the life insurance policy is purchased.

## Supplementary contract

A supplementary contract is not a life insurance policy. It is an agreement whereby, when the life insurance policy matures or the insured dies, the proceeds are paid not in a lump sum, but in an alternative manner selected by the individual, usually as an annuity.

## Survivorship life

Survivorship life, also known as joint life insurance, is a whole life insurance policy insuring two lives (generally spouses) with the proceeds payable to the beneficiary(ies) on the later death of the second person.

## Term life

A term life policy is life insurance that provides coverage for a specified period at a guaranteed rate. Some common subtypes of term life insurance are mortgage insurance and group insurance. Policy owners may have the option of converting term life insurance policies into whole or universal life insurance policies (convertible). Alternately, policy owners can renew the policy at the end of its term for limited number of successive terms (renewable).

## Universal life

Universal life policies provide insurance over a specified period, and build cash value for policy owners over time. They have greater flexibility in premium payment and potential for higher internal rates of return. There are several types of universal life policies, including variable universal and equity indexed universal life. All universal life policies include a cash account in addition to the standard death benefit.

## Whole life

Whole life is a form of life insurance that applies part of the premium payments to build an investment or savings value for the policy owner. The investment or savings value is called the CSV of the policy.

A modified whole life policy charges smaller premiums for a specified length of time after which the premiums increase for the remainder of the policy.

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