



OFFICE OF THE GOVERNOR

NEWS RELEASE

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Gov. Christie Whitman Pledges To Fight For Auto Insurance Reform With Guaranteed Policy Reductions Up To 25 Percent

Gov. Christie Whitman today pledged to fight for passage of legislation which will mandate reductions up to 25 percent on all passenger car insurance policies in New Jersey.

"New Jersey drivers currently have few choices in buying car insurance -- and those choices cost too much," Whitman said at a meeting with employees of Comar Inc. in Buena. "I have proposed a plan that gives drivers real choices and guaranteed savings. It's called Driver's Choice, and it will offer four options, with savings up to 25 percent."

According to the Governor, typical drivers purchasing the Super Savings Policy will cut rates by a guaranteed 25 percent. The Fixed Benefits Policy guarantees 15 percent and the traditional Benefits Policy guarantees 10 percent savings. Even under the Maximum Benefits Policy, a savings of 5 percent is guaranteed.

The Governor on Monday announced the amendments to the original legislation she submitted to the Legislature last March that would lock in savings of ranging from 5 percent to 25 percent for typical drivers with good records.

"Drivers will save money through our new anti-fraud measures, through a peer review system that is part of my proposals, and through the options they select under Driver's Choice," Whitman said. "These savings are real. And they are guaranteed. Car insurance bills will go down."

Whitman said these guarantees will apply to about 75 percent of New Jersey drivers, depending on factors like driving record, levels of coverage, and type of car. If a driver buys a more expensive car, moves to a new town or causes an accident, there could be a change in the driver's insurance bills. However, under Whitman's plan the bill will still be lower than it would have been under the current system.

The guarantee also assumes drivers have full coverage. For drivers who have older cars and haven't been carrying collision coverage, the savings may be even more than the amount guaranteed.

The policy options in the Governor's proposal are:

- **Super Savings Policy.** This policy covers medical expenses, lost wages and other costs. Consumers selecting this option would be able to sue for economic loss, including lost wages and medical expenses, but not for pain and suffering and other noneconomic loss. The guaranteed savings would be 25 percent.
- **Fixed Benefits Policy.** Covers medical expenses, lost wages and other costs. As in the Super Savings Policy, consumers would be able to sue for economic loss but not for noneconomic loss. However, the consumer would be able to collect a predetermined or scheduled benefit for noneconomic loss from his or her insurer in accordance with regulations promulgated by the Commissioner of the Department of Banking and Insurance.

- Traditional Benefits Policy. Covers medical expenses, lost wages and other costs. A consumer selecting this policy could sue for both economic and non-economic loss if the consumer suffered a serious injury as defined in the law. Consumers who choose this policy would be guaranteed a savings of 10 percent of their policy costs.
- Maximum Benefits Policy. Covers medical expenses, lost wages and other costs. Consumer suits for economic and non-economic loss -- including pain and suffering -- are not restricted in any way under this option. The savings for those choosing this option is 5 percent of their policy costs

Under all options, consumers would maintain the right to sue for pain and suffering if they are injured by a drunk or uninsured driver. In order to reduce medical costs, the Governor's plan also provides for independent, unbiased peer review organizations (PROs) comprised of medical providers to determine the necessity and appropriateness of medical treatment given to drivers covered by Personal Injury Protection Plan Insurance. Under present law, those determinations are made by a panel of lawyers.

The Governor's plan to build guaranteed savings into the legislation she offered last spring is the latest in a series of actions taken by her this summer to reform automobile insurance in New Jersey.

The Governor signed legislation this summer which will:

- End automatic annual rate increases --saving drivers \$150 million this year;
- Prohibit insurance companies from dropping good drivers;
- Eliminate unfair surcharges for minor violations;
- Crack down on fraud;
- Bolster the anti-fraud efforts by adding 50 new investigators to the Division of Insurance Fraud in the Department of Banking and Insurance;
- Assess a \$25,000 fine against insurance companies that fail to report fraud;
- Revoke professional licenses -- lawyers, doctors or physical therapists -- of those individuals who commit fraud;
- Increase penalties for those caught driving without insurance. The maximum fine has been more than tripled from \$300 to \$1,000;

Whitman also directed Insurance Commissioner Elizabeth Randall to impose a freeze on automobile insurance rates on July 1. The freeze will remain in effect while the legislature considers the Governor's reform proposals and the amendments to it she announced on Monday, through the end of the legislative session.

These recent actions follow a number of actions taken by Gov. Whitman in earlier years to reduce the cost of insurance:

- Enacted legislation in 1994 which wiped out the billion dollar debt run up by the Joint Underwriting Association/Market Transition Facility;
- Eliminated surcharges for minor speeding violations in 1995;
- Allowed drivers a five percent premium discount for the completion of a defensive driving course;
- Enacted legislation to crack down on medical fraud, often a partner in auto insurance fraud scams;
- Extended the Fraud Act to apply to people who lie about where they live or how far they drive to work when applying for coverage.