

Governor Signs Auto Bill Insuring 15% Rate Reduction

Gov. Christie Whitman today signed legislation that clarifies the intent of the auto insurance reform she enacted last spring. The bill requires an overall premium reduction of 15%, ensuring that drivers will immediately receive the benefits of the cost reduction and coverage changes that were part of the law.

S-1801, sponsored by Senate President Don DiFrancesco (R- Middlesex/Morris/ Somerset/Union), Speaker of the Assembly Jack Collins (R-Salem/Cumberland/ Gloucester) and Assembly Minority Leader Joseph V. Doria Jr. (D-Hudson), establishes additional rating methods to be used by insurers to provide the 15% overall rate reduction. The bill codifies the Department of Banking and Insurance's most recent order to the insurance industry to effect a 15% overall rate reduction.

"When I said last May that car insurance would be reduced by 15% I meant it. Despite the efforts of special interest groups who have their own interests in mind, we have succeeded in providing relief to New Jerseyans who were tired of paying high auto insurance," said Governor Whitman. "The intent of the bill was to provide an overall rate reduction of 15% and that was made very clear. Unfortunately, some special interests have tried to prevent the reduction from going into effect."

"I am very pleased that the court let the reform go forward," said the Governor. "I am equally happy that the legislature moved so quickly to ensure that no group out to better position themselves could attempt to derail our efforts for a 15% reduction on behalf of New Jersey's drivers. I am confident that further efforts to stall this reduction will fail and that New Jersey drivers will benefit from the most meaningful insurance reform the state has seen in more than a quarter-century."

Specifically, the bill says if an insurer does not reach an overall rate reduction of 15% by filing rates that are reduced by coverage as specified in AICRA (Auto Insurance Cost Reduction Act), they can file rates that are:

Reduced 15% "across the board" on each coverage provided, with the exception of bodily injury liability coverage for those insureds who have the no limitation on lawsuit option; or

For those who have the limitation on lawsuit threshold, reduced 15% in the aggregate premium for policies that provide mandatory coverages only, or reduced 13% for policies that provide collision and comprehensive coverage.