

*Office of the Governor*  
**NEWS RELEASE**

PO BOX 004  
TRENTON, NJ 08625

CONTACT: Jayne O'Connor  
609-777-2600

RELEASE: May 19, 1998

**Gov. Whitman Signs Law to Reduce Auto Insurance Rates**

Gov. Christie Whitman today signed into law the first real reform of New Jersey's automobile insurance system in twenty-six years. The law guarantees a rate reduction of 15 percent for most drivers and provides consumers with more choices, while reducing lawsuits, addressing insurance fraud and excessive medical testing and treatment.

"New Jersey drivers have waited too long for the auto insurance problem to be fixed," said Gov. Whitman. "We have waited too long for lower rates. Today, the wait is over."

"This legislation conforms to the four conditions that the Senate President and Assembly Speaker, and I have long agreed must be part of any reform bill, the Governor said. "It will guarantee real savings on car insurance bills. It will avoid shifting costs to health insurance or loading up the dockets with more lawsuits. And, it will mean a better deal for those who deserve it-all the good drivers of our state."

The new law will achieve substantial savings by revising the state's lawsuit threshold to limit lawsuits for pain and suffering. Currently, persons choosing the verbal threshold can sue for pain and suffering for temporary, non-serious injuries. The new limitation on lawsuit option requires that injuries must be to a body part or organ, not just tissue, and must be permanent.

According to the Governor, consumers will now have the opportunity to save on their insurance costs as a result of the greater choices provided in the bill. A new basic insurance policy, available to motorists under the new law, will allow people to meet the state's mandatory insurance requirement at an estimated cost of \$350 to \$400. The basic policy is also intended to reduce the number of uninsured drivers.

Additionally, consumers will have the option to buy less personal injury protection (PIP) coverage than the \$250,000 currently required. Purchasers of the standard policy may buy PIP coverage as low as \$15,000. The default amount chosen by the majority of drivers would remain at \$250,000 and catastrophic injuries would be covered in any event in an amount not to exceed \$250,000.

The law will reduce insurance company medical costs by establishing a new PIP arbitration system that utilizes peer review and by providing treatment and testing

be in accordance with commonly accepted medical protocols.

The bill also controls premium costs with tough, new anti-fraud measures. Physicians will be required to certify the seriousness of the plaintiff's condition in every complaint in a pain and suffering lawsuit brought under the new lawsuit threshold. A fraudulent filing of a certification is punishable by imprisonment and revocation of the physician's professional license.

An Office of Fraud Prosecutor is established in the Department of Law and Public Safety. The office is given a broad mandate to investigate and prosecute insurance fraud.

The new law also requires that the existing insurance rating territories be redrawn more fairly by Jan. 1, 2000 to reflect demographic changes in the state which have occurred since the territories were drawn over 50 years ago. Redrawing the territories will eliminate the inequities presented by rating caps established in 1983. The bill preserves rate caps for senior citizens and drivers who select the basic policy.

The new law permits multi-car households to significantly cut their comprehensive and collision insurance costs by specifically naming those drivers that will be permitted to use certain vehicles.

Under the "named driver exclusion," for example, a youthful driver could be assigned to a car that is less expensive to insure. Currently, the highest-risk driver in a household is assigned to the most expensive car in the household for the purposes of setting rates.

An Office of the Insurance Claims Ombudsman in the Department of Banking and Insurance is established to investigate consumer complaints against insurers and to publish a buyer's guide for insurance consumers.

Governor Whitman thanked Senate President Donald T. DiFrancesco and Assembly Speaker Jack Collins for their efforts to pass the reform bill. "Without their courage and support, today would not have been possible," the Governor said.

**S-3 and S-1051** were sponsored by Senate President Donald T. DiFrancesco (R-Union/Somerset/Morris/Middlesex) and Senator John Adler (D-Camden) and Assembly Members Christopher Bateman (R-Morris/Somerset) and Louis D. Greenwald (D-Camden).