



OFFICE OF THE GOVERNOR

NEWS RELEASE

PO BOX 004
CONTACT: Jayne O'Connor
(609) 777-2600

TRENTON, NJ 08625
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GOV. CHRISTIE WHITMAN CALLS FOR GUARANTEED AUTO INSURANCE REDUCTIONS UP TO 25 PERCENT

Gov. Christie Whitman today called for guaranteed auto insurance reductions up to 25 percent when she submitted amendments to the Legislature mandating reductions on all passenger car insurance policies in New Jersey.

Her plan builds guaranteed savings into all four auto insurance policy options offered in legislation she unveiled last March. The guaranteed savings will apply to 75% of all drivers.

Good drivers purchasing the new Super Savings Policy will be guaranteed that their insurance premiums will be cut by 25 percent. Those choosing the other new option, the Fixed Benefits Policy, will be guaranteed a 15 percent reduction. Those purchasing the Traditional Benefits Policy and Maximum Benefits Policy will be guaranteed 10 and 5 percent savings respectively.

"Right now, New Jersey drivers have precious few choices in buying car insurance -- and all of them cost too much," Whitman said. "I am going to take on the special interests who want to dictate your coverage and drain your wallets. I am determined to give consumers real choice and real savings."

"Earlier this year, I outlined a proposal to give drivers real choice in the level -- and the cost -- of their coverage," she said. "At the time, I predicted savings of as much as 25 percent compared to current rates. Today, I am strengthening that plan. No more will I predict that you can save up to 25 percent. Now I am guaranteeing it."

The policy options in the new 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 or other noneconomic loss. The guaranteed savings for a consumer choosing this policy would be 25 percent of their policy costs.
- **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 Banking and Insurance. The guaranteed savings for those choosing this option would be 15 percent of their policy costs.
- **Traditional Benefits Policy.** Covers medical expenses, lost wages and other costs. A consumer selecting this policy could sue for both economic and noneconomic 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 noneconomic loss -- including pain and suffering -- are not restricted in any way under this option. The savings projected for those choosing this option is five percent of their policy costs.

Under all of the 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 covered by Personal Injury Protection Plan insurance. Under present law those determinations are made by a panel of lawyers.

The mandated savings are guaranteed only for drivers with clean records who have typical policies. These include 75 percent of all drivers or 3.3 million. A typical policy includes liability limits of up to \$100,000/300,000/50,000, personal injury protection of \$250,000, a \$500 collision deductible of \$500 or more and a \$250 or higher comprehensive deductible.

The mandated savings are guaranteed for drivers with clean records. Those drivers represent 82 percent of all drivers in New Jersey. The guarantee assumes that the driver is insuring the same car and does not increase coverage above current limits. For the small percentage of drivers with points on their records, savings will vary according to their driving history.

The guaranteed savings apply to drivers who have full coverage including collision coverage. Those drivers who own older cars that they are not insuring against collision are likely to save even more.

"I applaud Governor Whitman for her persistence and courage in moving forward to make these revolutionary changes to our car insurance system," said Banking and Insurance Commissioner Elizabeth Randall. "Every family in our state will benefit from her efforts."

Whitman said her guaranteed reductions in insurance costs are constitutional because they are directly related to reduced costs to insurance companies.

The Department of Banking and Insurance consulted an independent actuary who determined that the mandated savings could be guaranteed to drivers with clean records.

"The bottom line is that New Jersey car insurance rates will go down," Whitman said. "And they'll go down because of the anti-fraud measures I have already signed into law and the new Drivers Choice Program I am proposing today."

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