

# Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values

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Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) accurately determined the cash surrender values (CSV) of Supplemental Security Income (SSI) recipients' life insurance policies as countable resources.

### Background

Some life insurance policies have a CSV. A policy owner can obtain the CSV by cancelling the policy before it fully matures.

SSA must determine the resource value of an individual's life insurance policy when it determines an applicant's SSI eligibility. It must also do so when completing redeterminations. Redeterminations are scheduled annually if a change in non-medical eligibility factors is likely to occur or once every 6 years if a change is unlikely.

We reviewed a random sample of 250 recipients who had life insurance policies with face values of \$25,000 or more and CSVs that were unverified by SSA for 5 years or more.

### Findings

SSA did not always accurately determine the CSVs of SSI recipients' life insurance policies. Of the 114 records we determined needed to be verified, SSA either had not verified the CSVs of the recipients' life insurance policies or had not verified them in 6 years or longer.

For 3 of the 114 recipients, SSA records had information on the CSV. We determined the three recipients were ineligible for SSI payments, and SSA improperly paid them \$11,010 because their CSVs took them over the allowable resource limit for SSI eligibility.

For the remaining 111 cases, SSA did not have copies of the life insurance policies in its records. Lacking the policies, we used SSA's estimation methodology and determined that all these recipients would have been over the resource limit if their actual CSVs equaled their estimated CSVs. Per policy, recipients cannot be determined ineligible based on estimated CSVs, but staff is required to determine the actual CSVs when the estimated CSVs suggest the recipients have excess resources. Had these recipients been determined to be ineligible for SSI payments when their estimated CSVs suggested they were over the resource limit, they would have been improperly paid about \$3.9 million.

Projecting to our population, we estimate about 6,600 recipients may have been improperly paid approximately \$229 million because their CSVs under existing SSA policy brought their resources over the allowable limit for SSI eligibility.

Lastly, while the estimated CSVs suggested these recipients may have been ineligible for SSI payments, we determined the estimation formula likely overstated actual CSVs.

### Recommendations

We made 4 recommendations, including that SSA should verify the CSV for the 114 cases we determined need to be verified and determine whether the CSV in additional life insurance policies in our population should also be verified.

SSA agreed with our recommendations.