

FSP regulations at 273.9(c)(8) mandate that money received in the form of a nonrecurring lump-sum payment, including lump-sum insurance settlements, are excluded from consideration as income but must be counted as resources in the month received, unless specifically excluded from consideration as a resource by other Federal laws.

We have received an inquiry regarding the treatment of insurance settlements relative to the recent disasters. If States ask about excluding these settlements, please point out that Section 4107 of the 2002 Farm Bill allows States, at their option, to exclude certain types of resources from FSP consideration if they are not counted under the State's Temporary Assistance for Needy Families (TANF) cash assistance or Section 1931 Medicaid programs. States affected by the recent hurricanes can use this option to exclude disaster insurance payments if TANF or Section 1931 Medicaid do so.

While not certain, it seems likely that States seeking to exclude settlements for FSP purposes will exclude them for the programs for which they establish the policy. Please let us know of situations where this approach does not work.

John Knaus