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BULLETIN 06-17

Date: September 22, 2006
To: Insurers
Re: Individual Health Insurance—Eligibility for Coverage--Family Coverage

The purpose of this bulletin is to inform insurers of a new interpretation of who is eligible for coverage under individual health insurance contracts issued in Maryland.

Section 15-201(c), Insurance Article, Annotated Code of Maryland describes who can be covered under an individual health insurance policy in Maryland. Section 15-201(c) reads:

“(c) (1) Except as provided in paragraph (2) of this subsection, each policy of health insurance shall purport to insure only one individual.

(2) On application by an adult member of a family, a policy of health insurance may insure, originally or by subsequent amendment:

(i) the applicant, who is deemed the policyholder; and

(ii) two or more eligible members of the policyholder's family, including a spouse, dependent child, any other child under a specified age not exceeding 18 years, and any other individual dependent on the policyholder or any other individual related to and resident in the household of the policyholder.”

In the past, the Maryland Insurance Administration (“Administration”) has interpreted this subsection to prohibit insurers from issuing a policy to a policyholder that covered an individual unless the individual was:

1. the policyholder
2. a spouse of the policyholder;
3. a dependent child of the policyholder;
4. a child of the policyholder, other than a child included under item 3 above, if the child is younger than 18 years of age;

5. any other individual dependent on the policyholder; or
6. any other individual related to and resident in the household of the policyholder.

On October 21, 1998, the Administration issued Bulletin 98-13, which revised the interpretation of “family member” as used in §15-302 of the Insurance Article. Section 15-302 of the Insurance Article describes the individuals who can be covered under group health insurance contracts. It was determined that the use of the term “family member” in §15-302 does not prohibit an insurer, at the insurer’s option, from issuing coverage to individuals under a group policy, as dependents or family members, who are not related to a group member by blood, marriage or adoption.

Section 15-201(c)(2)(ii) also permits members of the policyholder’s family to be covered under an individual policy. The word “including” found in §15-201(c)(2)(ii) makes it clear that the individuals considered to be family members are not limited to those individuals listed in §15-201(c)(2). The Rules of Interpretation Article, §30, Annotated Code of Maryland specifies that the words “includes” or “including” are to be interpreted as an illustration, and not as a limitation. Therefore, effective immediately, the Administration will no longer object to individual health insurance contracts that seek to cover family members who are not related to the policyholder by blood, marriage or adoption.

Any questions about this bulletin should be directed to the Life/Health Section of the Maryland Insurance Administration at 410-468-2170.

R. Steven Orr
Insurance Commissioner

By: _____
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