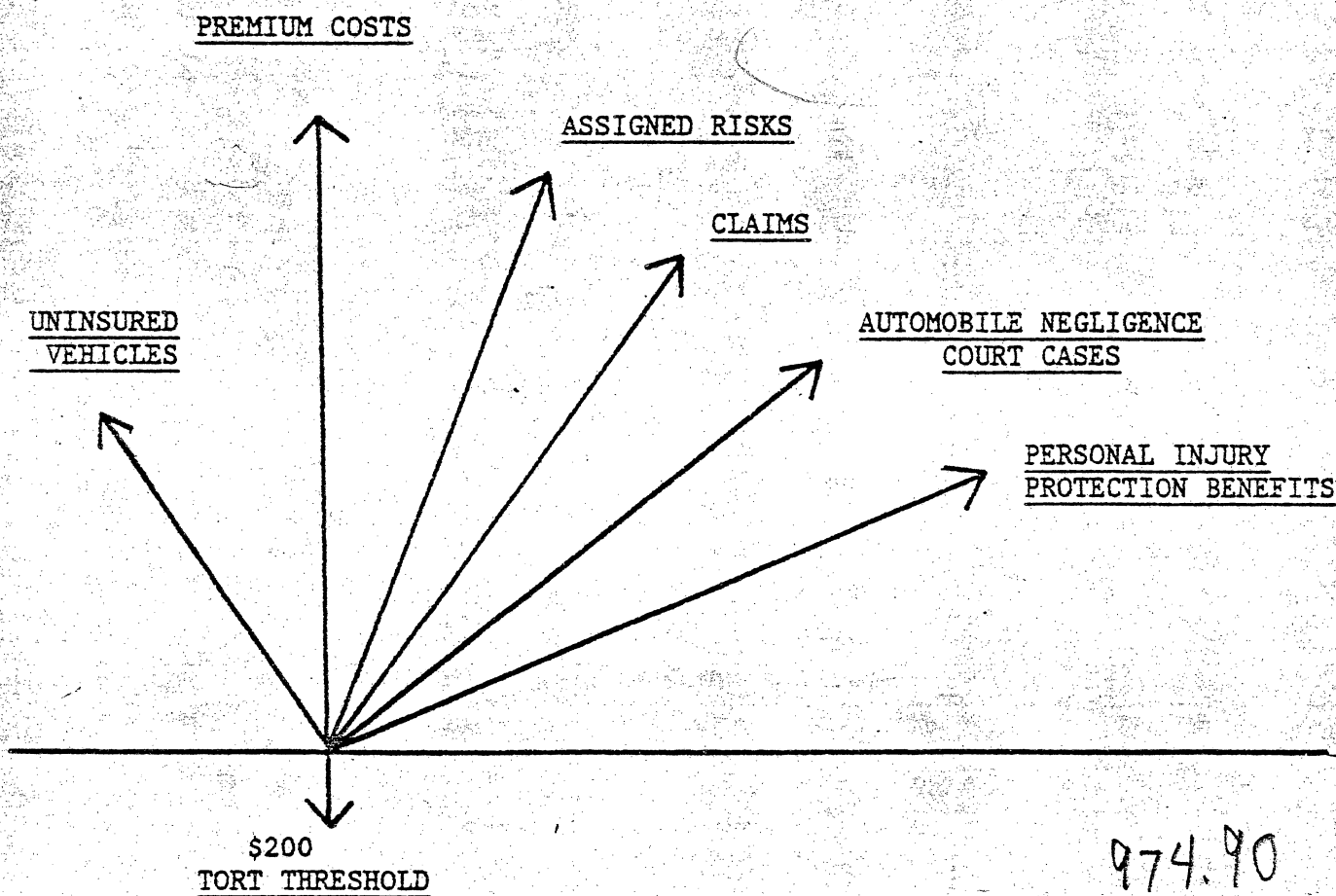




AN ASSESSMENT
OF THE
NEW JERSEY NO-FAULT
AUTOMOBILE REFORMATION ACT

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NEW JERSEY
DEPARTMENT OF INSURANCE

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INTRODUCTION

Prior to January 1, 1973, individuals who suffered injuries as a result of motor vehicle accidents could only look to the wrongdoer for redress or collect under their own accident and health insurance policy if they had one. If the wrongdoer refused to admit guilt, then the aggrieved party had no recourse but to engage an attorney and sue the party responsible in order to obtain reparations. Even if the claimant had a case, bringing an action in tort in all too many instances was a long drawn out process. If there were no provable wrongdoer, or no "other car" involved in the accident, the injured person effectively had no remedy.

On January 1, 1973, the New Jersey Automobile Reparation Reform Act (No-Fault Law), P.L. 1972, c. 70 became effective. Its objectives, based on recommendations of the Automobile Insurance Study Commission (AISC) created by the Legislature pursuant to Joint Resolution Number 4, Laws of 1970 were to:

- 1 - Provide an efficient insurance mechanism for the prompt payment of benefits for all accident injury victims (The Reparation Objective);
- 2 - Reduce or stabilize the prices charged for automobile insurance (The Cost Objective);
- 3 - Make available insurance coverage necessary for the provision of accident benefits (The Availability Objective);
- 4 - Streamline the judicial procedures involved in third-party claims (The Judicial Objective).

With the advent of No-Fault the Legislature mandated that owners of private passenger vehicles obtain Personal Injury Protection (PIP) for payment of all reasonable medical expenses, for replacement of lost wages up to \$5,200, and for the payment of essential services up to \$4,380. In the event of the insured's death, basic PIP provided for a funeral expense benefit of \$1,000 and survivor benefits up to the maximum lost wages and essential services benefits to which the deceased would have been entitled.*

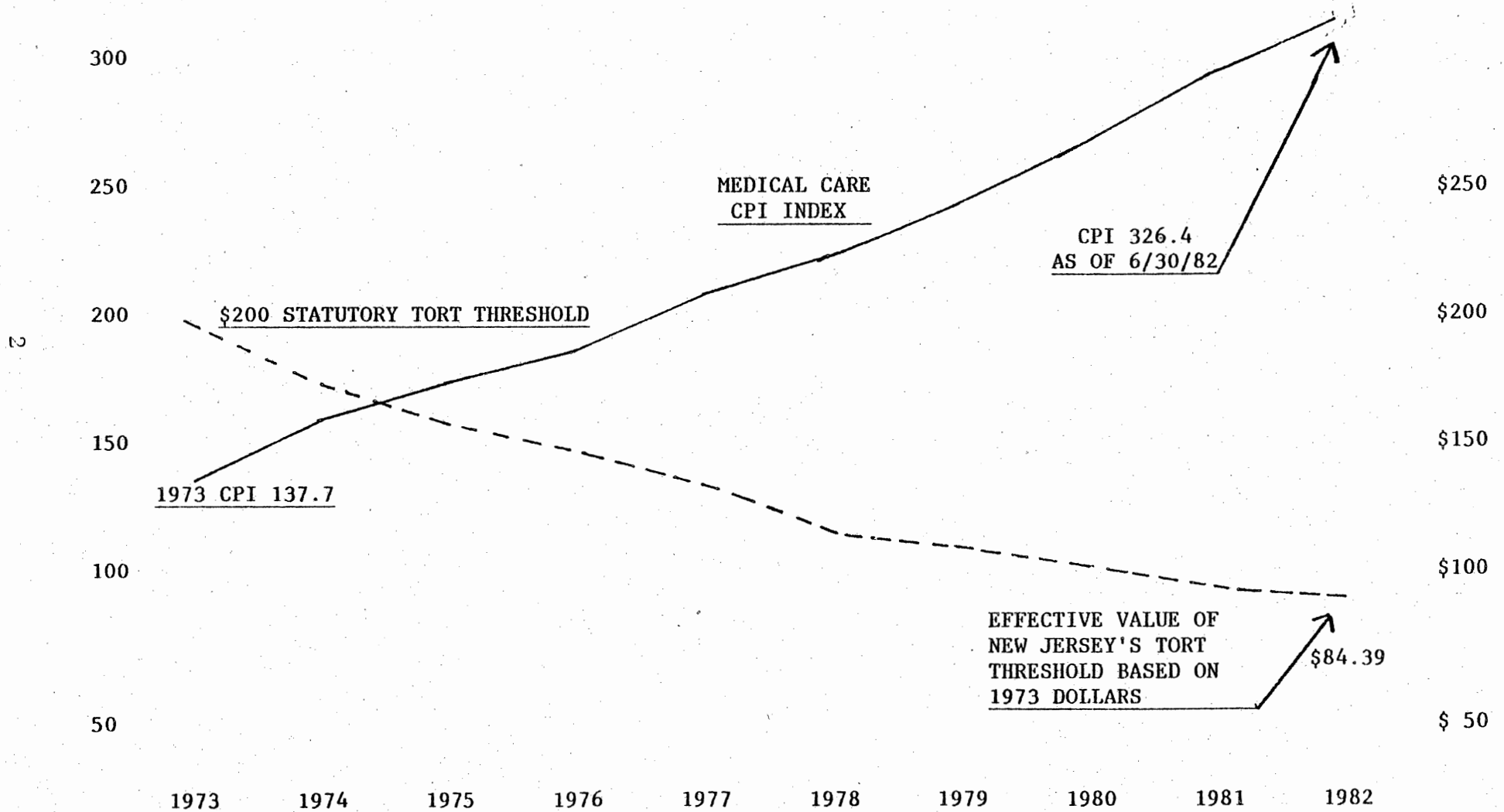
All motor vehicles of whatever type also must be covered by bodily injury and property damage liability insurance which is designed to establish financial responsibility to third party claimants who may have been wronged by the insured. This coverage also serves to protect the assets of the insured to the extent of the coverage provided. The law requires policies to include basic liability limits of at least \$15,000 for bodily injuries to any one person subject to an overall limit of \$30,000 for injuries to all persons involved in any one accident, and a minimum of \$5,000 for property damage liability insurance. In addition, all insureds must obtain

EFFECTIVE VALUE OF NEW JERSEY'S TORT THRESHOLD

BASED ON 1973 DOLLARS IS ONLY WORTH \$84.39

MEDICAL CARE COMPONENT OF THE
CONSUMER PRICE INDEX (CPI)
(1967 = 100)

MONETARY EQUIVALENT OF
\$200 TORT THRESHOLD IN
1973 DOLLARS



SOURCE: U.S. Department of Labor

uninsured motorists coverage in the same amount as for basic liability insurance, subject to a deductible of \$100 for property damage liability insurance.

If the insured owner of a private passenger automobile is injured in an automobile accident, PIP benefits will be paid by the insured's company for economic losses sustained such as medical bills regardless of who caused the accident.

Accident victims retain the right to recover in tort for general damages if the injury results in death, permanent significant disfigurement, permanent loss of a bodily function or loss of all or part of a body member, or in the case of "soft tissue" injuries the medical expenses (exclusive of hospital and diagnostic costs) are \$200 or more. Only those persons that sustained "soft tissue" injuries and incurred medical expenses of less than \$200 are barred from suing for damages. All other persons who have sustained injuries in an automobile accident involving a New Jersey No-Fault insurance policy retain the right to bring suit.

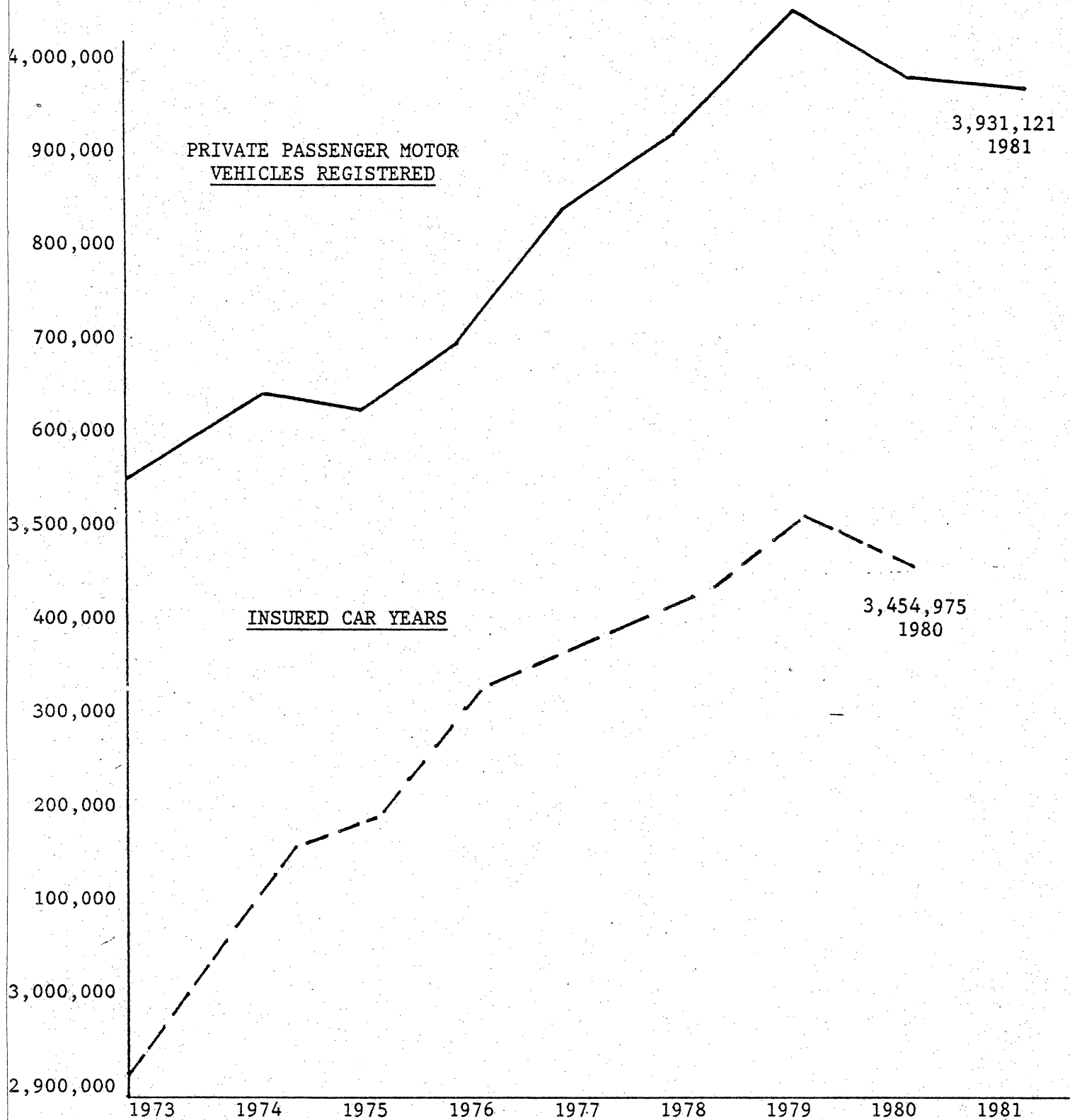
When the Legislature introduced No-Fault auto insurance in New Jersey in 1973, it had hopes that New Jersey motorists would be well served in terms of lowering costs, providing prompt protection against economic loss, and reducing court congestion by reducing third-party liability claims. Experience has shown, however, that the No-Fault law in New Jersey granted additional protection to persons injured in motor vehicle accidents without a meaningful trade-off to make the system cost effective. In today's economy it does not take long to run up a \$200 medical bill and the low \$200 "tort threshold" has become an easy target to be reached instead of being an equitable discriminator as to an individual's rights. From 1973 to June 20, 1982 medical costs increased 137%, further weakening the effectiveness of a "tort threshold" that was inadequate at its inception. Based on 1973 dollars the No-Fault threshold now stands at a mere \$84.39.

Statistics indicate a continuous trend toward more auto accident negligence cases that threaten to further tax an overburdened court system. By allowing injured persons to bring a tort action even though they are not seriously injured, we have invited abuses leading to substantial cost increases under a system of reparations which otherwise has many desirable features.

The effectiveness of New Jersey's No-Fault Automobile Insurance Law will be analyzed in the next five sections dealing with the Legislature's objectives; namely: Availability, Reparations, Judicial, Costs and Conclusion.

*N.J.S.39:6A-10 requires insurers to provide additional PIP up to an income level of \$35,000 per year to the insured on an optional basis.

PRIVATE PASSENGER MOTOR VEHICLES
REGISTERED AND INSURED



SOURCE: - New Jersey Division of Motor Vehicles

- ISO and NAII Compilations of Private Passenger Automobile PIP
and Liability Experience Data

I AVAILABILITY

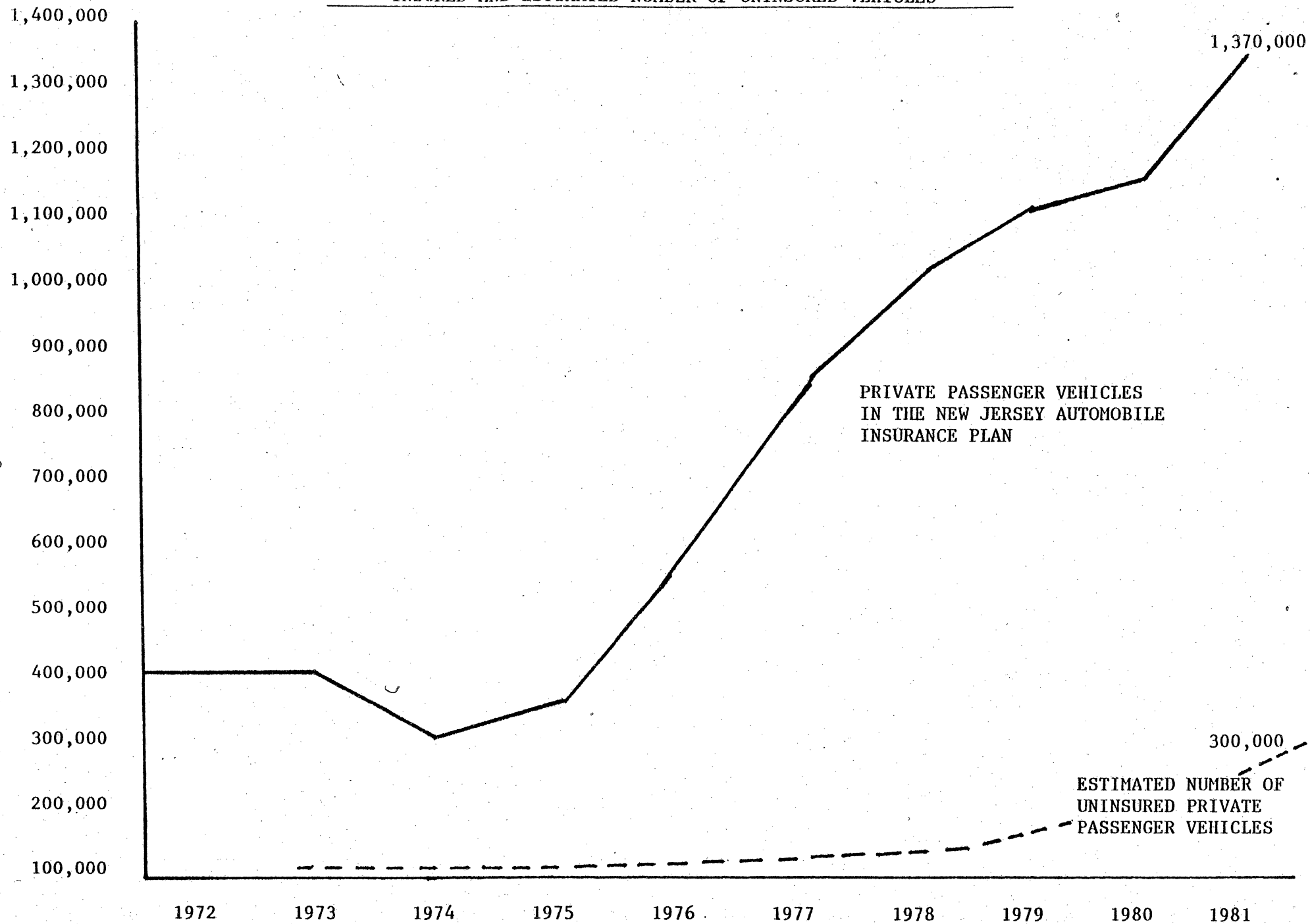
Availability of insurance protection mandated by New Jersey's No-Fault law bears an inverse relationship with the assignments made under the New Jersey Automobile Insurance Plan, (NJAIP). This Plan, formerly referred to as the Assigned Risk Plan was established to make automobile insurance available to those individuals who had difficulty in obtaining coverage in the voluntary market. The number of risks placed through this mechanism is an indicator of the condition of the automobile insurance market. A large number of risks placed by assignment would indicate that the automobile insurance mechanism is experiencing serious difficulties. This is the situation in New Jersey today. New Jersey is actually one of the few states in which the population of its assigned risk plan is increasing instead of decreasing, according to the National Association of Independent Insurers latest report entitled "Market Characteristics and Residual Market Population."

One of the concerns of the Legislature when it enacted the No-Fault law was the large number of private passenger vehicles covered by the NJAIP at the time. They numbered approximately 400,000. Today, after hitting a low of 303,338 in 1974, the number of assignments on a written basis has increased to an estimated 1,370,000 which represents approximately 1/3 of all private passenger motor vehicles registered in the State (3,931,121 in 1981). In effect the NJAIP has become the largest provider of automobile insurance in New Jersey. Even with recent rate increases the situation does not seem to be turning around because the fundamental flaw of the No-Fault Automobile Reparations system has not been addressed by the Legislature. Without meaningful tort reform legislation there is very little hope that insurance companies will once again voluntarily seek out automobile risks in New Jersey. To do so under the present circumstances would only increase the insurer's share of automobiles assigned to it by the NJAIP, a risk most companies are unwilling to take.

Closely allied with availability is affordability. When insurance rates go up more people find themselves unable to pay for the increased premium costs and once the motor vehicle registration is validated their policies are allowed to lapse. It has been estimated that there are at least 300,000 uninsured vehicles registered in New Jersey. This is reflected in the claim notices received by the Unsatisfied Claim and Judgment Fund which now deals with only a minor portion of the uninsured claims because of the mandatory Uninsured Motorists Protection insurance provided by law. Notices of Intention to Make Claim have almost doubled since the fiscal year commencing July 1, 1976. Notices have increased constantly since 1976 from a total of 3,675 to 6,749 for the fiscal year ending June 30, 1982, an increase of 84%.*

A comparison of the number of private passenger motor vehicles registered (which showed a decrease in 1980 and in 1981) with the

INSURED AND ESTIMATED NUMBER OF UNINSURED VEHICLES



SOURCE: New Jersey Automobile Insurance Plan

number of insured car years confirms that there is an uninsured vehicle problem. Based on the latest available data in 1980 when there were 3,994,171 private passenger motor vehicles registered the insured exposure units in terms of car years totaled only 3,454,975, a difference of 539,196 units or 13%.

As a consequence of the evasion of the mandatory insurance program, the costs of irresponsible motorists are shifted inequitably to those that are able and willing to pay the price for automobile insurance. The monetary cost that must be redistributed and absorbed by the system as a whole is estimated to exceed \$100,000,000.

*SOURCE: Managers Annual Report to the Unsatisfied Claim and
 Judgment Fund Board as of June 30, 1982

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AVERAGE NUMBER OF DAYS BETWEEN
DATE OF REPORT OF INJURY AND FIRST PAYMENT TO CLAIMANT

B.I.

P.I.P.

2 YEARS

ATTORNEY REPRESENTED
R.B.I. CLAIMS (715 DAYS)

21

Months

1

Year

6

Months

NOT ATTORNEY REPRESENTED
R.B.I. CLAIMS (176 DAYS)

ATTORNEY REPRESENTED
P.I.P. CLAIMS (122 DAYS)

NOT ATTORNEY REPRESENTED
P.I.P. CLAIMS (55 DAYS)
P.I.P. LOSSES MUST BE PAID IN
30 DAYS (N.J.S.A. 39:6A-5)

LAWSUITS COST TIME AND MONEY

SOURCE: All Industry Research Advisory Committee

II REPARATIONS

The No-Fault law provision which required PIP benefits to be paid 30 days after written notice of a covered loss is a vast improvement over the old system. However, the goal was attained at a cost which the Legislature did not anticipate and the public did not expect. Although we have a more responsive PIP reparations payment arrangement, we unfortunately are still troubled by an inefficient and costly liability component in our mandated automobile insurance law. The liability component under a No-Fault law is commonly referred to as Residual Bodily Injury (RBI) coverage. RBI is the source of recovery for "Fault" claims that are not covered under PIP (No-Fault) coverage.

PIP claims paid presently outnumber the RBI claims paid about 3 to 1; nevertheless, the ratio is far too low when compared with the ratios of other states such as Michigan. In other words, approximately 1/3 of New Jersey's PIP claimants also qualify for tort recovery a condition which is aggravated by the continuous erosion of a defective tort threshold. If we compare the ratio of RBI to total PIP claims arising it takes on the proportion of almost 3 to 4 which is an indication that an excessive number of RBI claims are being made which in turn result in unnecessary claims handling costs. The trend to file a liability claim is worsening as disclosed in an analysis of the number of claims arising which shows that the number of RBI claims increased by 89.9% from 1975 to the present as compared to 84.3% for PIP. For the year 1981 there were 86,841 new RBI claims as compared to 119,239 new PIP claims.

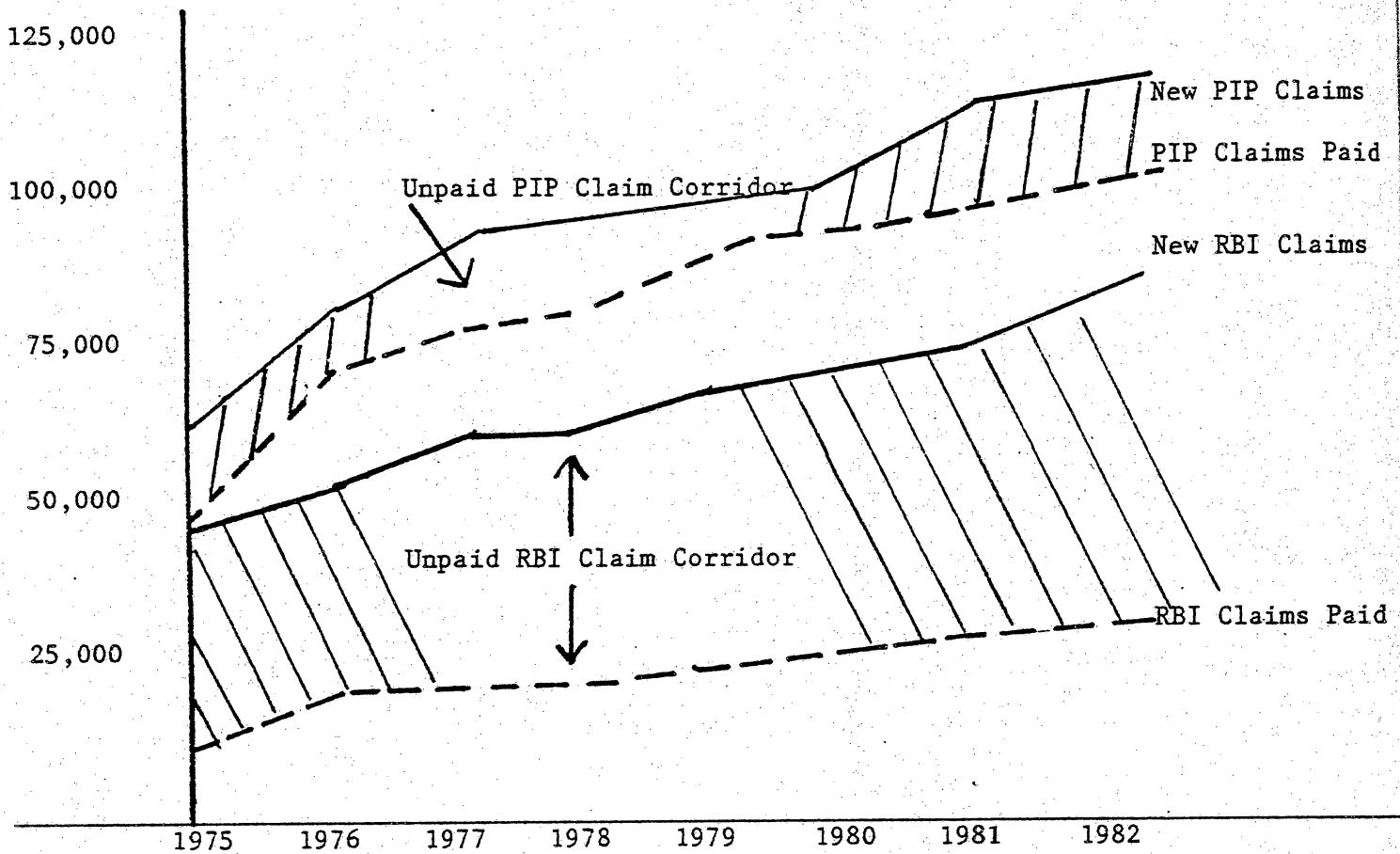
In addition, the increase in the ratio of new RBI claims to paid claims from 1975 to the present is in sharp contrast to the constantly decreasing ratio of new PIP claims to paid claims. This is symptomatic of the fact that the PIP system is far more responsive in meeting claim obligations than the RBI system and is improving while the RBI system is less responsive and is deteriorating.

The underlying problem can be summed up by quoting from an article that appeared in the January 31, 1980 issue of the New Jersey Law Journal entitled "No Fault - Which Way?" The article stated that, "Experience since 1973 has not refuted the basic premise that the old system was inequitable and inadequate; but premiums have continued to escalate, and personal injury litigation remains the single largest preoccupation of our judicial system, at least so far as our courts of unlimited jurisdiction are concerned." This condition unfortunately is still with us today.

In effect the insured motorist has gained the right to obtain prompt payment for economic losses free from the need to prove "fault" without any meaningful trade-off. The only right foregone by the insured is the right to sue for pain and suffering

UTILIZATION OF PIP AND RBI BENEFITS

CLAIMS



THE UNPAID RBI CLAIM CORRIDOR MADE UP OF UNWARRANTED AND UNRESOLVED CLAIMS IS MORE THAN 3½ TIMES THAT OF THE UNPAID PIP CLAIM CORRIDOR.

SOURCE: NAIC Fast Track Monitoring System

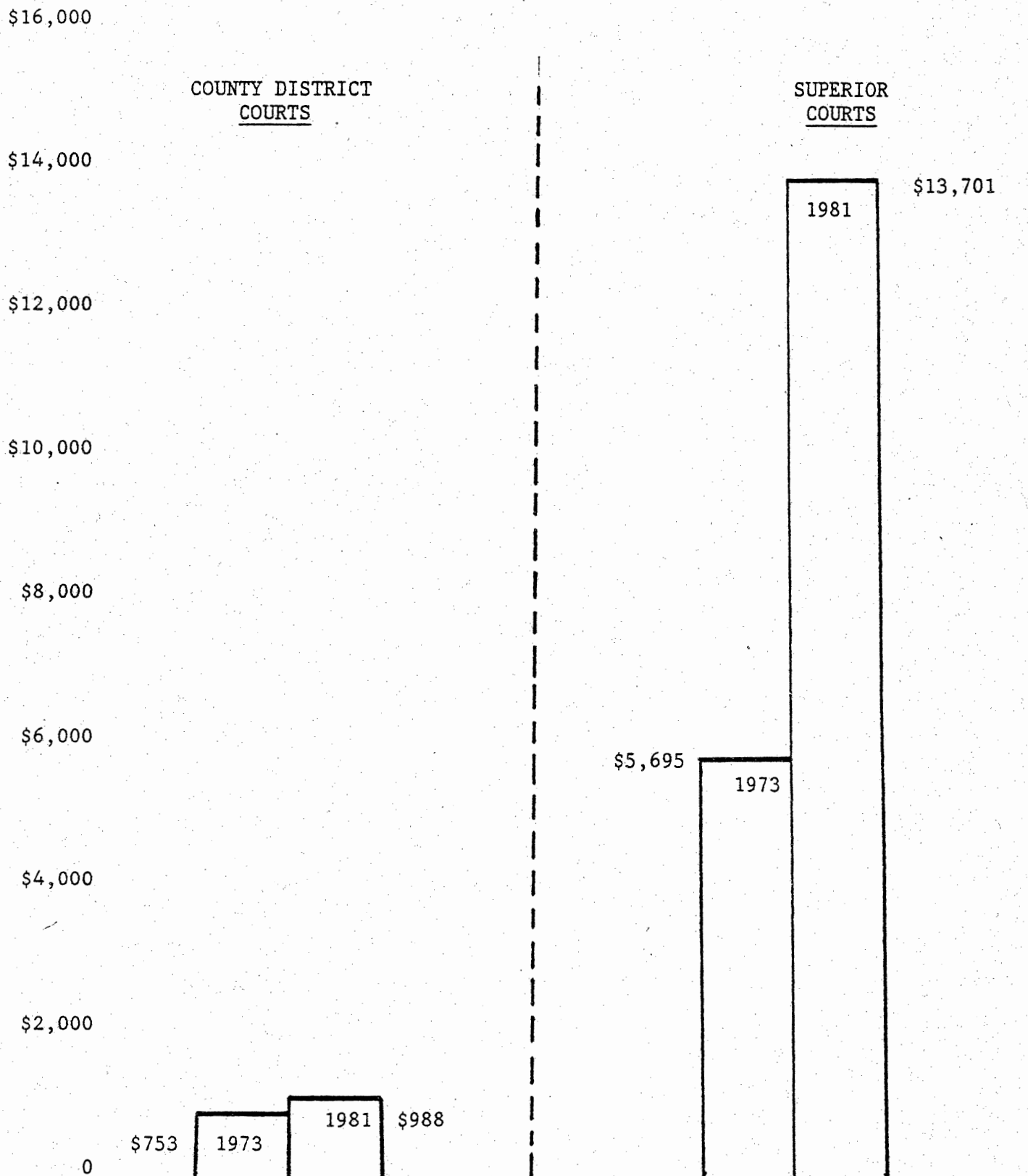
in connection with soft tissue injuries of a minor nature. Consequently, there has been no significant reduction in litigation or in attorney involvement. As a matter of fact the attorney representation now extends to PIP benefits making that system less efficient than intended. Referring to a study prepared by the New Jersey Committee for No-Fault Reform, the Sunday Star-Ledger of November 7, 1982, stated "Legal fees and expenses in automobile accident lawsuits in New Jersey will reach an estimated \$207 million this year...." It goes on to say that "...of the \$612 million paid by insurance companies in contested automobile negligence cases, more than one-third went to the policyholders' lawyers."

While PIP claims are settled promptly and apply primarily to reimbursement for hospital charges, physician's fees and loss of wages, Residual Bodily Injury (RBI) liability claims, for non-economic losses and those economic losses not covered by PIP, require a much longer time to settle causing inconvenience and in some cases severe hardships. Added costs for attorney's services further reduces the efficiency of an already impaired RBI system. Once litigation ensues, it may take two years or more for the case to come to trial. Clearly, the individuals who obtain reparations under PIP are the beneficiaries of a more timely payment than those who seek redress as third party claimants under RBI. The disassociation of the PIP claims from legal entanglement greatly expedites reimbursement of the claimant.

Return on the premium dollar is greater under PIP coverage than it is under liability coverage. In 1981, 62.1% of the premium dollar written was paid out as losses for RBI and PD liability as compared to 73.0% for PIP according to annual statements filed with the Department of Insurance. If calculated on the basis of losses incurred to premiums earned the comparison is even more impressive. PIP is more responsive in meeting claim payments and for that reason more claims are being paid under PIP coverage than under RBI; however, the average payment for a PIP claim is much less than it is for an RBI claim. Nevertheless, under the present system in New Jersey, PIP does not compensate accident victims adequately since a substantial amount (about 43%)* of the RBI claim payments are for economic losses. For this reason there is still a need to provide reparations for economic losses sustained as a result of an automobile accident in a cost effective way. Looking at it in another way the basic PIP limit of \$5,200 for loss of wages and \$4,380 for loss of essential services is only worth \$2,382 and \$2,006 respectively in terms of 1973 dollars.

Based on the latest ultimate statistical data compiled by the Insurance Services Office (ISO) and the National Association of Independent Insurers (NAII) the average payment for a PIP claim in 1978 was \$1,342 and the average RBI claim amounted to \$6,432. In 1980, 43,307 RBI claims were incurred while PIP accounted for 130,299 payments.** By comparison with the year 1975 the figures

COMPARISON OF
AVERAGE JUDGEMENTS RENDERED ON
AUTOMOBILE NEGLIGENCE CASES



SOURCE: Annual Reports of the Administrative Director of the Courts

represent a 15% increase for PIP claims as reported and a 25% increase in the number of RBI claims. If we assume that every RBI claim involved a PIP claim then the comparison discloses an even greater variation between the increased utilization of RBI versus PIP; i.e. - RBI claims increased more than twice that of PIP at a rate of 25%, whereas "PIP only" claims increased by a mere 11% since 1975.

Using the median to avoid the undue influence of extremely high awards, there was a significant increase in the value of judgments rendered by the Superior Courts in 1980-1981 over the court year ending August 31, 1973. During this period the median value of judgments rendered increased from \$3,900 to \$8,375 in 1981 or 115%. The number of money judgments rendered in excess of \$10,000 totaled 816 for the year ending August 31, 1981 of which 124 were in excess of \$50,000; whereas, the total number of awards in excess of \$10,000 for the year ending August 31, 1973 totaled 604 and the highest statistical classification then was for judgments amounting to \$10,000 or over.

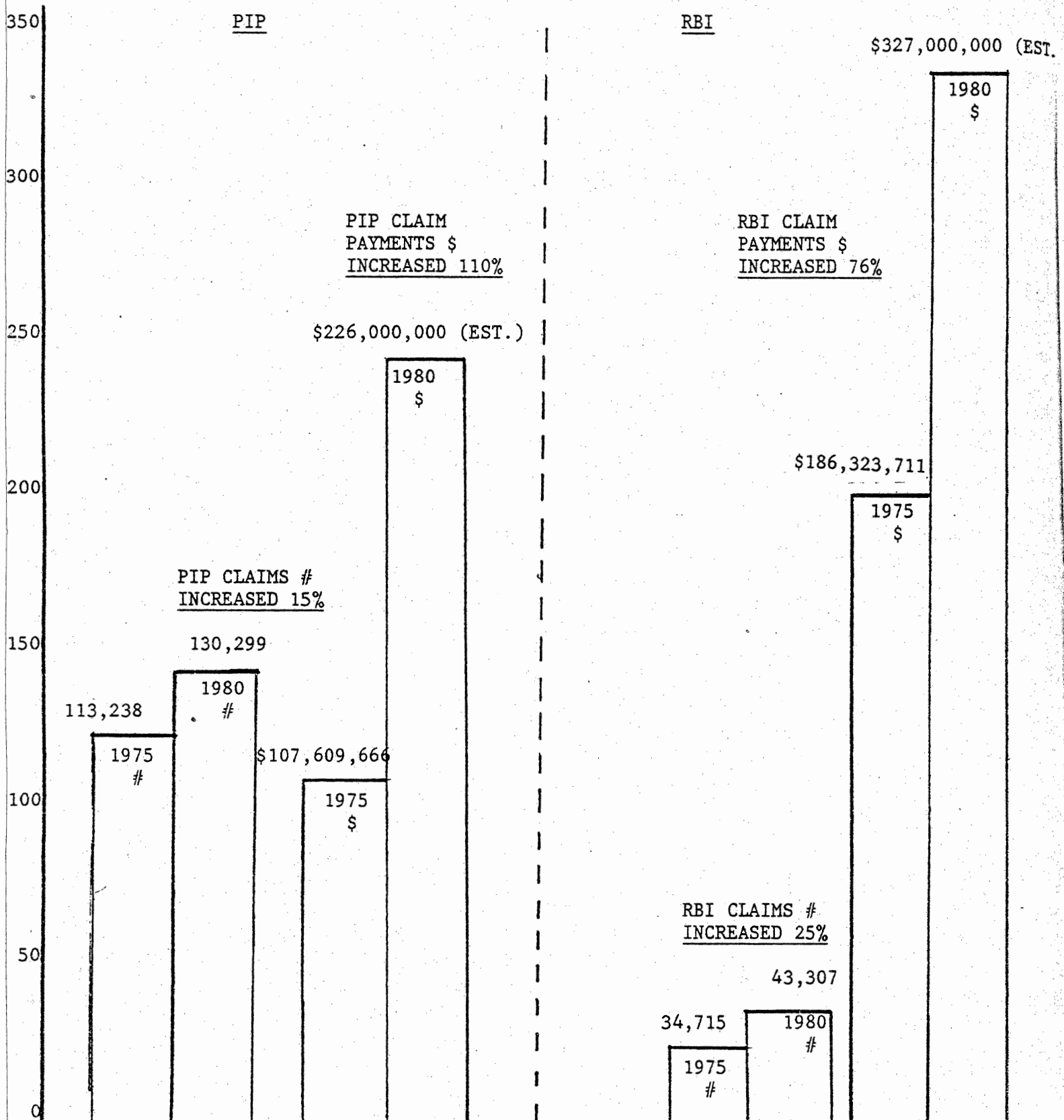
In comparing the average judgment rendered in Superior Court for automobile negligence cases the results are even more striking.

Using a mean calculated with a cap on those awards over \$50,000, the mean for the court year ending August 31, 1981 is \$13,701 which is 141% higher than the mean of \$5,695 for the year ending August 31, 1973. The mean of \$13,701 was calculated conservatively in that it does not take into account the extreme impact of 124 cases with awards in excess of \$50,000. Each of the 124 cases was valued at \$50,000, the lowest value for that class. This is only the "tip of the iceberg" when one considers that most cases do not go to trial; nonetheless, it serves as a model for those cases that are settled with or without the aid of the court system. The increases continue unabated even though economic losses incurred for medical expenses and lost wages are substantially reimbursed under the No-Fault (PIP) coverage.

The County District Courts which appear to deal primarily with property damage liability insurance claims have rendered judgments which are more limited in amount. In the period from September 1, 1973 to August 31, 1981 the mean award increased from \$753 to \$988 or 31%. During the same period of time the median award increased by 47% from \$480 to \$706.

Over the six year period from January 1, 1975 to December 31, 1980 the number of incurred PIP claims increased 15% and the total dollar claim payments increased by 110% whereas the incurred RBI claims increased 25% in number as the dollar claim payments increased 76%. The accelerated increase in the number of claims for RBI as compared to PIP during the period from January 1, 1975 to December 31, 1980 would indicate that although the statute requires PIP benefits to be paid within 30 days, New Jersey's No-

COMPARISON OF PRIVATE PASSENGER AUTOMOBILE
NO FAULT AND LIABILITY INSURANCE
LOSSES INCURRED 1975-1980



SOURCE: ISO and NAII Compilations of Private Passenger Automobile
 No Fault (PIP) and Liability (RBI) Experience

Fault coverage is not an effective deterrent to the number of liability claims that are made. As a matter of fact it may be counterproductive in that the low \$200 threshold becomes an easy goal to reach, thus enabling an individual to "parlay" the benefits under PIP coverage into a claim under the liability coverage.

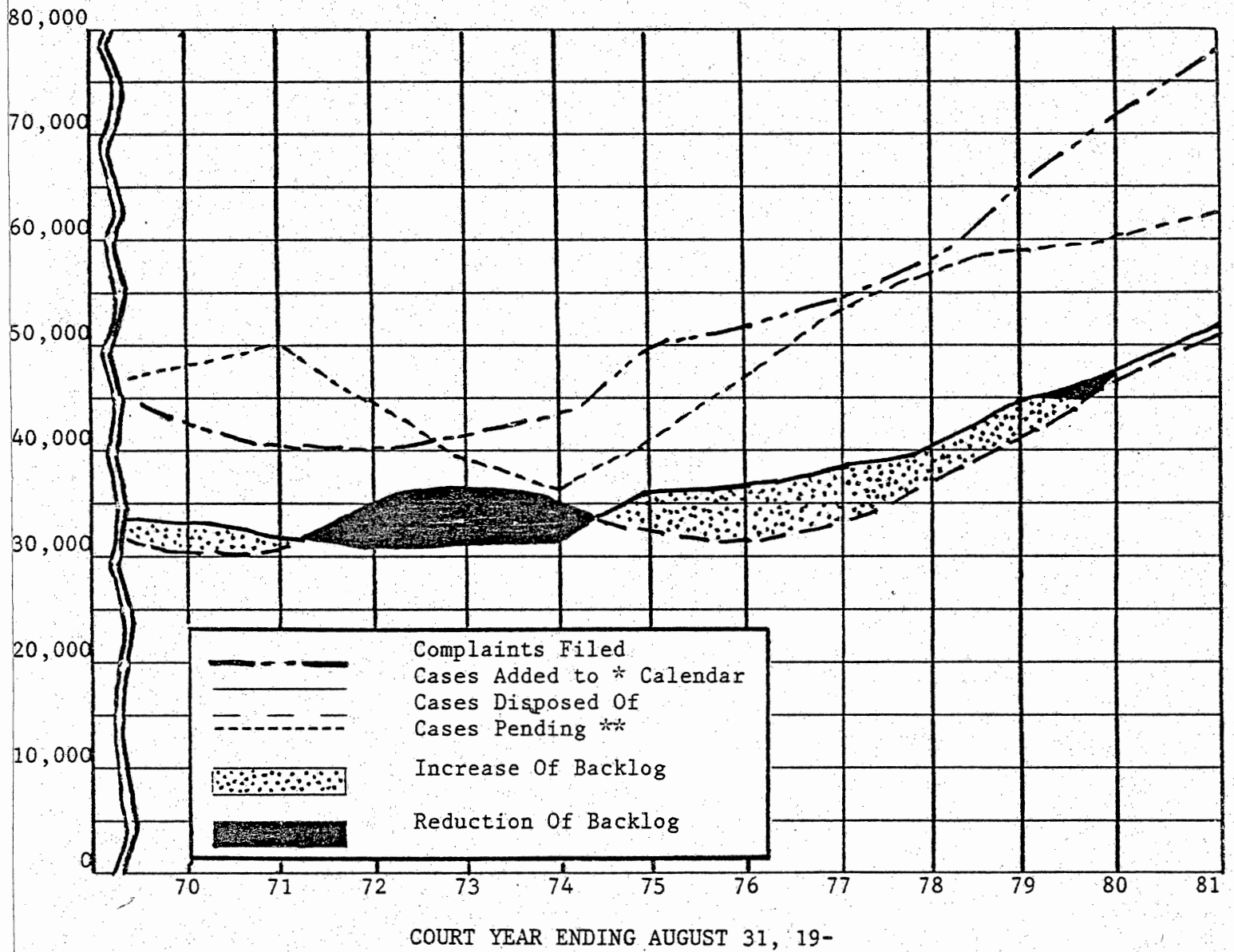
Unlike a verbal threshold which deals with the serious injuries sustained in an automobile accident in describing who is entitled to bring a tort action, the monetary threshold is a "target to shoot at" so that claimants no matter how seriously injured can preserve what they perceive to be their rights under New Jersey's No-Fault law. This is analagous to the situation where insureds seek first dollar coverage without any deductible. Such protection is much more expensive due to the increased costs resulting from inconsequential claims that cause more of a nuisance than actual benefit to the insured or claimant.

*See Automobile Injuries and Their Compensation in the United States Volume I published by the All-Industry Research Advisory Committee (AIRAC).

**Based on the latest experience reported in the ISO and NAII compilations of Private Passenger Automobile Personal Injury Protection and Bodily Injury Liability Experience.

SUPERIOR COURT, LAW DIVISION
COMBINED CIVIL LIST

Court Years Ending August 31, 1981



SOURCE: Annual Report of The Administrative Director of the Courts

III JUDICIAL

The large number of automobile cases handled by the New Jersey court system is continuing unabated. In Superior Court for the court year 1980-81, 24,161 automobile negligence cases were added and 22,650 were disposed of leaving 26,181 cases pending as of August 30, 1981. Automobile negligence cases outstanding as of September 1, 1974 in Superior Court totaled only 17,930 whereas today they are 46% higher under a system that was intended to reduce the case load. The outstanding cases have increased constantly from 1974 until the present time and there appears to be no change in the trend as the number of new complaints filed reaches an all time high. A comparison of the automobile negligence cases added during the court year ending August 31, 1981 with that of 1974 reveals an increase of 55% from 15,591 cases in 1974 to 24,161 cases added in 1981.

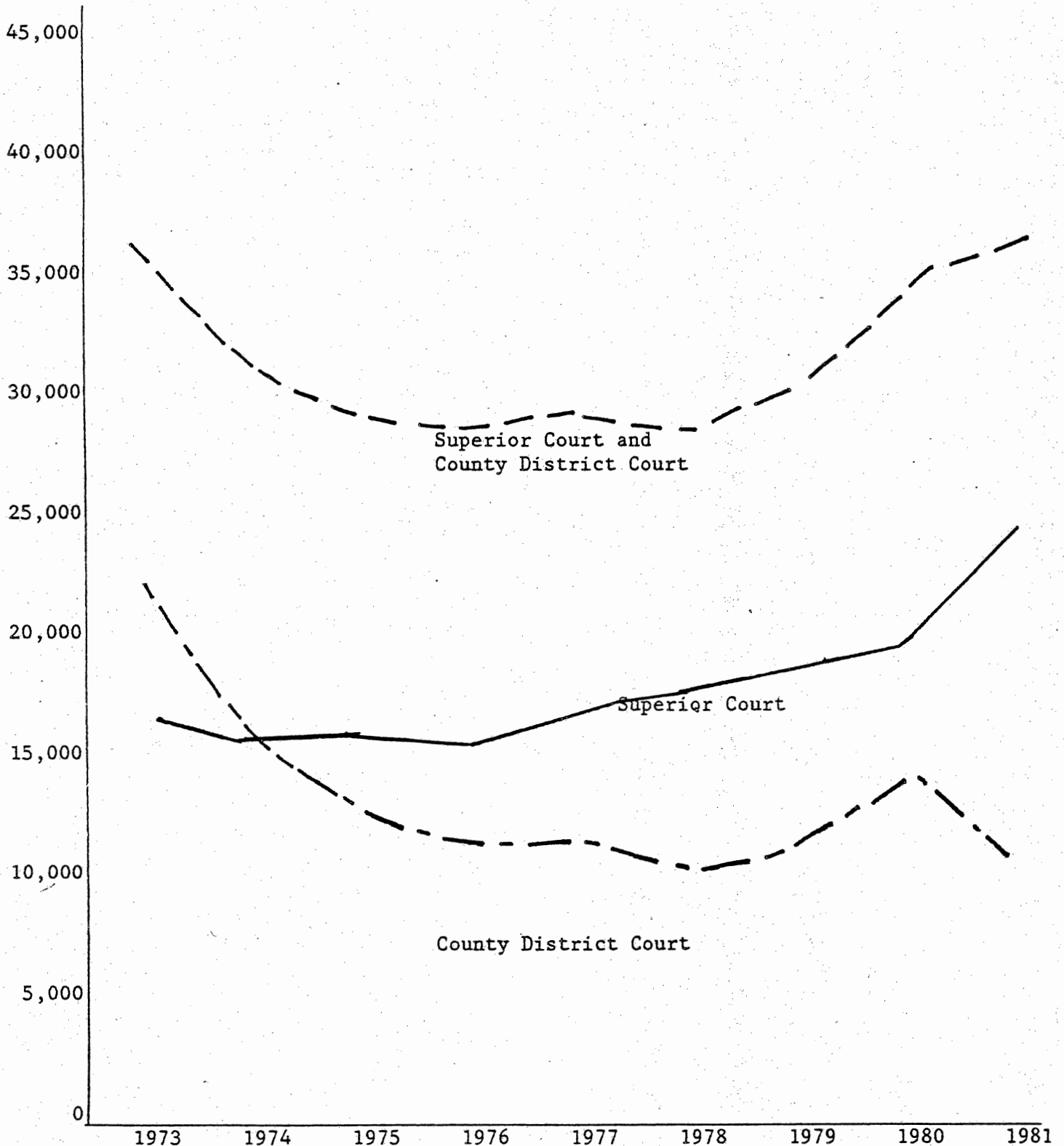
While the automobile negligence cases added increased from 15,591 to 24,161 in Superior Court during the period from 1974 to 1981, they decreased in the County District Courts from 15,948 to 12,482 during the same period. It is interesting to note that, in the wake of No Fault, New Jersey's courts of lower jurisdiction experienced a reduction of 22% in the number of automobile negligence cases added since 1974, while during the same period of time the number of cases added in Superior Court increased by 55%.

The shrinkage in auto negligence cases in the County District Courts can be attributed to a number of factors, including the jurisdictional limit applicable to County District Courts. In addition, there are those factors due to inflation that have an impact on medical expenses, salaries and wages, property damage repair costs and non-economic damages, such as pain and suffering, which are taken into consideration in determining the amount of the award. It is pointed out that the jurisdiction of the County District Courts was limited to \$3,000 during the period under consideration. This ceiling was increased to \$5,000 effective July 20, 1981 with the enactment of PL 1981, c223.

Our court system is still adversely impacted by far too much automobile accident litigation. In its 1981 Annual Report the Administrative Office of the Courts stated, "There were a record number of dispositions and cases added in the Law Division during 1981." and, "...the total number of pending cases at the close of 1981 was 61,245, the highest number ever, and 15.4% more cases than were pending in 1977." It is also significant to note that the annual number of complaints filed have reached an all-time high of 75,956. The report goes on to say that, "Jury trials, generally more time consuming than a single judge sitting as the factfinder, make up 65% of all trials held. The type of case most likely to be tried before a jury is one involving negligence in the operation of an automobile." The unfavorable trend in the

AUTOMOBILE NEGLIGENCE CASES ADDED
DURING COURT YEAR (ENDING AUGUST 31)

CASES



LAWSUITS COST THE TAXPAYERS BY CLOGGING THE COURTS

SOURCE: Annual Report of The Administrative Director of the Courts

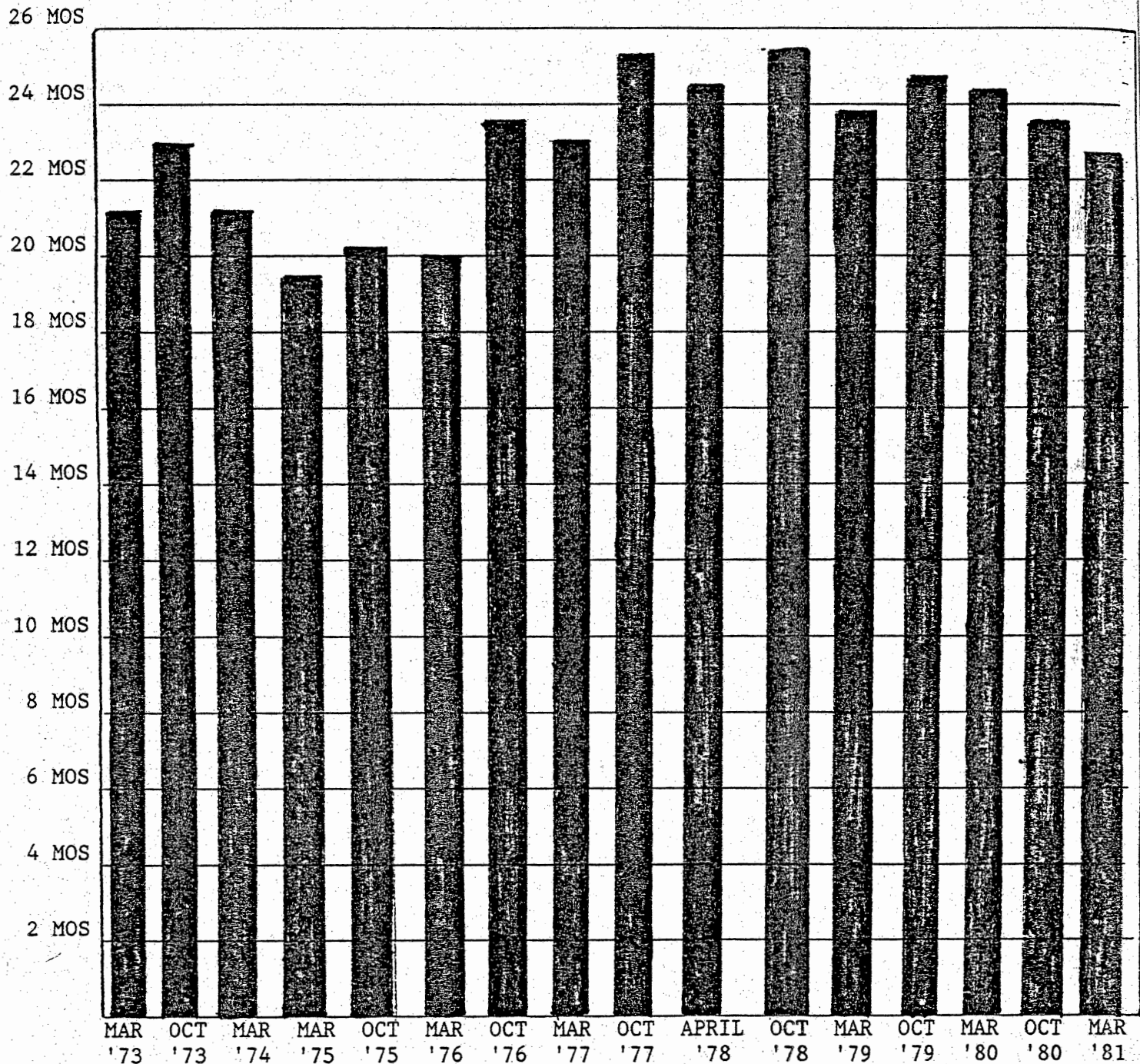
number of automobile negligence cases added and pending in the Superior Courts can be translated into more delays in the settlement of claims and in increased costs. Litigation is time-consuming and costly especially when one takes into consideration the legal costs incurred by the claimant in a tort action.

There has been a significant increase in the dollar amount of judgments rendered since 1973 which is reflected in the losses paid for bodily injury and property damage liability claims. The escalating money judgments together with the record number of complaints filed and the increasing number of cases added in the courts will eventually be transformed into increased claim payments for automobile liability insurance policies. These increased claim payments together with associated legal expenses ultimately will be reflected in increased automobile liability insurance premiums.

In summary, the statistics obtained from the Administrative Director of the Courts indicate a trend towards more automobile negligence cases which threaten to further tax an overburdened court system. By allowing persons who have been involved in an automobile accident to bring a tort action even though not seriously injured, we run the risk of inviting abuses by those who use the ineffective \$200 threshold to technically assert their rights even though it may be morally wrong and socially wasteful.

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SUPERIOR COURT MEDIAN TIME
FROM DATE OF COMPLAINT TO COMMENCEMENT OF TRIALS



TIME HAS VALUE
IT TAKES APPROXIMATELY TWO YEARS FROM THE DATE OF COMPLAINT TO THE
COMMENCEMENT OF TRIAL IN SUPERIOR COURT

SOURCE: Annual Report of The Administrative Director of the Courts

IV COSTS

When one looks at what the New Jersey No-Fault system costs there are a number of perspectives that may be considered. Among them are the cost to the individual insured, the cost effectiveness of the system as a whole and a comparison with a more efficient No-Fault system.

Cost to the Insured

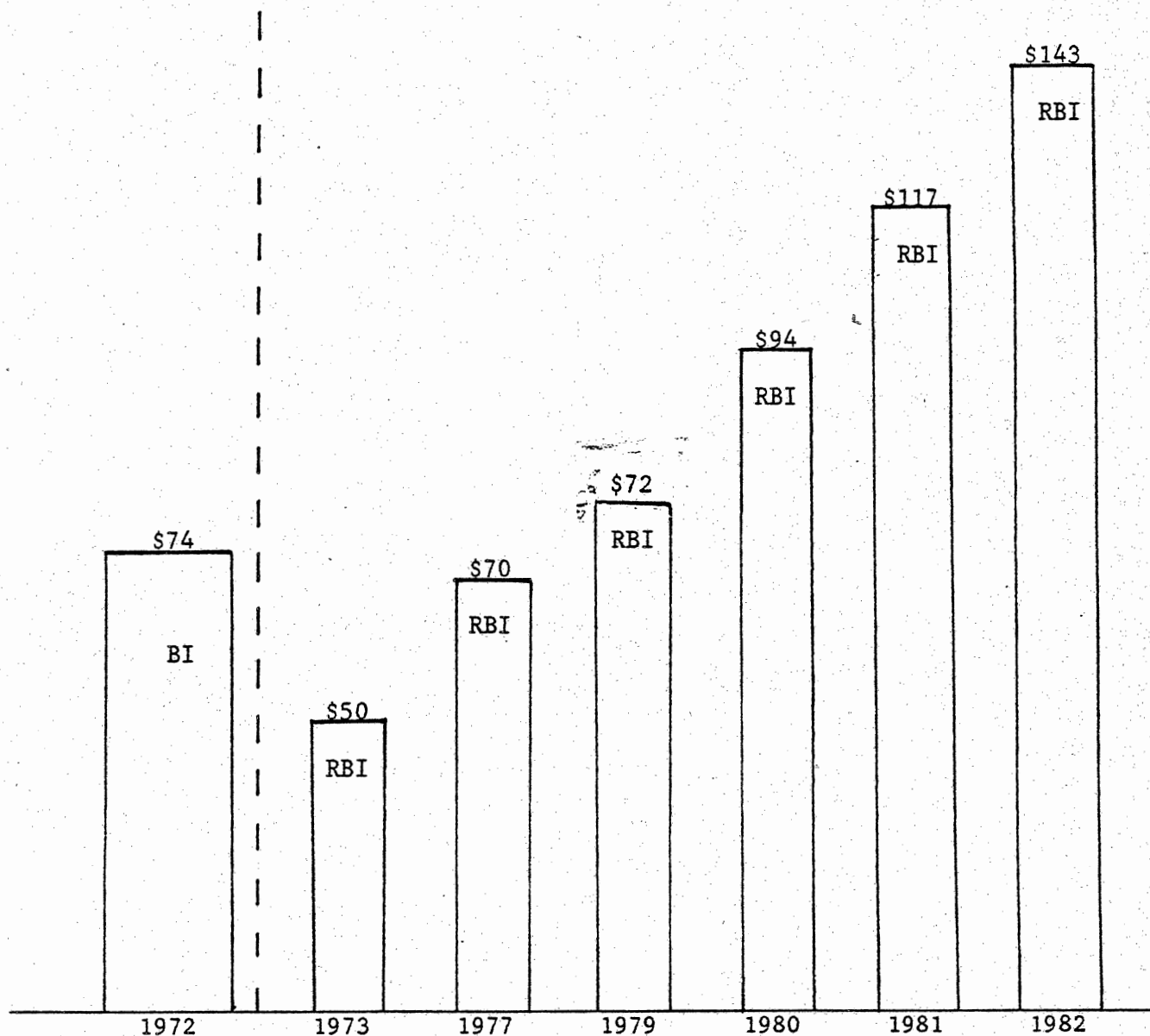
Since 1973 with the inception of No-Fault in New Jersey, the average mandated premium cost for Automobile Liability (including RBI and PD) plus PIP increased by 248%. The average cost per car for the basic mandated automobile insurance based on current ISO rates is \$335.67 as compared to \$96.34 in 1973. If we limit our analysis to RBI and PIP it discloses a combined cost of \$59.92 in 1973 as against a total of \$250.52 in 1982, an increase of 318%.

Information released on December 20, 1982 by A. M. Best Company with its Best's Insurance Management Reports discloses that the average automobile insurance premiums per car (which includes non-mandated auto physical damage) charged New Jersey motor vehicle owners are the highest in the Nation. New Jerseyans pay \$411.90 a year per car which is \$137.11 or 50% higher than the national average. The rates are \$60.38 more than insureds pay in New York and \$93.16 more than they pay in Pennsylvania, our neighboring states which also have a form of No-Fault automobile insurance.

Assuming a clean driving record, the annual cost for the basic mandated automobile insurance based on current ISO rates is \$201 for an adult using the car for pleasure driving only in the lowest rated territory and \$1,568 for a youth using his car for business in the highest rated territory. The \$1,367 difference is principally due to the liability component of the mandated coverage which is identical for all insureds regardless of circumstances. Even with the removal from litigation of all claims paid by PIP, including all reasonable medical expenses, the average premium rates to cover remaining "Fault" (Residual Bodily Injury - RBI) claims is about 185% larger than on the first day of No-Fault. It is about 93% larger than before No-Fault, when the claimant had to prove fault in order to recover anything and all settlements for injuries sustained were paid under the automobile bodily injury liability coverage.

Another way to measure effectiveness of insurance is to compare loss ratios and expense ratios. Such a comparison discloses that more coverage is available per \$1 of PIP premiums than per \$1 of RBI premiums. In order to arrive at the net proceeds paid to a claimant who has brought an action in tort, fees paid to attorneys must be deducted. After deducting attorney's fees which can be as high as 50% depending upon the size of settlement, the cost/benefit

AVERAGE RATES FOR PRIVATE PASSENGER AUTOMOBILE LIABILITY INSURANCE
BEFORE NO-FAULT AND AFTER NO-FAULT



THE COST OF AN INADEQUATE THRESHOLD

BI = "Bodily Injury" liability coverage -- under the old system, the sole source of recovery for accident victims.

RBI = "Residual Bodily Injury" liability coverage -- the source of recovery for "fault" claims, after payment of all no-fault benefits by PIP.

SOURCE: New Jersey Department of Insurance Records

ratio worsens for RBI coverage and further supports the proposition that PIP is more cost effective.

The RBI Liability Insurance premium cost together with Property Damage Liability Insurance premium accounts for at least 68% of the mandated premium dollar spent for automobile insurance in New Jersey or more than twice as much as the PIP component which represents only 32%. In the higher rated classifications and territories the liability component of the mandated coverage goes up to 88% or more than seven times greater than the PIP component which decreases to 12%. New Jersey motorists are being forced to pay a preponderant portion of the mandated automobile insurance premium dollar for the less efficient liability insurance coverage.

PIP takes care of more claimants in terms of number of claims and economic losses even though its cost is only approximately 32% of the mandated insurance premium dollar.

PIP is superior not only in terms of getting more for each premium dollar but also because it provides prompt payments without the necessity to involve attorneys. Unfortunately because of the low tort threshold in New Jersey more attorneys get involved in the settlement of PIP claims than is necessary. Once involved in a bodily injury claim it is a natural consequence for an attorney to also become involved in a PIP claim. This has gained for New Jersey the reputation of having the highest attorney involvement in automobile claim settlements in the country.

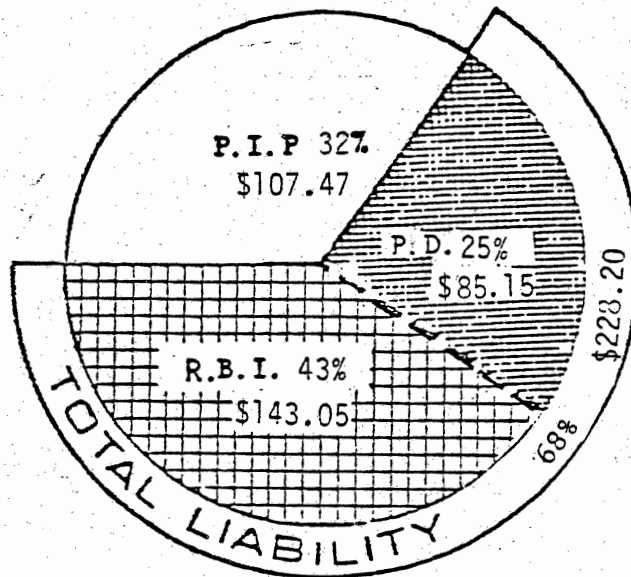
Cost of the System

Premium and loss data as developed from annual statements filed with the Department of Insurance discloses that for the calendar year 1981, PIP premiums written on private passenger automobiles amounted to \$321,736,000 and gross losses paid were \$234,808,000. BI and PD liability premiums written in 1981 came to \$880,951,000 and the gross losses paid were \$546,743,000. These figures show that more coverage is made available per \$1 of PIP premium when compared to the coverage afforded per \$1 of liability premium; i.e. \$.73 per \$1 of premium for PIP as against \$.62 per \$1 for liability (RBI and PD).

In order to arrive at the net payments received by the claimants, one must deduct from the losses paid by insurers the fees paid to attorneys which are estimated to be 32% according to the New Jersey Insurance News Service (NJINS). NJINS estimated in its November-December 1981 publication that of the payments made to auto accident victims in 1981, "... \$170 million (was) paid to attorneys in fees and expenses."

In the past decade there has been a significant increase in the dollar value of judgments rendered. Comparing fiscal year 1973 with 1981 the median value of judgments rendered in Superior Court in automobile negligence cases more than doubled from \$3,900 to

THE PORTION OF EACH PREMIUM DOLLAR WHICH PAYS FAULT CLAIMS (RBI)
IS LARGER THAN THE PORTION WHICH PAYS NO-FAULT CLAIMS (PIP)



AVERAGE MANDATED INSURANCE COST
PER PRIVATE PASSENGER AUTOMOBILE-\$335
1982

PIP = Personal Injury Protection
(No-Fault) Benefits

RBI = Residual Bodily Injury
Liability Claims

PD = Property Damage
Liability Claims

THE ELIMINATION OF LAWSUITS FOR NON-SERIOUS INJURIES COULD REVERSE
THE PROPORTIONS OF COST ATTRIBUTABLE TO RBI AND PIP

THE COVERAGE WHICH PAYS THE GREATEST BENEFITS TO THE GREATEST NUMBERS -
NO-FAULT (PIP) - SHOULD BE THE MOST UTILIZED AND PROVIDE THE GREATER
SHARE OF COVERAGE UNDER A PROPERLY STRUCTURED SYSTEM.

\$8,375 and the median value of judgments rendered in the County District Courts only increased from \$480 to \$706 or 47%. Increases in judgments rendered set a pattern for the vast majority of settlements which are made out of court.

Based on compilations of ultimate loss data made by ISO and NAI, the average private passenger automobile insurance claim cost increased 119% from \$612 in 1973 to \$1,342 in 1979 for PIP and 96% from \$3,281 to \$6,432 for RBI. The more current data of the NAIC Fast Track Monitoring system confirm this trend in data reported as of the end of the 3rd quarter of 1982. The information reveals that the latest average annual loss for PIP is \$1,866 and for RBI it is \$8,259. These figures compared to the 1973 ultimate data are 204% higher for PIP and 152% higher for RBI.

Cost Comparison with a Verbal Threshold No-Fault System

The State of Michigan with its verbal threshold is regarded as having the most efficient No-Fault Automobile Insurance system and, therefore, is an appropriate state with which to compare data. An outline of the maximum basic coverages indicates that Michigan's No-Fault system provides greater benefits:

<u>PERSONAL INJURY PROTECTION</u>	<u>MICHIGAN</u>	<u>NEW JERSEY</u>
Medical Payments	Unlimited	Unlimited
Wage Loss	\$63,285* for both wages	\$5,200
Loss of Essential Services	and services for 3 years	\$4,380
Funeral Expenses	\$ 1,000	\$1,000
Survivors' Benefits	Maximum wage loss and essential services to which the deceased would have been entitled	Maximum wage loss and essential services to which the deceased would have been entitled
<u>LIABILITY</u>		
Bodily Injury	\$20,000/\$40,000 BI	\$15,000/\$30,000 BI
Property Damage	\$10,000 PD	\$ 5,000 PD

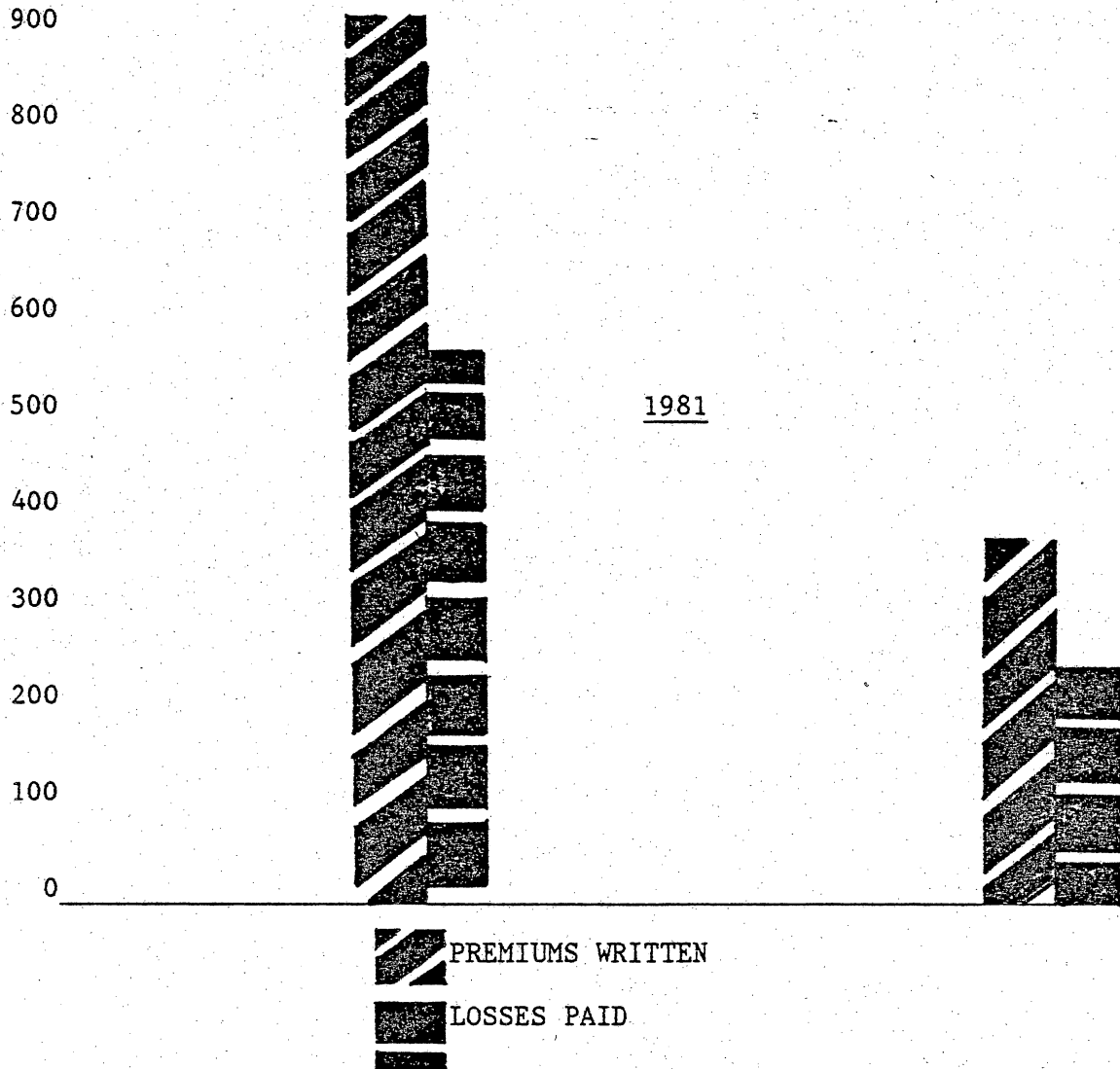
*Subject to an annual maximum of \$21,045 for 3 years. Maximum is adjusted annually.

Even though the maximum basic benefits to persons injured under the Michigan No-Fault system are substantially broader, the costs paradoxically are considerably less. At the heart of this anomaly is the difference in the Tort Threshold Definition for Michigan and New Jersey.

Under Michigan's tort threshold a person (or estate) who has been injured may only bring a tort action if the individual died or suffered serious impairment of a body function or permanent serious disfigurement. This definition has brought about the desired trade-off to provide Michigan motorists with a responsive and comprehensive reparations system at a reasonable cost.

NO FAULT (PIP) PROVIDES A BETTER RETURN ON THE PREMIUM DOLLAR

(000's omitted)	RBI and PD <u>LIABILITY</u>		<u>PIP</u>
\$1,000	\$880,951,000	- PREMIUMS WRITTEN -	\$321,736,000
	\$546,743,000	- LOSSES PAID -	\$234,808,000



PREMIUMS WRITTEN AND LOSSES PAID - 1981 IN MILLIONS (\$)

SOURCE: New Jersey Department of Insurance Records

Unlike Michigan's verbal threshold, New Jersey is at the other end of the spectrum with its \$200 monetary threshold the lowest in the nation. Our monetary tort threshold only excludes those persons from bringing a tort action who sustained "soft tissue" injuries which resulted in less than \$200 in medical bills, exclusive of hospital and diagnostic expenses.

A comparison of the No-Fault Automobile Insurance systems of Michigan and New Jersey reveals stark contrasts in terms of claims made and losses paid. Comparisons were made of the claims filed and paid, losses paid and the pure premiums per car years which represents the risk exposure measured in terms of cars insured for a period of one year.

Pure Premium Cost Comparison

The comparison of the average RBI and PIP costs per car year provided by the NAIC Fast Track Monitoring System between Michigan and New Jersey, vividly reveals that Michigan's No-Fault insurance system with its verbal threshold is much more efficient and cost effective than New Jersey's. Although Michigan law provides for greater No-Fault benefits than New Jersey does its overall loss costs are substantially less.

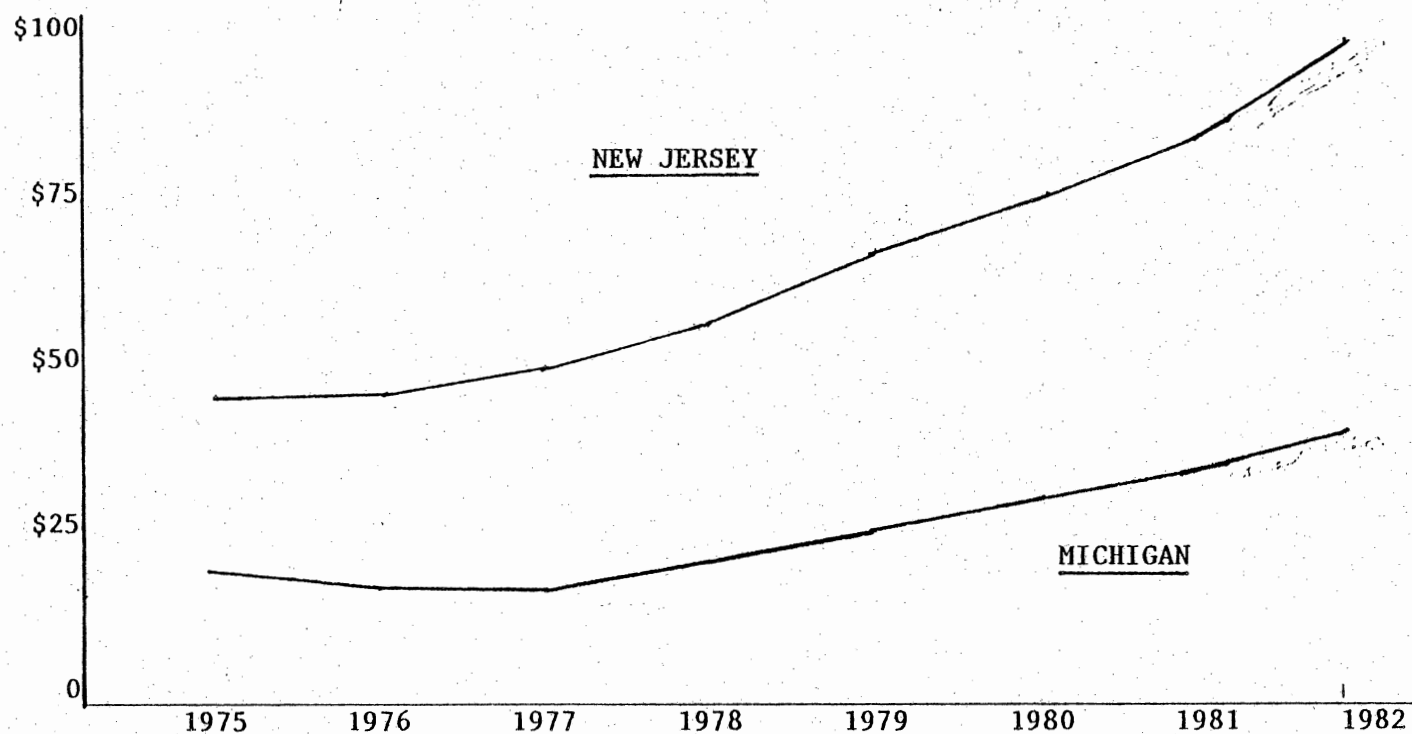
Under Michigan's latest experience the pure premium cost per car year for RBI of \$35.26 was \$9.54 less than its PIP pure premium cost of \$44.80, a characteristic that is unique to Michigan. This indicates that most of the economic losses arising from an automobile accident in the State of Michigan are being taken care of by its more cost effective and more efficient PIP system.

New Jersey's latest experience, on the other hand, reflects not only a high RBI pure premium cost of \$97.32, which is 2 3/4 times as large as Michigan's, but also a high PIP pure premium cost of \$69.97, which is 56% higher than Michigan's. More dramatic is the fact that the combined RBI and PIP pure premium cost for Michigan which totals \$80.06 is 18% less than New Jersey's RBI pure premium cost of \$97.32. In other words, the pure premium cost per car in New Jersey for RBI alone is significantly greater than the combined costs for mandated RBI plus PIP in Michigan, a most telling indicator of New Jersey's No-Fault shortcomings.

The data also disclose that the pure premium costs for both RBI and PIP of Michigan appear to be levelling off whereas both RBI and PIP pure premium costs in the case of New Jersey are increasing at an accelerated rate. With loss costs escalating at an increasing rate it will not be long before further premium increases will be requested. This is especially true for RBI with its long tail impact in an inflationary economy.

For the latest year ending September 30, 1982, Michigan's PIP pure premium cost was reported by the NAIC Fast Track Monitoring System as having increased only 9.4% whereas New Jersey's PIP pure premium cost increased by 19%. In similar fashion Michigan's RBI pure

AVERAGE COST OF (RBI)*
BODILY INJURY CLAIMS 1975-1982
PER CAR YEAR



	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u> (Yr. Ending 3rd Quarter)
Michigan	\$19.08	\$18.64	\$18.32	\$20.01	\$25.09	\$30.87	\$35.03	\$35.26
New Jersey	44.73	44.25	49.51	56.63	66.40	77.83	89.65	97.32

SOURCE: NAIC Fast Track Monitoring System

*RBI - Residual Bodily Injury

premium cost increased by 4.8% whereas New Jersey's RBI pure premium cost increased by 14%.

Best's Insurance Management Report on 1981 average premium costs for private passenger automobile insurance [including physical damage] by state depicted New Jersey's premium per registered automobile to be the highest in the country.** Michigan with its verbal threshold and additional mandated No-Fault physical damage insurance program ranked 9th with an average 1981 premium of \$300.70. This compares to New Jersey's premium of \$411.90 which is 37% higher than Michigan's and 50% higher than the nationwide average of \$274.90.

The evidence regarding the inefficiencies and inequities of our No-Fault system points overwhelmingly to the ineffective tort threshold. It is estimated that the annual cost of an inadequate tort threshold runs into the hundreds of millions of dollars. By comparing the average annual costs per car under Michigan's programs with New Jersey's we arrive at a difference in costs totaling \$87.23 per car. This is composed of a difference of \$62.06 for RBI and \$25.17 for PIP.

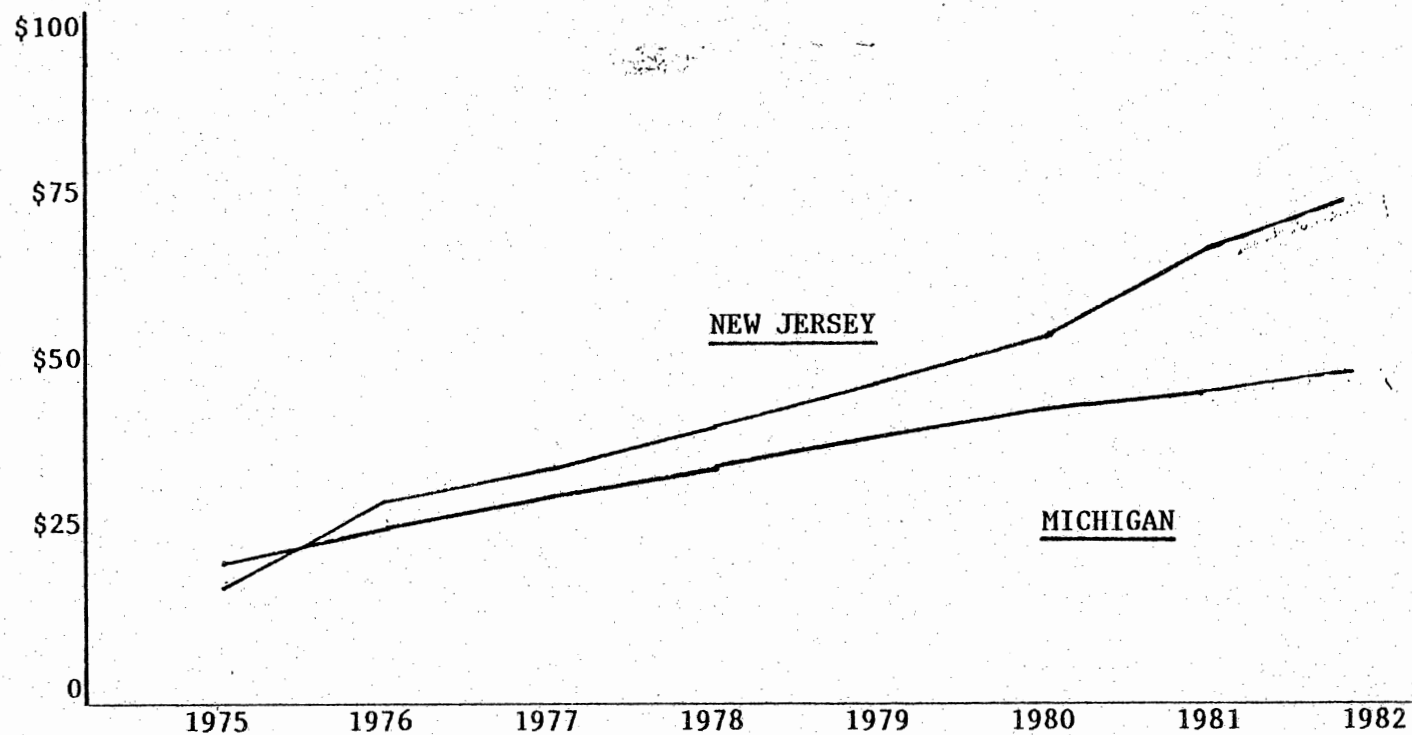
Multiplying the total annual difference in per car cost times the number of private passenger vehicles registered in New Jersey* comes to a staggering \$348,000,000 which does not include the administrative expenses which could account for another \$187,000,000 in premium savings for a total savings of \$535,000,000 annually. This represents 44% of the total mandated automobile insurance premiums written in 1981 and amounts to \$136 per registered private passenger vehicle. It also represents a potential for premium savings of more than 40% under a New Jersey No-Fault Law with a verbal threshold similar to that used in Michigan.

Claims Arising and Paid

Notwithstanding the fact that Michigan's reported Earned Car Year exposure of 3,317,090 is 19% higher than New Jersey's 2,789,545, the number of claims arising and paid are substantially less for both PIP and RBI according to the NAIC Fast Track Monitoring System. Granted that the information from the NAIC Fast Track Monitoring System is not complete it still provides a credible indication of trends and is useful for the purpose of illustrating that New Jersey's No-Fault system as presently constituted is posing a dilemma for New Jersey motorists who are paying more for their mandated automobile insurance than any other motorists in the country.

For the year ending September 30, 1982 New Jersey was reported as opening 119,239 new PIP claims as compared to Michigan's 56,858, or more than twice that of Michigan's, although the earned car year exposures reported is greater for Michigan. In the case of RBI claims the difference is even more pronounced with New Jersey accounting for 86,841 new claims versus Michigan's 19,744 or almost 3½ times as many new cases which stands as mute testimony of the inadequacy of our tort threshold. ←

AVERAGE COST OF (PIP)*
PERSONAL INJURY PROTECTION 1975-1982
PER CAR YEAR



	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u> (Yr. Ending 3rd Quarter)
Michigan	\$19.48	\$23.46	\$27.05	\$28.49	\$33.04	\$37.65	\$42.04	\$44.80
New Jersey	19.10	24.53	31.03	36.81	44.82	50.92	62.23	69.97

SOURCE: NAIC Fast Track Monitoring System

*PIP - Personal Injury Protection

During the year ending September 30, 1982 there were almost 3 new RBI claims filed in New Jersey for every 4 PIP claims while in Michigan there was only 1 RBI claim for every 3 PIP claims filed. In other words the New Jersey No-Fault system generates more than twice as many RBI claims than Michigan's, a condition which results in inflated PIP costs as well as RBI costs because of the increased attorney involvement and the added claim settlement expenses.

Another serious disadvantage to the New Jersey system is that a large number of the claims filed in New Jersey are not warranted causing an unnecessary administrative expense in processing such claims. This is quite apparent when the claim frequencies for the two states are compared. The following are the frequencies for RBI and PIP claims arising and paid during the year ending September 30, 1982 as developed by the NAIC Fast Track Monitoring System.

	<u>ARISING CLAIMS</u>				<u>PAID CLAIMS</u>			
	<u>MICHIGAN</u>		<u>NEW JERSEY</u>		<u>MICHIGAN</u>		<u>NEW JERSEY</u>	
	<u>NO.</u>	<u>FREQ.</u>	<u>NO.</u>	<u>FREQ.</u>	<u>NO.</u>	<u>FREQ.</u>	<u>NO.</u>	<u>FREQ.</u>
RBI	19,744	0.60	86,841	3.11	8,858	0.27	32,870	1.18
PIP	56,858	1.71	119,239	4.27	37,747	1.14	104,567	3.75

Losses Paid

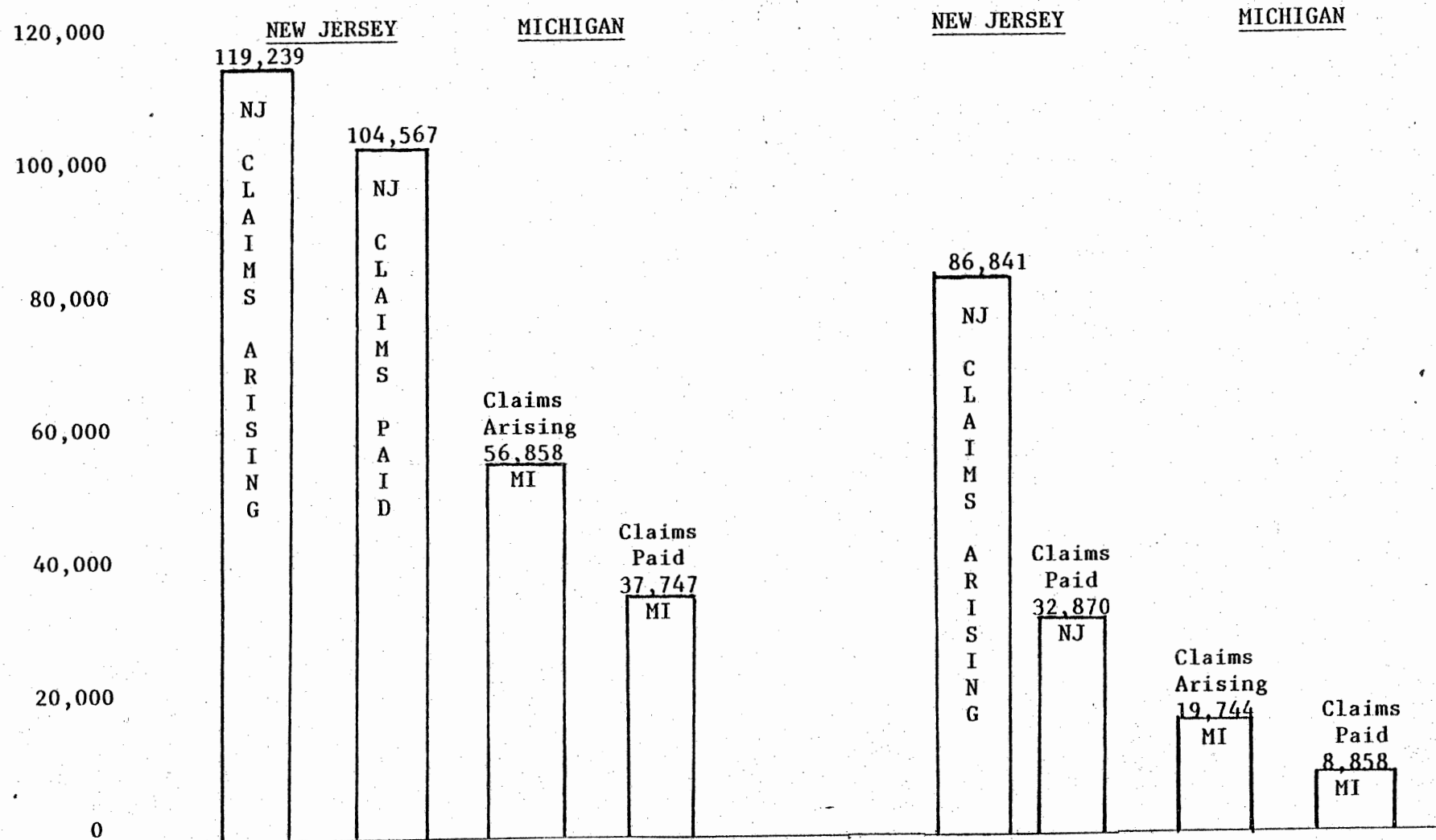
Trend data resulting from the cumulative impact of filed claims and subsequent settlements reveal that Michigan's total paid losses are far less than New Jersey's for both PIP and RBI. This is the case even though Michigan's reported car year exposure is 19% higher than New Jersey's. Latest data compiled by the NAIC Fast Track Monitoring System for the year ending in the last quarter of 1982 discloses:

	<u>MICHIGAN</u>	<u>NEW JERSEY</u>
EXPOSURE IN EARNED CAR YEARS	3,317,090	2,789,545
NUMBER OF CLAIMS PAID:		
RBI	8,858	32,870
PIP	37,747	104,567
RBI as % of PIP	23.5%	31.4%
AVERAGE LOSS PAYMENT:		
RBI	\$13,203	\$8,259
PIP	\$ 3,937	\$1,866
TOTAL LOSSES PAID:		
RBI	\$116,951,273	\$271,466,603
PIP	\$148,600,464	\$195,174,004

Annual Number
of Claims

P I P

R B I



ALTHOUGH MICHIGAN'S COVERAGE IS BROADER AND TOTAL EXPOSURE IS 19% GREATER, THE CLAIMS ARISING AND PAID ARE SUBSTANTIALLY LESS FOR BOTH PIP AND RBI.

SOURCE: NAIC Fast Track Monitoring System
(Annual Data as of 3rd Quarter, 1982)

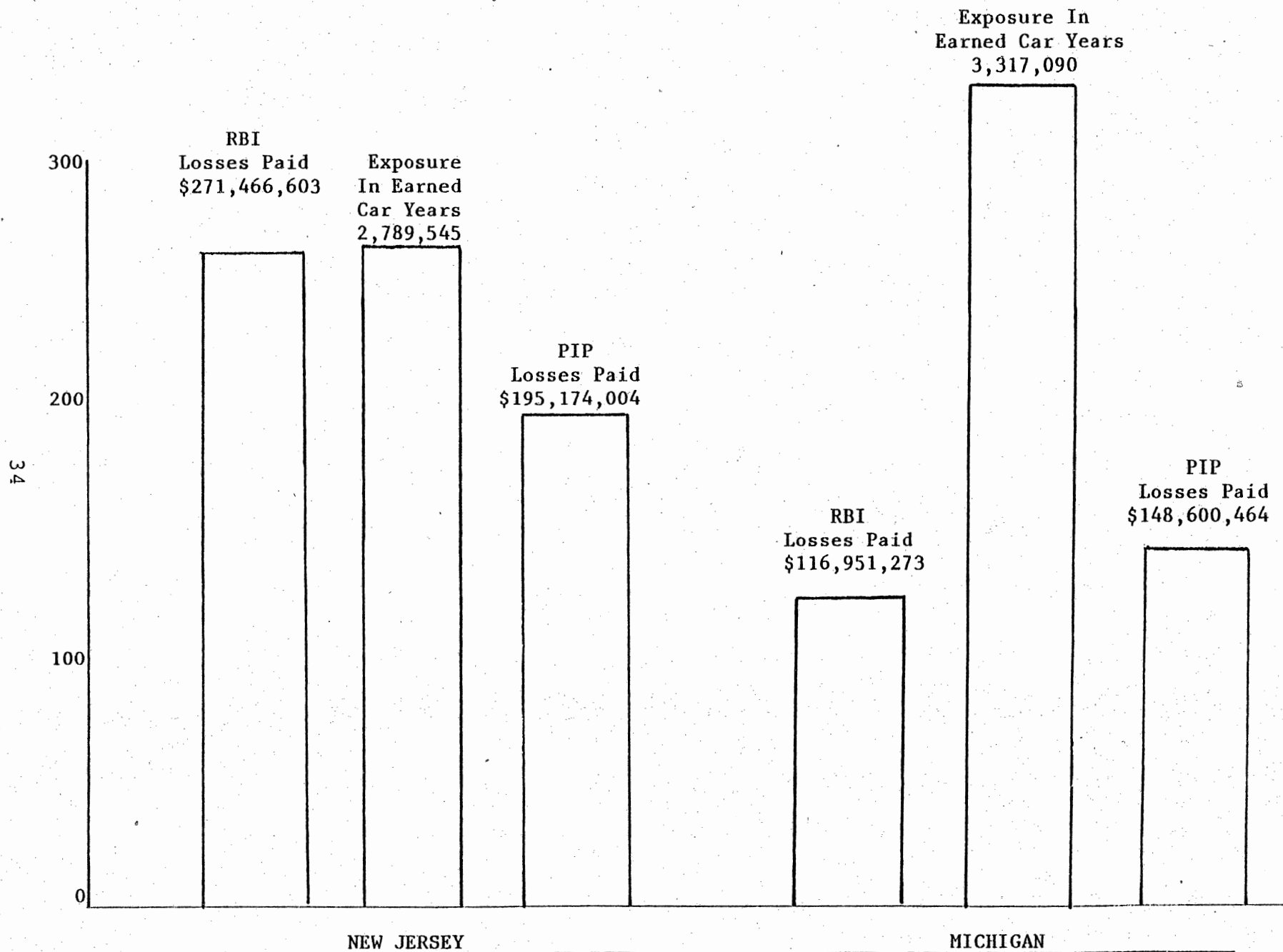
The foregoing illustrates the underlying economics of the two contrasting No-Fault systems. It should be noted that while the exposure base for the Michigan data is 19% larger it resulted in 64% fewer PIP claims being paid and 73% fewer RBI claim payments than occurred in New Jersey during the year ending September 30, 1982. Although the average loss payments are 111% higher for PIP and 60% higher for RBI under the Michigan system, the actual total dollar amounts of losses paid is 24% less for PIP and 57% less for RBI than it is under the New Jersey system even though the average loss payments made to Michigan claimants are higher in each instance.

It is quite obvious from the foregoing that Michigan's No-Fault system is not only more efficient but also more cost effective. Victims injured in an automobile accident are protected to a far greater extent under Michigan's No-Fault law for economic losses sustained than New Jersey's motorists are. Nevertheless, the costs are substantially less to the insured motorists of Michigan. In essence Michigan is maximizing the more efficient PIP coverage through its verbal threshold and more liberal PIP benefits.

*As of December 31, 1981 there were 3,931,121 registered private passenger vehicles..

**NOTE: Best's Insurance Management Report included commercial private passenger vehicles that do not come under No-Fault insurance programs and also related the costs per car to the number of vehicles registered but not necessarily insured.

COMPARISON OF ANNUAL LOSS DATA AND EARNED CAR YEAR EXPOSURE



SOURCE: NAIC Fast Track Monitoring System
(Annual Data as of 3rd Quarter, 1982)

CONCLUSION

Ownership of an automobile has become a costly necessity to many people in order to earn a living and to carry on their daily routines. In fact this nation's well-being depends on the use of the automobile in terms of keeping our population mobile and in terms of adding jobs to our economy. Because of the important role that the automobile has in our society and the adverse impact it has on people who become injured as a result of automobile accidents, the Legislature enacted the Automobile Reparation Reform Act which mandated that owners of vehicles registered or principally garaged in New Jersey obtain No-Fault and Liability insurance.

Since then, the words "austerity" and "cost containment" have become more common and the No-Fault system as presently constituted has come under heavy attack. Objections to the system have been voiced by the trial lawyers themselves. In a quotation which appeared in the December 1, 1982 issue of the Star-Ledger, the Association of Trial Lawyers (ATLA-NJ) is attributed as describing "New Jersey's No-Fault system of insurance as a failure and expensive gimmick." It is imperative that the Legislature take a closer look at the present automobile insurance mechanism for the areas of concern leading to the "Menza Report" on No-Fault Automobile Insurance Reform in New Jersey* are still with us today but in a much more acute form than they were in 1977.

Has our No-Fault system met the Availability, Reparation, Judicial and Cost Objectives that were the goals of the Legislature when the No-Fault Law was first enacted in 1972? Are the costs of the system reasonable and equitable to the insureds? The evidence points to an improved system of reparations payments under the No-Fault Law. However, the system has created an availability and affordability problem and has not provided significant relief to an overburdened court system. This is a consequence of a meaningless monetary threshold that did not permit a balanced trade-off in savings from reduced RBI claims against the benefits derived from the more efficient PIP coverage. By way of reference again to the New Jersey Law Journal and its article "No-Fault-Which-Way," it succinctly describes the RBI reparation experience in New Jersey when it states: "The dollar threshold has not worked! It simply presents a target at which the claimant aims in order to cross the threshold in order to qualify for pain and suffering recompense. Few doctors decline treatment or at least examinations sought by the claimant in order to cross this threshold, and some, unhappily, encourage unnecessary visits in order to achieve this very purpose. Why should a doctor dispute his patient's plaint that his neck or his back aches! Once the magic number is reached, the bodily injury claim becomes the subject of litigation with all the attendant ills that No-Fault was intended to eliminate."

Of more immediate concern is the dollar cost to the insureds of this state who are paying hard earned after-tax dollars for

ANNUAL COST OF AN INADEQUATE TORT THRESHOLD

AVERAGE LOSS COST PER CAR FOR YEAR ENDING SEPTEMBER 30, 1982

<u>R B I</u>		<u>P I P</u>	
NEW JERSEY	\$97.32	NEW JERSEY	\$69.97
MICHIGAN			MICHIGAN
\$35.26			\$44.80
RBI		PIP	
\$62.06		\$25.17	
TOTAL DIFFERENCE IN AVERAGE COST			
PER CAR \$87.23			
4,000,000 cars @ \$87.23			
\$348,000,000*			
THE ESTIMATED LOSS COST OF			
AN INADEQUATE TORT THRESHOLD			
\$535,000,000			
TOTAL ESTIMATED PREMIUM SAVINGS IF NEW JERSEY HAD A			
NO-FAULT LAW WITH A VERBAL THRESHOLD SIMILAR TO THAT			
OF THE STATE OF MICHIGAN			

*NOTE: THIS ESTIMATE IS BASED ON LOSSES AND DOES NOT TAKE INTO CONSIDERATION OTHER EXPENSES.

premium charges that are becoming more onerous for motorists to pay at each policy anniversary. Even with the removal from litigation of all economic losses paid by No-Fault, including all reasonable medical expenses, the cost of insuring RBI claims is about 185% larger today than on the first day of No-Fault. It is about 93% larger than before No-Fault, when the claimant had to prove fault to recover anything and all reparations were paid by the Bodily Injury Liability Coverage component of an insured's non-mandated automobile policy.

The Legislature has through the enactment of the present No-Fault Law mandated that every motor vehicle owner must carry the prescribed insurance protection. Now it is up to the Legislature to decide whether or not the system is working and if so whether it is worth the cost to the insureds and residents of New Jersey.

It is urgent that the pragmatic issue regarding the statutory \$200 monetary threshold be addressed without delay. Expressed in terms of 1973 dollars the \$84 threshold can be targeted as the crux of the weakness in the No-Fault Law. Its inadequacy has had a negative effect on each of the Legislature's objectives. The fundamental question that must be answered is whether an \$84 threshold (in 1973 dollars) is worth the estimated annual added cost of \$535,000,000 that could be saved under a verbal threshold similar to that of the State of Michigan with its more comprehensive coverage for loss of wages and essential services.

*Report to the Legislature pursuant to SCR No. 68 of 1976.

* * * * *

APPENDIX OF TABLES

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TABLE I

CPI COMPOSITE AND MEDICAL CARE INDEX

	<u>ALL ITEMS</u>	<u>MEDICAL CARE CPI</u>	<u>EFFECTIVE VALUE OF \$200 TORT THRESHOLD</u>
1973	133.1	137.7	\$200.00
1974	147.7	150.5	182.87
1975	161.2	168.6	163.34
1976	170.5	184.7	149.14
1977	181.5	202.4	136.15
1978	195.4	219.4	125.55
1979	217.4	239.7	114.88
1980	246.8	265.9	103.57
1981	272.4	294.5	93.54
As of June 30, 1982	290.6	326.4	84.39

CONVERSION OF \$200 TORT THRESHOLD

TO 1973 DOLLARS

SOURCE: U.S. Department of Labor

TABLE II

NEW JERSEY PRIVATE PASSENGER
MOTOR VEHICLE REGISTRATIONS

	<u>NUMBER</u>	<u>CHANGE</u>	<u>% CHANGE</u>
1981	3,931,121	- 63,050	-1.5%
1980	3,994,171	- 23,593	- .6%
1979	4,017,764	+117,159	+3.0%
1978	3,900,605	+ 90,863	+2.4%
1977	3,809,742	+117,081	+3.1%
1976	3,692,661	+ 78,535	+2.2%
1975	3,614,126	- 15,376	- .5%
1974	3,629,502	+ 69,057	+1.9%
1973	3,560,445	+189,956	+5.6%
1972	3,370,489	+ 90,832	+2.7%
1971	3,279,657	+131,191	+4.1%
1970	3,148,466	-	

SOURCE: New Jersey Division of Motor Vehicles

TABLE III

PRIVATE PASSENGER MOTOR
VEHICLES REGISTERED AND INSURED
FOR MANDATED RBI AND PIP COVERAGE

Vehicles Registered	RBI and PIP Insured Car Years			Difference Between Vehicles Registered and Exposure Unit	
	Family Policy	Special Policy	Total	Number	%
3,931,121	-	(Data Not Available)	-	-	-
3,994,171	3,188,591	266,384	3,454,975	539,196	-13%
4,017,764	3,245,824	273,817	3,519,641	498,123	-12%
3,900,605	3,132,761	278,507	3,411,268	489,337	-12%
3,809,742	3,124,600	273,395	3,397,995	411,747	-11%
3,692,661	3,069,926	249,816	3,319,742	372,919	-10%
3,614,126	2,984,250	212,193	3,196,443	417,683	-11%
3,629,502	2,927,612	202,204	3,129,816	499,686	-13%
3,560,445	2,718,586	193,346	2,911,932	648,513	-18%

RCES: New Jersey Division of Motor Vehicles

ISO and NAII Compilations of Private Passenger Automobile
PIP and Liability Experience Data

TABLE IV

NEW JERSEY AUTOMOBILE INSURANCE PLANPRIVATE PASSENGER AUTOMOBILE LIABILITY
INSURANCE COVERAGE

<u>Year</u>	<u>Vehicles Covered</u>
1972	407,471
1973	412,254
1974	303,338
1975	356,598
1976	561,904
1977	846,556
1978	1,039,524
1979	1,102,907
1980	1,190,647
1981	1,370,000 (estimated)

NOTE: The AIP also provides commercial coverages and automobile physical damage insurance which are not included in above data.

SOURCE: New Jersey Automobile Insurance Plan

TABLE V

NOTICES OF INTENTION TO MAKE CLAIM
INVOLVING UNINSURED AND HIT-RUN MOTORISTS

<u>Fiscal Year Ending June 30</u>	<u>Notices Received</u>	<u>Claims Eligible</u>
1977	3,675	1,281
1978	4,322	1,230
1979	4,866	1,068
1980	5,441	1,312
1981	5,910	1,297
1982	6,749	2,008

SOURCE: Manager's Annual Report to the United States Claim and
Judgement Fund Board

TABLE VI
UTILIZATION OF PIP AND RBI BENEFITS

<u>Fiscal Year</u>	<u>Number of Claims Arising</u>			<u>Number of Claims Paid</u>		
	<u>PIP</u>	<u>RBI</u>	<u>% RBI/PIP</u>	<u>PIP</u>	<u>RBI</u>	<u>% RBI/PIP</u>
1975	64,696	45,726	70.7%	50,266	18,624	37.1%
1976	81,304	52,398	64.4%	71,482	20,152	28.2%
1977	92,056	62,112	67.4%	77,737	20,686	26.6%
1978	95,137	63,090	66.3%	81,667	22,079	27.0%
1979	97,492	68,605	70.3%	91,654	25,617	27.9%
1980	103,499	70,779	68.4%	93,210	27,924	29.9%
1981	114,008	79,195	69.5%	99,356	30,316	30.5%
Ending 9/30/82	119,239	86,841	72.8%	104,567	32,870	31.4%
Increase Since 1975	+84.3%	+89.9%		+108.0%	+76.5%	

SOURCE: NAIC Fast Track Monitoring System

TABLE VII

PRIVATE PASSENGER AUTOMOBILE INSURANCE
DIRECT PREMIUM AND LOSS DATA FOR THE YEAR 1981

<u>WRITTEN AND PAID DATA</u>	<u>PREMIUMS WRITTEN</u>	<u>LOSSES PAID</u>	<u>LOSS RATIO</u>
No Fault (PIP)	\$ 321,736,000	\$234,808,000	73.0%
Liability (RBI and PD)	880,951,000	546,743,000	62.1%
Totals	<u>\$1,202,687,000</u>	<u>\$781,551,000</u>	65.0%
<u>EARNED AND INCURRED DATA</u>	<u>PREMIUMS EARNED</u>	<u>LOSSES INCURRED</u>	
No Fault (PIP)	\$ 293,631,000	\$ 299,776,000	102.1%
Liability (RBI and PD)	825,227,000	723,695,000	87.7%
	<u>\$1,118,858,000</u>	<u>\$1,023,471,000</u>	91.5%

SOURCE: Compilation of Annual Statement Data Filed with the New Jersey Department of Insurance of Direct Gross Premiums less Return Premiums Written and Incurred and Direct Losses Paid and Incurred.

TABLE VIII
AVERAGE CLAIM COST FOR
PRIVATE PASSENGER AUTOMOBILE INSURANCE

	VALUATION PERIOD IN MONTHS	AVERAGE CLAIM COST		
		NO FAULT PIP	LIABILITY	
			RBI	PD
1973	39	\$ 612	\$3,281	\$378
1974	39	768	3,579	416
1975	39	950	5,367	451
1976	39	1,021	5,548	489
1977	39	1,301	6,161	591
1978	39	1,342	6,432	625
Percent Increase over 1973		119%	96%	65%

SOURCE: ISO AND NAII Compilations of Private Passenger
Automobile PIP and Liability Experience (Ultimate Data).

TABLE IX

ANALYSIS OF INCURRED LOSS CLAIM COUNTS FOR
PIP AND RBI DATA COMPILED BY ISO AND NAII

VALUATION PERIOD IN MONTHS	NUMBER OF INCURRED LOSSES			PERCENT OF INCURRED LOSSES		
	PIP & RBI*	RBI	PIP ONLY	PIP & RBI*	RBI	PIP ONLY
39	113,238	34,715	78,523	100%	31%	69%
39	114,756	36,408	78,348	100%	31%	68%
39	119,844	39,996	79,848	100%	33%	67%
39	123,624	41,441	82,183	100%	34%	66%
27	131,051	45,094	85,957	100%	34%	66%
15	130,299	43,307	86,992	100%	33%	67%
Percent Increase 1975	<u>15%</u>	<u>25%</u>	<u>11%</u>			

*Assumption is made that every RBI claims involves a PIP claim.

TABLE X

AVERAGE AND MEDIAN OF JUDGEMENTS RENDERED ON
AUTOMOBILE NEGLIGENCE CASES FROM
SEPTEMBER 1, 1972 TO AUGUST 31, 1981

<u>COURT YEAR</u> <u>ENDING AUGUST 31</u>	<u>COUNTY DISTRICT COURTS</u>		<u>SUPERIOR COURTS</u>	
	<u>MEAN</u>	<u>MEDIAN</u>	<u>MEAN</u>	<u>MEDIAN</u>
1973	\$753	\$480	\$ 5,695	\$3,900
1974	750	475	6,244	4,560
1975	784	495	7,080	5,450
1976	776	480	7,436	5,600
1977	725	440	8,387	6,550
1978	782	495	12,801	5,870
1979	775	485	12,611	7,300
1980	872	600	13,368	7,900
1981	988	706	13,701	8,375
Increase Since September 1, 1972 1972	31%. ²	47%	141% 140.6	115%

*SOURCE: Annual Reports of the Administrative Director of Courts.

TABLE XI
PRIVATE PASSENGER NON-FLEET FAMILY AUTOMOBILE POLICY
NO-FAULT AND LIABILITY INSURANCE EXPERIENCE

VALUATION PERIOD IN MONTHS	EARNED EXPOSURES	P	I	P	INCURRED LOSSES	
		EARNED PREMIUMS		TOTAL	EXCESS	NUMBER
5 39	2,984,250	\$ 44,368,660		\$107,609,666	\$16,392,692	113,238
6 39	3,069,926	77,720,103		117,192,638	8,950,803	114,756
7 39	3,124,600	124,223,792		155,933,459	13,812,797	119,844
8 39	3,132,761	141,871,991		165,936,771	15,724,765	123,624
9 27	3,245,824	180,466,658		196,000,000*	18,000,000*	131,051
0 15	3,188,591	211,007,175		226,000,000*	17,000,000*	130,299
Percent increase over 1975	7%	375%		110%	4%	15%

VALUATION PERIOD IN MONTHS	EARNED EXPOSURES	R	B	I	INCURRED LOSSES	
		EARNED PREMIUMS		TOTAL	EXCESS	NUMBER
75 39	2,984,250	\$204,491,569		\$186,323,711	\$39,339,015	34,715
76 39	3,069,926	233,575,081		201,985,824	38,380,047	36,408
77 39	3,124,600	289,245,494		246,422,573	50,553,042	39,996
78 39	3,132,761	313,162,109		266,530,422	55,460,164	41,441
79 27	3,245,824	350,493,127		295,700,000*	58,000,000*	45,094
80 15	3,188,591	396,806,831		327,000,000*	66,000,000*	43,307
Percent increase over 1975	7%	94%		76%	68%	25%

Projected to 39 month valuation

SOURCE: ISO AND NAII Compilations of Private Passenger Automobile
No Fault (PIP) and Liability (RBI) Experience

TABLE XII

AUTOMOBILE NEGLIGENCE CASES
ADDED, DISPOSED OF AND PENDING

Fiscal Year Ending August 31	<u>ADDED*</u>			<u>DISPOSED OF</u>			<u>PENDING</u>		
	Superior Court	County District Court	<u>Total</u>	Superior Court	County District Court	<u>Total</u>	Superior Court	County District Court	<u>Total</u>
1970	18,051	23,120	41,171	16,630	27,339	43,969	28,275	7,883	36,158
1971	17,981	23,714	41,695	18,210	30,507	48,717	28,073	8,512	36,585
1972	16,536	22,431	38,967	20,176	29,954	50,130	24,615	7,885	32,500
1973	16,343	20,292	36,635	20,188	28,399	48,587	20,952	6,111	27,063
1974	15,591	15,948	31,539	18,609	23,378	41,987	17,930	5,465	23,395
1975	15,956	13,154	29,110	15,485	18,139	33,624	18,406	4,279	22,685
1976	15,896	11,715	27,611	13,541	14,957	28,498	20,828	4,305	25,133
1977	17,274	11,767	29,041	14,886	13,429	28,315	23,216	4,975	28,191
1978	17,275	10,747	28,022	16,636	13,252	29,888	23,839	4,534	28,373
1979	19,491	11,471	30,962	17,908	12,856	30,764	25,389	5,035	30,424
1980	20,833	14,222	35,055	20,528	14,873	35,301	25,596	4,372	29,968
1981	24,161	12,482	36,643	22,650	13,526	36,176	26,181	3,033	29,214

*Including transfers and reinstatements

SOURCE: Annual Reports prepared by the Administrative Office of the Courts

TABLE XIII

COMPARISON OF THE AVERAGE MANDATED INSURANCE COST PER
PRIVATE PASSENGER AUTOMOBILE

	<u>1972</u>	<u>1973</u>	<u>1977</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>Liability</u>							
BI \$15,000/\$30,000	\$ 74.29	\$50.22	\$ 72.06	\$ 78.85	\$ 94.46	\$116.75	\$143.05
PD \$5,000	<u>38.34</u>	<u>36.42</u>	<u>57.33</u>	<u>56.56</u>	<u>63.40</u>	<u>76.49</u>	<u>85.15</u>
Total Liability	\$112.63	\$86.64	\$129.39	\$135.41	\$157.86	\$193.24	\$228.20
<u>Personal Injury Protection</u>	<u>*12.52</u>	<u>9.70</u>	<u>40.92</u>	<u>61.35</u>	<u>68.10</u>	<u>93.37</u>	<u>107.47</u>
<u>Total Mandated Coverage Cost</u>	<u>\$125.15</u>	<u>\$96.34</u>	<u>\$170.31</u>	<u>\$196.76</u>	<u>\$225.96</u>	<u>\$286.61</u>	<u>\$335.67</u>

Change in Total Mandated Premium Since 1973 = +248%

Change in Total RBI and PIP component since 1973 = +318%

Change in RBI component since 1973 = +185%

Change in RBI component since 1972 (before No-Fault) = +93%

\$5,000 Medical payments cost prior to enactment of No-Fault

SOURCE: New Jersey Department of Insurance Records

TABLE XIV

COMPARISON OF MANDATED AUTOMOBILE INSURANCE COSTS (ISO)
FOR BASIC LIMITS COVERAGE

		Lowest Rated Classification and <u>Territory</u>	
	<u>Premium Cost</u>	<u>% of Total Liability Premium</u>	<u>% of Total Mandated Premium</u>
<u>LIABILITY</u>			
RBI \$15,000/\$30,000	\$ 89	61%	44%
PD \$5,000	<u>56</u>	<u>39%</u>	<u>28%</u>
Total Liability (RBI and PD)	\$145	<u>100%</u>	72%
<u>PERSONAL INJURY PROTECTION</u>	<u>56</u>		<u>28%</u>
Total Liability and PIP	<u>\$201</u>		<u>100%</u>

		Highest Rated Classification and <u>Territory</u>	
	<u>Premium Cost</u>	<u>% of Total Liability Premium</u>	<u>% of Total Mandated Premium</u>
<u>LIABILITY</u>			
RBI \$15,000/\$30,000	\$ 870	63%	55%
PD \$5,000	<u>511</u>	<u>37%</u>	<u>33%</u>
Total Liability (RBI and PD)	\$1,381	<u>100%</u>	88%
<u>PERSONAL INJURY PROTECTION</u>	<u>187</u>		<u>12%</u>
Total Liability and PIP	<u>\$1,568</u>		<u>100%</u>

SOURCE: New Jersey Department of Insurance Records

TABLE XV

DISTRIBUTION OF AVERAGE MANDATED AUTOMOBILE INSURANCE
COSTS (ISO) FOR BASIC LIMITS COVERAGE

	Premium Cost	% of Total Liability Premiums	% of Total Mandated Premiums
<u>LIABILITY</u>			
RBI \$15,000/\$30,000	\$143.05	63%	43%
PD \$5,000	<u>85.15</u>	<u>37%</u>	<u>25%</u>
Total Liability (RBI and PD)	\$228.20	<u>100%</u>	68%
<u>PERSONAL INJURY PROTECTION</u>	<u>107.47</u>		<u>32%</u>
Total Liability and PIP	<u>\$335.67</u>		<u>100%</u>

SOURCE: New Jersey Department of Insurance Records

TABLE XVI

PRIVATE PASSENGER NON-FLEET AUTOMOBILE INSURANCECOMPARISON OF NEW JERSEY RBI AND PIP CLAIMS ARISING
AND PAID WITH THE STATE OF MICHIGAN

<u>Year Ending</u>	<u>Number of Claims Paid</u>	<u>NEW JERSEY Number of Claims Arising</u>	<u>Arise Claim Frequency</u>	<u>Number of Claims Paid</u>	<u>MICHIGAN Number of Claims Arising</u>	<u>Arise Claim Frequency</u>
<u>BODILY INJURY LIABILITY</u>						
1975	18,624	45,726	2.52	8,333	18,085	0.65
1976	20,152	52,398	2.24	6,983	19,232	0.64
1977	20,686	62,112	2.54	6,095	20,876	0.67
1978	22,079	63,090	2.51	6,450	20,270	0.63
1979	25,617	68,605	2.64	7,504	21,566	0.65
1980	27,924	70,779	2.61	8,973	21,693	0.64
1981	30,316	79,195	2.87	9,347	19,548	0.58
2 (3rd quarter)	32,870	86,841	3.11	8,858	19,744	0.60
<u>PERSONAL INJURY PROTECTION</u>						
1975	50,266	64,696	3.56	42,774	66,257	2.38
1976	71,482	81,304	3.47	45,779	69,170	2.30
1977	77,737	92,056	3.76	45,360	69,177	2.23
1978	81,667	95,137	3.78	42,961	66,524	2.06
1979	91,654	97,492	3.75	42,860	64,938	1.95
1980	93,210	103,499	3.82	41,425	61,232	1.81
1981	99,356	114,008	4.13	39,999	58,472	1.75
2 (3rd quarter)	104,567	119,239	4.27	37,747	56,858	1.71

RCE: NAIC Fast Track Monitoring System

TABLE XVII

PRIVATE PASSENGER NON-FLEET AUTOMOBILE INSURANCECOMPARISON OF NEW JERSEY RBI AND PIP PAID CLAIMS DATA
WITH THE STATE OF MICHIGAN

<u>Year Ending</u>	<u>NEW JERSEY</u>			<u>MICHIGAN</u>		
	<u>Number</u>	<u>Claims Paid Amount</u>	<u>Pure Premium</u>	<u>Number</u>	<u>Claims Paid Amount</u>	<u>Pure Premium</u>
<u>BODILY INJURY LIABILITY</u>						
1975	18,624	\$ 81,206,356	\$44.73	8,333	\$ 53,185,641	\$19.08
1976	20,152	103,575,820	44.25	6,983	56,019,110	18.64
1977	20,686	121,220,648	49.51	6,095	56,798,719	18.32
1978	22,079	142,482,228	56.63	6,450	64,500,177	20.01
1979	25,617	172,778,204	66.40	7,504	83,659,604	25.09
1980	27,924	211,005,739	77.83	8,973	104,141,394	30.87
1981	30,316	247,464,246	89.65	9,347	117,205,577	35.03
82 (3rd quarter)	32,870	271,466,603	97.32	8,858	116,951,273	35.26
<u>PERSONAL INJURY PROTECTION</u>						
1975	50,266	34,679,362	19.10	42,774	54,298,118	19.48
1976	71,482	57,429,587	24.53	45,779	70,502,824	23.46
1977	77,737	75,961,334	31.03	45,360	83,662,740	27.05
1978	81,667	92,609,093	36.81	42,961	91,839,189	28.49
1979	91,654	116,614,809	44.82	42,860	110,184,394	33.04
1980	93,210	138,066,735	50.92	41,425	127,017,096	37.65
1981	99,356	171,776,565	62.23	39,999	140,678,721	42.04
2 (3rd quarter)	104,567	195,174,004	69.97	37,747	148,600,464	44.80

RCE: NAIC Fast Track Monitoring System

TABLE XVIII

PRIVATE PASSENGER NON-FLEET AUTOMOBILE
COMPARISON OF NEW JERSEY LOSSES PAID AND AVERAGE LOSS COST
WITH THE STATE OF MICHIGAN

<u>Year Ending</u>	<u>New Jersey</u>			<u>Michigan</u>		
	<u>Earned Car Years</u>	<u>Losses Paid</u>	<u>Average Loss Cost</u>	<u>Earned Car Years</u>	<u>Losses Paid</u>	<u>Average Loss Cost</u>
<u>Bodily Injury Liability</u>						
1975	1,815,588	\$ 81,206,356	\$4,360	2,787,337	\$ 53,185,641	\$ 6,383
1976	2,340,868	103,575,820	5,140	3,005,585	56,019,110	8,002
1977	2,448,188	121,220,648	5,860	3,099,849	56,798,719	9,319
1978	2,516,185	142,482,228	6,453	3,224,048	64,500,177	10,000
1979	2,602,116	172,778,204	6,745	3,334,420	83,659,604	11,149
1980	2,771,245	211,005,739	7,556	3,374,031	104,141,394	11,606
1981	2,760,382	247,464,246	8,163	3,345,989	117,205,577	12,539
82 (3rd qtr.)	2,789,545	271,466,603	8,259	3,317,090	116,951,273	13,203
<u>Personal Injury Protection</u>						
1975	1,815,558	\$ 34,679,362	\$ 690	2,787,337	\$ 54,298,118	\$ 1,269
1976	2,340,868	57,429,587	842	3,005,585	70,502,824	1,540
1977	2,448,188	75,961,334	977	3,099,849	83,622,740	1,849
1978	2,516,185	92,609,093	1,134	3,224,048	91,839,189	2,138
1979	2,602,116	116,614,809	1,272	3,334,420	110,184,394	2,571
1980	2,711,245	138,066,735	1,481	3,374,031	127,017,096	3,066
1981	2,760,382	171,776,565	1,729	3,345,989	140,678,721	3,517
82 (3rd qtr.)	2,789,545	195,174,004	1,866	3,317,090	148,600,464	3,937

SOURCE: NAIC Fast Track Monitoring System

**Comparison of Motor Vehicle Registrations, Vehicle Miles Driven
Automobile Negligence Cases Added and Premiums Earned 1970-1981**

		Automobile Negligence Cases Added in Superior and District Courts								Auto Liability and PIP Premiums Earned	
Motor Vehicle Registrations		Motor Vehicle Miles Driven		County District Courts		Superior Court Law Division					
Number	% Increase	Number	\$ Increase	Number	% Increase	Number	% Increase			\$ Premiums	% Increase
1981	4,940,184	+31.9%	-	-	12,482	-56.4%	24,161	+33.8%		\$1,354,983,000	+214.3%
1980	5,007,321	+33.7%	51,636	+29.4%	14,222	-50.4%	20,833	+15.4%		\$1,167,711,000	+170.9%
1979	4,957,993	+32.4%	50,397	+26.3%	13,387	-53.2%	19,491	+ 8.0%		\$1,029,887,000	+138.9%
1978	4,781,222	+27.7%	51,805	+29.9%	12,482	-46.4%	17,275	- 4.3%		\$ 898,488,000	+108.4%
1977	4,633,216	+23.7%	50,893	+27.6%	14,099	-50.8%	17,274	- 4.5%		\$ 813,341,000	+ 88.7%
1976	4,527,758	+20.9%	50,081	+25.5%	14,562	-49.2%	15,896	-12.0%		\$ 641,803,000	+ 48.9%
1975	4,427,739	+18.3%	48,445	+21.4%	16,634	-41.9%	15,956	-11.6%		\$ 535,123,942	+ 24.1%
1974	4,426,271	+18.2%	47,244	+18.4%	20,996	-26.7%	15,591	-13.6%		\$ 501,584,000	+ 16.3%
1973	4,307,602	+15.0%	48,167	+20.7%	26,625	- 0.7%	16,343	- 9.5%		\$ 495,230,000	+ 14.9%
1972	4,068,304	+8.7%	47,082	+18.0%	29,327	+ 2.5%	16,536	- 8.4%		\$ 525,618,000	+ 21.9%
1971	3,920,759	+4.7%	43,289	+8.5%	31,126	+ 8.74%	17,981	- 0.4%		\$ 489,256,000	+ 13.5%
Base Year											
1970	3,744,201	-0-	39,892	-0-	28,623	-0-	18,051	-0-		\$ 431,084,000	-0-

SOURCE: -New Jersey Motor Vehicle Division
 -United States Department of Transportation - Federal Highway Administration
 -Annual Reports of the Administrative Director of the Courts
 -New Jersey Department of Insurance Annual Reports

PERCENTAGE CHANGES IN MOTOR VEHICLE REGISTRATIONS, VEHICLE
MILES DRIVEN, AUTO NEGLIGENCE CASES ADDED AND PREMIUMS EARNED.
1970 - 1981

- Cost of Auto Liability and Personal Injury Protection Insurance Up 214.3%
- Automobile Negligence Cases Added:
 - Superior Court Up 33.8%
 - County District Courts Down 56.4%
- Motor Vehicle Registrations Up 31.9%
- Miles Driven Up 29.4%

Mandated Automobile Insurance Premiums
(PIP & BI & PD LIAB.)
at 314% (Up 214.3% over 1970)

