

IMPORTANT CHANGES IN THE NEW JERSEY AUTO INSURANCE LAWS

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To Our Clients and Friends:

The New Jersey Legislature has enacted a new auto insurance law applicable to policies renewed after March 22, 1999. You have been, or soon will be faced with new choices and decisions regarding your automobile insurance coverage. The choices you make are important to you and your family. You should consider not only the short term savings in premium dollars, but also the potential impact these new options may have if you or a family member is involved in an auto accident.

We thought it would be worthwhile to outline some of the changes in the law for our clients because they effect virtually everyone. We hope this will assist you in making informed decisions. Naturally, your insurance company and/or agent can also provide you with guidance. We invite you to contact us if you have additional questions.

Basic Coverage

This is an entirely new concept and not one which we recommend. When you renew your auto insurance, you will have to choose between what the new law calls the "Basic Policy" and the better levels of coverage found in a "Standard Policy." The Standard Policy will protect you and your family. It affords coverage similar to the coverage you have had in the past.

The cheaper Basic Policy does not provide traditional coverage even for a liability claim against you. It provides little more than an insurance card to drive legally.

The new Basic Policy provides no bodily injury liability coverage and not even a defense if you are sued. If you are a basic policyholder involved in a collision that is only partly your fault, you could lose your license, your car, your income and other assets. Even if you believe you have no assets to protect today, (or that your college-bound son or daughter have nothing to protect), consider this: an unpaid judgment is a 20-year judgment. Future assets - a better salary, a new house - may be subject to being taken to pay the judgment. Until that judgment is satisfied, your privileges to own or drive a car will be suspended. Bankruptcy may void the judgment, but is hardly a desirable alternative.

With the Basic Policy, medical coverage is limited to \$10,000 and there may be a gap in coverage even if you have other medical insurance. This is potentially disastrous even for a child with no assets. There is an option under the "Basic Policy" for \$250,000 in medical coverage but this is illusory. This coverage only applies until the injured person is "stable", i.e. out of a coma.

The savings offered by insurance companies through this Basic Policy may seem too good to be true and, indeed, they are too good to be true. If you chose this policy, the premium discount may prove disastrous. You risk financial disaster both for liability and/or medical bills. In our opinion, the savings in premium is not worth the great reduction in coverage. We strongly advise our clients against this Basic Policy.

Standard Policy - Liability Coverage

The Standard Policy allows you, as in the past, to select your limits of coverage. Adequate insurance is essential to protect your assets. The portion of the policy that protects you if you are responsible for an accident is liability coverage. We recommend a minimum of \$100,000 in coverage for all our clients. For our clients with assets in excess of \$100,000, higher limits should be obtained. We would further urge you to at least inquire into the comparative cost of the best coverage available (typically \$300,000 to 500,000 limits).

Standard Policy - Uninsured and Underinsured Motorist Coverage

This coverage protects you and your family from drivers who do not have insurance or who do not have adequate insurance. We recommend that you obtain the highest possible UM/UIM limits.

One in three drivers is either not insured or may only have minimal coverage. As more drivers choose the Basic Policy, that means there will be an even greater number of drivers without adequate insurance. Buying more than the minimal of what is called UM/UIM coverage protects you and your family against these drivers.

You can buy UM/UIM coverage up to the same limits as your liability limit. This is the only way to protect your family against an uninsured or an underinsured motorist. The additional UM/UIM coverage is relatively inexpensive and may well be the most important aspect of your policy if a family member is injured.

Standard Policy - Medical Coverage

Various levels of coverage are now available up to the previous standard amount which was \$250,000. The new act allows insurance carriers to monitor, and in most instances they must approve in advance after emergency treatment, all medical expenses. You should promptly contact your carrier if you are injured and make sure your medical provider is in contact with the carrier as well. Several companies are mandating pre-certification of all medical expenses. You are covered for ten days post-accident and then must get the approval, in advance, of your carrier or it will not be responsible. You should realize that you may not be able to go to a physician of your choice under the pre-certification of medical expense personal injury protection coverage.

You should take care to coordinate your auto/medical coverage with any other medical coverage to be certain there are no gaps between them for which you would have no medical insurance.

Standard Policy - No Limitation on Lawsuit Threshold

We realize that the "no limitation on lawsuit threshold" is an expensive option, but, in our opinion, this is the best protection for you and your family. If you choose the other option, "limitation on lawsuit threshold," and are injured in an auto accident, you will not be able to make a claim for most injuries unless they are "permanent" in nature, regardless of how those injuries affect your income or quality of life. Given the limitations on covered medical treatment, diagnostic studies, and the definition of "permanent" it may be difficult to establish that you meet the criteria for a claim. Basic policyholders do not have this option. If you choose a Basic Policy, you automatically have the lawsuit threshold.

When people come to us after an auto collision they are often surprised to learn their auto insurance coverage selections define their family's rights to recover. At times, we must advise our clients they have waived their rights to bring any claim for redress through the selection of this option, despite a significant injury to a family member.

Our Personal Injury Group has many years of experience in assisting our clients in obtaining fair and equitable results for personal injuries they have suffered. Unfortunately, poor choices in selecting automobile insurance coverage may prevent us from assisting you if it ever proves necessary.

For your information, our Personal Injury Group features attorneys approved by the New Jersey Supreme Court as Certified Civil Trial Attorneys, a licensed private investigator and a registered nurse. We are available to answer any questions you may have about the new insurance options or to protect your interests if you are ever involved in an automobile accident.

The choices that you will make regarding your insurance are too important to make without understanding your options. Speak to your insurance agent about what your needs are. Also, please feel free to speak to us if you have any questions at all.

The authors are Certified Civil Trial Attorneys and Shareholders in Archer & Greiner's Personal Injury Group.