

NJ restores choice to auto market

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TRENTON — Not unlike the situation in Massachusetts, auto insurance has been a political football in New Jersey for decades.

However, maybe, just maybe the New Jersey auto market is about to change.

Gov. James E. McGreevey last month scored a major legislative victory with a reform measure that has won applause from the industry even if it doesn't go as far as insurers would like.

The New Jersey Automobile Insurance Competition and Choice Act (S-63/A-2625) aims to attract more auto insurers to New Jersey and provide consumers greater access to auto insurance coverage.

The legislation was prompted by rising industry and consumer discontent. Five of the six largest auto insurers in the nation do not sell auto coverage in the state and more than 20 auto insurers have left New Jersey in the past decade.

Consumers protested rising premiums and an increasing number of drivers complained that they could not obtain coverage.

Agents were faced with shrinking markets. According to the Independent Insurance Agents of New Jersey, dozens of independent agencies have closed because they have no auto market and, of those that remain, 30 percent of agencies have no automobile insurance product to offer to the consumer, while the remaining agencies have seen their markets cut by more than 50 percent with most having only one or two companies left.

So a coalition of industry and business groups lobbied for changes, focusing on some of the state's laws that insurers found most objectionable.

The resulting reform law phases out the state's "take-all-comers" law that requires insurers to write all eligible drivers. It also implements a fast track review of rate increases of 3 up to 7 percent.

The reform act repeals a requirement for prior approval of a withdrawal plan, which proponents say discourages outside insurers from entering the New Jersey auto market and it modifies the excess profits law, untying it from past economic factors.

Finally, the law restores the personal injury protection default provision to \$250,000 and permits insurers to charge the state guaranty fund assessments to consumers.

The bill garnered a surprisingly unanimous vote in the Assembly.

Most in the industry are breathing a bit easier, even while reserving judgment during implementation.

"Years of excessive regulations have turned New Jersey into a horror story for drivers seeking insurance," said John Friedman, chairman of the Coalition for Auto Insurance Competition. "Thanks to bipartisan leadership, New Jersey drivers are closer to reaping the benefits of a more competitive auto insurance marketplace."

The Coalition for Auto Insurance Competition is a New Jersey-based insurance industry group that was instrumental in the effort to enact reform. Coalition members include the National Association of Independent Insurers, Insurance Council of New Jersey, American Insurance Association, New Jersey Chamber of Commerce, Independent Insurance Agents of New Jersey, Citizens for a Sound Economy, National Association of Mutual Insurance Companies, Professional Insurance Agents of New Jersey, and some non-insurance groups.

The new law "reverses three decades of legislative micromanagement of the auto insurance business," said Donald S. Cleasby, assistant vice president and assistant general counsel for the National Association of Independent Insurers (NAII), a coalition member. "We highly commend the New Jersey legislature for its committed and bipartisan support of this bill."

But, these same observers caution, passing the law is just a first step in transforming the New Jersey market and image.

"The New Jersey auto insurance market has been distressed for nearly three decades. The harm done over 30 years won't be reversed the day after the governor signs S.63 into law," commented Richard Stokes, government affairs representative for the Alliance of American Insurers, northeast region.

"It will take time for the market to stabilize under these positive changes, and determination by regulators to stick to the legislature's intent of improving the competitive nature of the market." □