EVERYTHING You wanted to know about...

AUTO INSURANCE

But were AFRAID to ask!

New Jersey Department of
BANKING AND INSURANCE

Phil Murphy
Governor

Sheila Oliver
Lt. Governor

Marlene Caride
Acting Commissioner

Dear New Jersey Driver,

Auto insurance is required in New Jersey. As a New Jersey driver, you have many choices when it comes to purchasing auto insurance. Each choice you make affects the coverage you receive and the amount you pay.

As with any major purchase, you need to understand the product before you buy it. The New Jersey Department of Banking and Insurance has prepared this guide to help you understand auto insurance and explain how to shop for the coverage that best suits your needs. Whether you are buying a new insurance policy or renewing your current policy, this guide will outline how to make choices that work for you.

It is important to remember that you have the right to change your coverages and policy limits at any time, even if you are not near your renewal date.

If you need more information about auto insurance options, visit the Department's web site, **www.dobi.nj.gov**, or call or write to the Department. Contact information is located on the *back cover* of this guide.

Sincerely,

Marlene Caride
Acting Commissioner

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Where Should You Start?

Auto insurance helps protect you and your family from losses resulting from motor vehicle accidents. It is required in New Jersey. If you drive without insurance, you are breaking the law!

Whether you are buying a new insurance policy or renewing your current policy, you will make many decisions about what coverage you need and how much you can pay in **premium** (the amount of money a company charges for insurance coverage). Some things to consider:

Understand Your Needs

Do you rent or own your own home? Do you have assets to protect (including income from a job)? Will your own health insurance cover auto accident injuries? How much insurance coverage can you afford? These are some of the questions you should ask yourself before choosing a specific coverage plan.

Understand Your Options

Use this guide to learn about the words and phrases used in auto policies. Know the many coverage options. Review the different benefits of each option. (*See pages 2-9*).

Understand Consumer Protections

As a New Jersey auto insurance consumer, you have rights. (*See pages 28-31.*) You have the right to fair and equal treatment, and you have the right to get the information you need to make informed decisions.

Remember...

Agents, brokers and companies must inform you of your coverage options when applying for a new policy, or at any time upon your request if you are already insured. You have the **right to know how each choice may affect what you pay** and what your benefits would be in the event of an accident. You always have the right to ask about additional options.

You can **shop for auto insurance at any time –** not just when your policy is up for renewal, and if you find a better price, you can cancel your old policy and seek a refund of your unused premium.

You have the right to **change your coverages and policy limits at any time,** even if you are not near your renewal date. If you select options that save you money, you have a right to a refund of your unused premium within 60 days.

What's in a Policy?

Insurance policies use terms that may be unfamiliar to the average driver. It is useful to understand what these terms mean so you can make better, more informed decisions about your coverage.

Coverages — Your auto insurance policy is divided into different coverages based on the type of **claim** that will be paid to you or others. (A **claim** is a request to an insurer for payment or reimbursement of a loss covered by the terms of an insurance policy.) These coverages are:

Personal Injury Protection — Otherwise known as "**PIP**," this is your medical coverage for injuries you (and others) suffer in an auto accident. PIP pays if you or other persons covered under your policy are injured in an auto accident. It is sometimes called **"no-fault" coverage** because it pays your own medical expenses **no matter who caused the auto accident**. PIP has two parts — (1) coverage for the cost of treatment you receive from hospitals, doctors and other medical providers and any medical equipment that may be needed to treat your injuries and (2) reimbursement for certain other expenses you may have because you are hurt, such as lost wages and the need to hire someone to take care of your home or family. You may purchase both parts of PIP coverage or medical treatment coverage only, depending upon your needs.

Liability — This coverage pays others for damages from an auto accident that **you cause**. It also pays for a lawyer to defend you if you are sued for damages that **you cause**.

There are two kinds of liability coverage: **Bodily Injury** and **Property Damage**.

Bodily Injury Liability Coverage — Pays for claims and lawsuits by people who are injured or die as a result of an accident **you cause**. (*See pages 8 and 9 for lawsuit options*). It compensates others for pain, suffering and economic damages, such as lost wages. This coverage is typically given as two separate dollar amounts: (1) an amount paid per individual and (2) an amount paid for total injuries to all people injured in any one accident that you cause.

Property Damage Liability Coverage — Pays for claims and lawsuits by people whose property is damaged as a result of an auto accident **you cause**.

These coverages can sometimes be purchased as a **combined single limit**, which offers a maximum limit of protection per accident of **bodily injury** and **property damage liability combined**.

Uninsured Motorist Coverage — Pays you for property damage or bodily injury if you are in an auto accident **caused by an uninsured motorist** (a driver who does not have the minimum level of insurance required by law). Claims that you would have made against the uninsured driver who caused the accident are paid by your own policy. Uninsured motorist coverage **does not** pay benefits to the uninsured driver.

Underinsured Motorist Coverage — Pays you for property damage or bodily injury if you are in an auto accident **caused by a driver who is insured, but who has less coverage than your underinsured motorist coverage**. When damages are greater than the limits of the other driver's policy, the difference is covered by your underinsured motorist coverage.

******Claims paid under uninsured or underinsured motorist coverage exclude the first $500 in damages.*

What does Underinsured Motorist Coverage pay for?

Jane purchases $100,000 in liability coverage and $100,000 in **underinsured motorist coverage.** Sam purchases only $15,000 in liability coverage.

Sam crashes his car into Jane's car, causing $25,000 in damages. Sam's insurance company pays Jane $15,000 of the damages, while Jane's insurance company pays the remaining $10,000 (*less a $500 exclusion) from her **underinsured motorist coverage.**

Collision Coverage — Pays for damage to your vehicle as the result of a collision with another car or other object. Collision coverage pays you for damage that **you cause** to your automobile. You can also make a claim under your own collision coverage for damage to your car from an auto accident **you did not cause**. This may take less time than making a property damage liability claim against the driver who caused the auto accident. Your insurer then seeks reimbursement from the insurer of the driver who caused the auto accident. (*See page 27.*)

Comprehensive Coverage — Pays for damage to your vehicle that is not a result of a collision, such as theft of your car, vandalism, flooding, fire or a broken windshield. However, it will pay if you collide with an animal.

Remember...

Comprehensive (also known as "comp" or "Other Than Collision") and **Collision coverages** are not required by law, but **may be required under the terms of an automobile leasing or financing contract.**

What are the Types of Policies?

There are two common types of auto insurance policies in New Jersey — they are referred to as Standard and Basic. Both offer options as well. The chart on page 7 compares the differences between the policies.

Standard Policy — The Standard Policy provides a number of different coverage options and the opportunity to buy additional protection. Most New Jersey drivers choose this policy.

Things to note if you choose the Standard Policy:

- Even if you choose one of the lower **PIP** limits, in some instances you will be covered for medically necessary treatment up to $250,000 for certain permanent or significant injuries, regardless of your selected limit**.** Amounts paid under the permanent or significant PIP provision will be applied to and will reduce any amount payable under the lower PIP limit chosen.
- A minimum amount of **Uninsured/Underinsured Motorist coverage** is required. You can purchase higher limits if you want more coverage, but cannot exceed your primary **liability** limits.
- **Comprehensive** and **Collision coverages** are available as options of the **Standard Policy**. (Some insurers may provide these options in the **Basic Policy**.*)*

Basic Policy — The Basic Policy usually costs less than a Standard Policy, but provides limited benefits. It is not for everyone, but it does provide enough coverage to meet the minimum insurance requirements of New Jersey law. The Basic Policy could be an option for those with few family responsibilities and few assets to protect (including income from a job).

Special Policy for Medicaid Recipients Only

What is the SAIP?

The **Special Automobile Insurance Policy (SAIP)** is a new initiative to help make limited auto insurance coverage available to drivers who are eligible for Federal Medicaid with hospitalization. Such drivers can obtain a **medical coverage-only policy** at a cost of $365 a year. For more information, ask your agent or call the New Jersey Department of Banking and Insurance at **1-800-446-7467**.

What are Limits and Deductibles?

In addition to choosing coverage options, you must choose the amount of coverage you want to buy and the amount you are willing to pay out of pocket in the event of an accident.

Limits — The maximum dollar amount the insurer will pay following an auto accident. Limits vary with each coverage within the policy. (*See chart, page 7.*)

Deductibles — Payments you have to make **before** the insurer pays for a covered loss. For example, a $750 deductible means that you pay the first $750 of each **claim**. Deductibles vary by company and type of coverage. In addition to any savings you may realize from how much coverage you buy, you can also save money by choosing higher deductibles. The amount you save by selecting a higher deductible will vary by company.

What is a Deductible?

John has a car accident. His repair shop estimates the cost of repairs at $2,000. John pays $750 of the bill (his **deductible**) and his insurance company pays the remainder.

(*Below you'll find limit and/or deductible information for the coverages discussed on pages 2 and 3.*)

Bodily Injury and Property Damage Liability Coverage

Limit — Coverages can sometimes be purchased as a **combined single limit**, which offers a maximum limit of protection per accident.

Personal Injury Protection (PIP)

Deductible Options — If you feel you need a high level of **PIP** coverage but want to reduce your premium, you can save money by agreeing to pay more out of pocket through a higher deductible if you are injured in an auto accident. Your insurer will pay the medical bills over the deductible amount you choose. No matter what deductible you choose, there is a 20 percent co-payment for medical expenses between the deductible selected and $5,000. That means you pay 20 percent, and your insurer pays 80 percent.

Example

Sam and Jane each have an accident that results in $10,000 of medical expenses. Sam chose the minimum $250 deductible. He pays the $250 deductible plus $950 (20 percent of the $4,750 that is left of the first $5,000) and the insurer pays the remaining $8,800). Jane chose the $2,500 PIP deductible for a 25 percent reduction in the PIP premium. She pays the first $2,500 as the deductible. She also pays $500 (20 percent of the $2,500 that is left of the first $5,000) and the insurer pays the remaining $7,000.

Health Care Primary — Cost savings can also be achieved by using your own health insurance as a primary source of coverage in the case of injury related to an auto accident. Before selecting this option, you should find out if your health insurance will cover auto accident injuries and how much coverage is provided. Medicare and Medicaid **cannot be used** for the Health Care Primary Option.

Extra PIP Package Coverage — These are additional benefit options provided under the **Standard Policy**.

Income Continuation — If you cannot work due to accident-related injuries, this coverage pays lost wages, less Temporary Disability Benefits you may receive if your disability prevents you from working, up to the amount you select.

Essential Services — Pays for necessary services that you normally do yourself, such as cleaning your house, mowing your lawn, shoveling snow or doing laundry, if you are injured in an auto accident.

Death Benefit — In the case of death, family members or estates will receive any benefits not already collected under the income continuation and essential services coverages.

Funeral Expense Benefit — Pays for reasonable funeral expenses up to the limit you select if you die as a result of an auto accident.

Comprehensive and Collision Coverages

Deductible Options — The standard deductible for **Comprehensive** and **Collision coverages** is **$750**. Higher and lower deductibles are available as options. (**Remember:** Higher deductibles can reduce your premium.)

Named Driver Exclusion — Prevents certain drivers on your policy from being covered by and charged for collision **and/or** comprehensive coverage on a specific automobile. This can lower your premium, but if the excluded driver operates the automobile for any reason and is involved in an auto accident, you are not insured for collision and/or comprehensive coverage; which means you could be personally responsible for damage to your own vehicle. (**Remember:** This exclusion is **only for physical damage coverage**; insurers are permitted to rate licensed drivers in your household who are not insured on another policy for other coverages on your policy.)

Uninsured/Underinsured Motorist Coverage

Limit — This coverage is sold together and is available up to the selected limits of your **liability** coverage.

The chart below compares the differences between the Standard and Basic policies and explains the amounts of coverage you may be able to purchase from an insurer.

TYPE OF COVERAGE	STANDARD POLICY	BASIC POLICY
BODILY INJURY LIABILITY (PAGE 2)	**As low as:** $15,000 per person, $30,000 per accident **As high as:** $250,000 per person, $500,000 per accident	Coverage is ***not*** included, but $10,000 for all persons, per accident, is available as an **option**
PROPERTY DAMAGE LIABILITY (PAGE 2)	**As low as:** $5,000 per accident **As high as:** $100,000 or more	$5,000 per accident
PERSONAL INJURY PROTECTION (PIP) (PAGE 2)	**As low as:** $15,000 per person or accident **As high as:** $250,000 or more *Up to $250,000 for certain injuries** **regardless of selected limit**	$15,000 per person, per accident Up to $250,000 for certain injuries*
UNINSURED/ UNDERINSURED MOTORIST COVERAGE (PAGE 3)	Coverage is available up to amounts selected for liability coverage	None
COLLISION (PAGE 3)	Available as an option	Available as an option *(from some insurers)*
COMPREHENSIVE (PAGE 3)	Available as an option	Available as an option *(from some insurers)*

*permanent or significant brain injury, spinal cord injury or disfigurement or for medically necessary treatment of other permanent or significant injuries rendered at a trauma center or acute care hospital immediately following an accident and until the patient is stable, no longer requires critical care and can be transferred in the judgment of the physician.

Do You Want an Unlimited Right to Sue?

For the Standard Policy, you must make a choice about the rights you will have if you are injured in an automobile accident. The Basic Policy includes the Limited Right to Sue option.

You have an important decision to make regarding the Right to Sue

The choice you make affects how much your insurance will cost and what claims will be paid in the event of an accident.

The choice you make regarding your right to sue another driver applies to you, your spouse, children and other relatives living with you who are not covered under another automobile insurance policy.

The **Unlimited Right to Sue** and **Limited Right to Sue** options (*see page 9*) only cover lawsuits for "pain and suffering" or non-economic losses. Your medical expenses and some economic losses for injuries in auto accidents will be paid up to the limits of your **PIP** coverage and are not affected by the choice you make here.

Remember... Choosing the Limited Right to Sue option will save you money, but will limit your right to sue the person who caused an auto accident for pain and suffering.

WARNING:

Insurance companies or their producers or representatives shall not be held liable for your choice of lawsuit option (**Limited Right to Sue** or **Unlimited Right to Sue**) or for your choices regarding amounts and types of coverage. You cannot sue an insurance company or its producers or representatives if the Limited Right to Sue option is imposed by law because no choice was made on the coverage selection form. Insurers and their producers or representatives can lose this limitation on liability for failing to act in accordance with the law. See N.J.S.A. 17:28-1.9 for more information.

Unlimited Right To Sue — Under the No Limitation on Lawsuit Option, you retain the right to sue the person who caused an auto accident for pain and suffering for **any** injury.

Limited Right to Sue — By choosing the Limitation on Lawsuit Option, you agree **not** to sue the person who caused an auto accident for your pain and suffering **unless** you sustain one of the permanent injuries listed below: (Choosing this option **does not** affect your ability to sue for economic damages such as medical expenses and lost wages.)

- loss of body part
- significant disfigurement or significant scarring
- a displaced fracture
- loss of a fetus
- permanent injury (Any injury shall be considered permanent when the body part or organ, or both, has not healed to function normally and will not heal to function normally with further medical treatment based on objective medical proof.)
- death

What is the Assigned Risk Market?

In New Jersey, there are two separate insurance markets — the "regular" or voluntary market, and the "residual" or assigned risk market.

A driver is considered eligible to purchase insurance in the **voluntary market** if he or she has fewer than **seven insurance eligibility points** accumulated during the preceding three years. **These points are not the same as those on your driving record maintained by the New Jersey Motor Vehicle Commission.** Insurers assign **insurance eligibility points** to drivers for motor vehicle violations, suspensions and at-fault accidents. Insurers also assign every newly licensed driver, regardless of gender or age, three **insurance eligibility points** for being an **inexperienced operator**. (*See page 21.*) These points are merely used as a guide to help the company determine whether you are eligible for auto insurance in the voluntary market.

What if you have seven or more insurance eligibility points?

In accordance with New Jersey regulations for Eligible Person Qualifications, any driver who has accumulated seven or more insurance eligibility points for the three-year period immediately preceding the application for insurance or the three-year period ending 90 days prior to renewal of a policy may not be considered eligible to purchase coverage in the **voluntary market**. As a result, some insurers will direct them to purchase insurance through the **Personal Automobile Insurance Plan (PAIP)**. It is important to note, however, that not all insurers in the voluntary market refuse to cover drivers with seven or more insurance eligibility points. If you have seven or more insurance eligibility points it may be a good idea to shop around and compare your coverage and pricing options.

The **PAIP** is not an insurance company; instead, it acts as an administrative clearinghouse and assigns each driver to a company for coverage. Therefore, this type of coverage is referred to as "**assigned risk**." The state has standardized the rates for this type of coverage and they do not vary from company to company. The rates may also be substantially higher than rates in the voluntary market. To find **PAIP** producers in your area, call **1-800-652-2471** or visit the Department's web site, **www.dobi.nj.gov**.

How do you get out of the assigned risk market?

Each year when a policy comes up for renewal or upon the purchase of a new policy, the insurer will review a driver's record for the preceding three-year period. Insurance eligibility points for a violation or accident are dropped when the incident falls outside the three-year "look back" period. Once your point total falls below seven, you will again become eligible to purchase insurance in the voluntary market.

Insurers assign points for driver inexperience, motor vehicle violations, suspensions and at-fault accidents.

For example, if you are found equally or more at fault than any other driver involved in an accident and your insurance company pays a claim of $1,000 or more ($500 or more for accidents occurring before June 9, 2003), **five insurance eligibility points** will be assigned to you.

What is Tier Rating?

The Automobile Insurance Cost Reduction Act of 1998 (AICRA) changed the way insurance companies do business in New Jersey by creating a tier system to determine rates.

Under the tier rating system, insurers assign drivers to different tiers, or rating levels, based on a number of risk characteristics. Tier rating systems take the "complete picture" into account to identify a good risk, rather than simply penalizing drivers for accidents and motor vehicle violations.

What factors determine what tier I'm in?

Insurers can consider a number of risk characteristics, including driving record, years of driving experience, vehicle type, coverage limits, claims and credit history when determining a driver's tier placement. Other factors, like age, gender and marital status, may also impact an individual's rate within a specific tier.

Do all companies use the same tier characteristics?

No. For example, some insurers use an "**insurance score**" (*see page 17*) based on a driver's credit history, while others may emphasize factors such as driving record and claims history. Insurers are permitted to establish their own tier rating criteria as long as they can show that they are not arbitrary, capricious or unfairly discriminatory. Insurers also have to show that tiers are reasonably based on loss experience — meaning that the guidelines they use to place drivers in specific tiers are substantiated by the losses the companies actually incur.

How many tiers can a company have?

Tier systems can vary greatly from company to company. Auto insurers have developed a number of ways to evaluate risk; risk characteristics considered important to one insurer don't necessarily carry the same weight with another. This makes it important for consumers to shop around, as insurers' tier systems and rates can vary considerably.

What is a "standard" tier?

A "standard" tier is a tier that represents the company's base rates. Drivers with favorable risk characteristics may qualify for preferred or lower-rated tiers, while drivers with less favorable risk characteristics may be placed in higher-rated tiers.

What Affects the Cost of Auto Insurance?

Auto insurance rates vary from company to company, driver to driver, car to car, and coverage to coverage.

When you apply for auto insurance, companies consider a variety of factors to determine the risk you represent and the likelihood that you will experience an accident or loss. The company then groups you with policyholders with similar risk characteristics (i.e., **tiering**), and assigns a rate based on the driving and claims history of your risk group. Not all companies consider the same factors when determining your **premium** (the amount you pay for insurance coverage), but there are some **common factors that impact rates**:

Driving Record

If you (or a member of your household) have a driving record that includes motor vehicle violations, suspensions and/or at-fault accidents, the price you pay to obtain insurance might be higher. Insurance companies may consider you (or a member of your household) to be a high-risk driver and charge a higher rate than a driver with a "clean" record (free of accidents and violations). Each company has underwriting guidelines to determine what type and how many accidents and violations during a specific period constitute a high-risk driver. (**Remember:** Insurers assign **insurance eligibility points** for accidents and violations, and having seven or more may make it difficult to remain in the **voluntary market**.)

Vehicle Type

The make, model and value of your vehicle affects the cost of your auto insurance premium. Generally, an older vehicle will cost less to insure, while a high performance or luxury car will cost more. The cost to insure different makes and models of vehicles can vary among insurers, so be sure to check with several insurers to get the best price and coverage for your needs. Companies may offer discounts for vehicles with safety features, so check with your insurer or producer for details, especially when you are considering purchasing a vehicle.

Geographic Area

Where you drive and keep your vehicle also influences your premium. The number of claims filed by policyholders in your territory will affect the rates charged by insurance companies.

Gender and Age

Statistics show that males and young adults have a higher incidence of accidents and claims; therefore, your gender and age can affect your rate.

Marital Status

Statistically, young married couples tend to have a lower incidence of accidents and claims; therefore, they generally pay lower premiums than single people.

Vehicle Use

The distance you live from work or school may affect the cost of your insurance, as it determines your daily exposure to risk. Insurers will calculate your premium based on the average distance you drive on an annual basis or how far you commute to work or school. Whether you use your vehicle for personal or business use may also impact your rate.

Policy Changes

Changes to your policy can also affect your premium. Such changes may include:

- Adjusting your coverage
- Changing your deductibles
- Moving to a new area (territory)
- Adding or removing a vehicle from your policy
- Adding a new driver

Any time period in which you had a car that was required to be insured but did not have auto insurance can affect your premium as well. A **lapse in coverage** exceeding 30 days could place you in the **assigned risk market**. By law, any vehicle registered in the state must have insurance, so if your car is off the road or not operational and you let your insurance lapse, it is important to surrender your license plates to the New Jersey Motor Vehicle Commission to be sure you do not have an uninsured registered vehicle.

Insurance Score

Some, but not all, insurers in New Jersey will use an insurance score based on your credit history as one of the factors in determining risk. (*See page 17.*)

How Can You Lower Your Premium?

While some of the factors used by insurers to determine risk are out of your control (i.e., gender, age), you do have control over a variety of factors that influence the cost of your insurance.

Before you purchase auto insurance, check out:

(*For more information about the coverages listed at right, see pages 2-9*).

Your Collision and Comprehensive Deductibles — In many cases, consumers can save premium dollars by choosing higher deductibles or eliminating coverage for older cars that are paid in full. Remember, a higher deductible means you will pay more out of pocket in the event of an accident. You will need to decide how much you can afford to pay if an accident occurs.

Your Auto-Related Health Insurer Option — Consumers can save premium dollars by choosing their health care insurers as primary in the case of auto accident-related injuries. It is important to check with your health care insurer before choosing the **Health Care Primary option**.

Your Personal Injury Protection (PIP) Deductible and Limits — Standard policies usually carry a deductible of $250 and a PIP limit of $250,000. Consumers can save premium dollars by choosing a higher deductible of $500, $1,000, $2,000 or $2,500 **and/or** choosing one of the lower PIP limits of $15,000, $50,000, $75,000 or $150,000.

Your Lawsuit Option — Consumers can save premium dollars by choosing the **Limited Right to Sue (Limitation on Lawsuit Option)**, which limits suits for pain and suffering except in cases of death or permanent injury.

Are You Eligible for Discounts? — It is always a good idea to ask your insurer if any discounts may be available to you. The following are some of the discounts insurers may offer and to which you may be entitled:

- **Multiple Car/Other Policies** — Insuring two or more vehicles on one policy can reduce your premium. Discounts may also apply if you have another policy, such as homeowner's, renter's or life insurance, with the same company.

- **Vehicle Safety Features** — Insurers must offer discounts for vehicles that have anti-lock brakes, air bag and passive restraint systems, and anti-theft vehicle recovery systems.

- **"Good Student"** — Many insurers offer discounts for young drivers who maintain a 3.0 ("B") or higher grade point average or for those family members attending school away from home.

- **Defensive Driving** — New Jersey law requires insurers to offer discounts for drivers who have completed a Defensive Driving course approved by the New Jersey Motor Vehicle Commission. (To find an approved school near you, call **1-888-486-3339**.)

What Information May an Insurer Request?

In order to accurately quote you a **premium**, insurers will generally request the following information:

- Make/model/year/vehicle identification number (VIN) of vehicle(s)
- Number of average annual miles (daily miles to work or school)
- Principal owner and operator of vehicle(s) (registration information)
- Driver(s) to be insured on the policy – name, license number, age, sex, marital status (It is important to tell your insurer about all licensed drivers in your household, even if they are covered by other policies)
- Accidents or moving violations of each driver during past three years
- Coverages and limits desired

How to Shop for Auto Insurance

The key to getting the most out of your premium dollars is to comparison shop among insurers. Before you start shopping, consider what insurance coverage you need, then compare how much the same coverage would cost from several insurers.

Comparison shopping takes time, but the effort may result in a lower premium since different companies charge different rates for identical products and services. Some companies employ agents or brokers to sell policies, while others sell policies directly through the mail or their web sites.

Before You Shop...

Try the Department's online tool, the Auto Insurance Purchasing Planner (www.dobi.nj.gov/autoplanner.htm).

This interactive tool guides you through the coverage selections that must be made when purchasing an auto policy.

You can print out information about the types of coverage that are right for you and use it when speaking to an agent or insurance company.

Agents, brokers and companies must inform you of your coverage options when applying for a new policy, or at any time upon your request if you are already insured. You have the right to know how each choice may affect what you pay and what your benefits would be in the event of an accident. You always have the right to ask about additional options.

When shopping for insurance, you should also consider an insurer's reputation for financial stability, policyholder service and claims handling practices. Many insurers offer information about their services on their web sites, and companies such as A.M. Best (**www.ambest.com**), Moody's (**www.moodys.com**) and Standard & Poor's (**www.standardandpoors.com**) rate the financial condition of insurers.

As the regulatory authority for the state's insurance industry, the Department cannot recommend insurers to consumers. However, the Department's web site (**www.dobi.nj.gov**) offers many shopping tools, as well as a current list of insurance companies that write policies in New Jersey.

What is Insurance Scoring?

In 2003, the use of insurance scoring was introduced to New Jersey as yet another step in providing auto insurance consumers with more choices in companies, products and price.

Some auto insurance companies in New Jersey are now using your **insurance score** as one of the various factors to evaluate risks and assign rates. An insurer may use your insurance score, based on information contained in your consumer credit reports, in conjunction with your motor vehicle records, loss reports and application information to determine your insurance risk at a particular point in time.

In New Jersey, insurers are prohibited from using your insurance score to deny, cancel or non-renew coverage.

How much do you know about your credit history?

Remember...

While a **credit score** and an **insurance score** are both derived from information contained in your credit report, they **predict very different things.**

Your credit history plays a major role in many aspects of your life. How you manage credit is considered when you apply for home or auto loans, and when establishing utility, cable or telephone services. Few landlords will rent apartments or houses without ordering a credit report. It is sometimes considered even when applying for a job. Because the use of credit information is a fact of life today, it is important to understand and manage your credit wisely.

Why is insurance scoring being used?

A common practice in most states, insurance scoring, like other rating criteria, is a way for insurers to differentiate between insurance risks. Insurance scores are used by insurers to determine a consumer's likelihood to file claims.

What is the difference between a credit score and an insurance score?

While a credit score and an insurance score are both derived from information contained in your credit report, they predict very different things. A **credit score** is used by banks and mortgage lenders to predict the likelihood that a person will repay a loan or some form of credit debt. An **insurance score** is used by insurance companies to predict a consumer's likelihood to file claims.

How is insurance scoring different in New Jersey?

The New Jersey Department of Banking and Insurance examined the practice of insurance scoring in more than 40 states to help craft a comprehensive approach that will protect consumers and encourage competition. **Consumer safeguards include:**

Auto insurance companies that use insurance scoring...

CANNOT:

Use an insurance score to deny, cancel or non-renew coverage

Use an insurance score for consumers covered by the **Special Automobile Insurance Policy** or **Basic Policy** programs

Use an insurance scoring model that considers race, ethnicity, sex, age, religion, income, address or unpaid medical bills

Offer less favorable payment plans based on credit

MUST:

Provide written notice to applicants and existing policyholders of the practice and factors that affect the scoring

Provide written notice and specific explanations if an "adverse action" is taken against the applicant, in whole or in part, because of their credit history

Consider multiple credit inquiries for home or auto loans as one inquiry if requests were made within a 30-day period

Make exceptions for consumers whose credit has been directly influenced by extraordinary life events, such as catastrophic illness, injury, death of spouse, child, or parent, temporary loss of employment, divorce or identity theft (An insurer may only consider credit information not affected by the event)

Protect existing customers who have been claim and violation free in their company for seven years

Protect consumers without a credit history

Submit their scoring model to the Department and fully disclose the factors used in establishing the model, as well as its statistical justification

Where does an insurance score come from?

Most insurance companies do not directly participate in the process of developing a consumer's insurance score. Insurers generally hire a vendor to look at the information provided by major credit bureaus, and use it to develop an insurance score for you. The vendor then gives your score, not your credit report, to the insurer. Insurance scores vary by company due to the information provided and the vendor formula used to calculate the score.

What factors can affect your insurance score?

There are a number of factors that determine insurance scores. One insurer might place more weight on a certain factor while another insurer might not consider it at all. Following is a list of **common factors:**

- **Major negative items** — Bankruptcy, collections, foreclosures, liens, etc.
- **Past payment history** — Number and frequency of late payments.
- **Length of credit history** — Amount of time you have been in the credit system.
- **Inquiries for credit** — Number of times you've recently applied for new accounts, including mortgage loans, utility accounts, credit card accounts, etc.
- **Number of open credit lines** — Number of open credit cards, whether you use them or not.
- **Type of credit in use** — Major credit cards, store credit cards, finance company loans, etc.
- **Outstanding debt** — How much you owe compared to how much credit is available to you.

What can you do to improve your insurance score?

- Pay bills on time. Delinquent payments and collections can have a major negative impact on an insurance score.
- Use credit wisely. High outstanding debt can affect an insurance score.
- Apply for and open new credit accounts only as needed. Maintain only the minimum number of credit cards and other credit accounts necessary.
- Remember that the longevity of an account (the amount of time you've had it) is considered part of your credit history.

- Make a realistic saving and spending plan and stick to your budget. You are responsible for what you borrow. Examine your financial situation to make sure you are able to repay your debt.
- Check monthly statements and report inaccuracies or mistakes immediately.
- Annually request a copy of your credit report. Review for accuracy and correct all errors in writing. Over time, responsible use of credit can improve a customer's insurance score.

Know your credit history

There is a good chance your current or prospective insurance company will consider financial stability as part of its rating process. Insurance scores are based on information from credit reports from the three major credit reporting agencies (*see below*). It is important to review your credit history and correct any errors. New Jersey and federal law entitles consumers to a free report each year from each of the major credit reporting agencies.

The federal Fair Credit Reporting Act requires an insurance company to tell you if they have taken an "adverse action" against you, in whole or in part, because of your credit history. If your insurance company tells you that you have been adversely affected, they must also tell you the name of the credit reporting agency that supplied the information so you can get a free copy of your report and correct any errors.

How Can You Get Your Free Credit Report?

You should review your credit report from each credit reporting agency at least once a year.

Get your free reports online at **www.annualcreditreport.com** or by calling **1-877-322-8228**.

You can also contact the agencies directly:

Equifax: 1-800-685-1111
Experian: 1-888-397-3742
TransUnion: 1-800-888-4213

What Should Every New Driver Know?

Getting the keys to your first car (even if it belongs to your mom or dad!) is considered a rite of passage by many teenagers. With this important step toward adulthood comes many responsibilities — insurance being one of them.

Following are questions teenage drivers and their parents should consider when shopping for auto insurance.

Why are insurance rates higher for teenagers?

According to the National Safety Council, young drivers as a group are involved in more car accidents than any other driver age group. Lack of experience, higher accident statistics and more costly accidents result in higher insurance rates for novice drivers, especially those under 25. But there is some good news: As long as drivers maintain good driving records, auto insurance rates tend to decrease with age.

What are inexperience points?

Every newly licensed driver, regardless of gender or age, is assigned three **insurance eligibility points** for being an **inexperienced operator**. (*See page 9.*) For every year of experience, one inexperience point is removed.

If you start out with three insurance eligibility points, you have little room for error if you want to remain in the **voluntary market**. If you have seven or more insurance eligibility points upon renewal of your policy, you and possibly your family may have to seek coverage in the **assigned risk market**.

If you commit any of the following motor vehicle offenses (*see chart on page 22*) during the first year of your three-point assessment, upon renewal you may have to purchase insurance in the assigned risk market. In addition, for Driving Under the Influence (DUI) offenses, you could face a delay in getting your license, suspension of your license and/or fines and surcharges.

Remember...

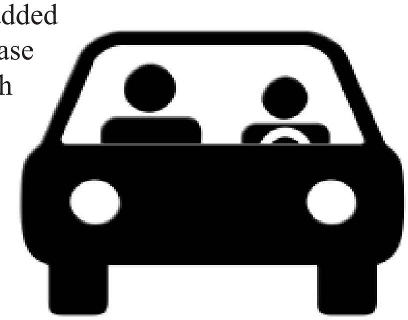
Every newly licensed driver, regardless of gender or age, is assigned three **insurance eligibility points** for being an **inexperienced operator.**

With each year of driving experience, the driver loses one inexperienced operator eligibility point until he or she is licensed for three years.

New Jersey Statutes Annotated	Event Description	Moving Violation Points	Inexperienced Driver Assessment	Total Insurance Eligibility Points
39:4-50	Operating a motor vehicle under the influence of alcohol or drugs	9	3	**12**
39:4-52	Racing on highway	5	3	**8**
39:4-96	Reckless driving	5	3	**8**
39:4-99	Exceeding maximum speed 15-29 mph over limit	4	3	**7**
39:4-128.1	Improper passing of school bus	5	3	**8**
39:4-129	Leaving the scene of an accident - Personal Injury	8	3	**11**

When do parents have to add a teenager to their auto policy?

You should notify your parents' insurer when you are ready to obtain your driving permit. Any change in their insurance cost will either apply when you receive a permit or license, depending on the insurance company's rating plan. (**Remember:** Failure to disclose all of the drivers in a household to your insurer can be construed as a form of **insurance fraud** - *see page 32*, which is subject to policy cancellation, civil fine, or penalty under the New Jersey Insurance Fraud Prevention Act.) Most insurers offer discounts for multiple cars, so it will most likely cost less for a young driver to be added to their parents' policy than to purchase their own. However, any driver with a car titled and registered in their name can purchase insurance. Check with your agent, broker or insurance company to understand the factors to consider when making such a decision.



Will a parents' auto policy cover a student away at college?

In general, young people away at college are still considered members of their parents' household and would be covered while driving their own or other autos. As such, you should advise your insurer of your location and current use of vehicles insured under the policy. If you bring your car with you to school, you will need to notify the insurer that the car will be garaged at another location. However, if you'll be away at school and won't have access to a car, you may want to ask your insurer about possible discounts for students living away from home and the **Named Driver Exclusion** endorsement (*see page 6*).

How can teenage drivers save money on auto insurance?

- **Shop around** — Since premiums vary from company to company, it is important to shop around.

- **Enroll in driver training** — Many schools offer driver training as part of their curriculum. Check with your insurer if any discount will apply if you complete a program that includes behind-the-wheel training as well as classroom instruction.

- **Keep your grades up** — Many insurers offer "Good Student" discounts for young drivers who maintain a 3.0 ("B") or higher grade point average or for those family members attending school away from home. Check with your insurer.

- **It's all about the car** — The make and model of your vehicle affects the cost of your auto insurance premium. Generally, an older vehicle will cost less to insure, while a high performance or luxury car will cost more. The cost to insure different makes and models of vehicles can vary among insurers, so be sure to check with several insurers to get the best price and coverage for your needs. Companies may offer discounts for vehicles with safety features, so check with your insurer or producer for details, especially when you are considering purchasing a vehicle.

- **Choose a higher deductible** — You may reduce your insurance premium by selecting higher deductibles (*see pages 5 and 6*). (**Remember:** A deductible is the amount you pay out of pocket in the event of an accident.)

What Should You Do If You're In an Acciden

Whether you are involved in a minor fender bender or serious collision, an auto accident is a stressful experience for any driver. It is important to try to remain calm and know what to do.

The following tips can help you before, during and following an accident.

Before an Accident

Make sure you are sufficiently insured – Read your policy carefully to understand the types of coverage you have purchased and the limits of your coverage. Discuss with your agent or broker what your benefits would be in the event of an accident.

Keep your insurance information (and vehicle registration) available at all times –You will be required to present your license, proof of insurance and registration if you are involved in an accident or traffic stop. (**Keep a disposable camera with your insurance information** – Use it to take pictures at the scene of an accident, including any damage to vehicles and the number of people involved.)

Look for a reputable repair shop – Establish a good working relationship with a repair facility before you need one. You can choose your own licensed repair shop, and insurance law requires that the insurance company attempt to reach an agreement with it regarding the cost to repair your vehicle. If not, the insurance company is obligated to identify other licensed shops that can make repairs at the price determined.

At the Scene of an Accident

Stop the vehicle and remain at the scene – If possible, move out of the way of oncoming traffic, but do not leave the area. Switch on emergency flashers and put out flares, if possible, to alert any oncoming traffic.

Call the police – Report the accident and if necessary, request medical assistance.

Obtain information – If possible, write down the following:

- Insurance information (including company and policy number) for each vehicle involved in the accident
- Make and model of the vehicles involved in the accident
- Time, date, location, weather and road conditions
- Direction and speed of drivers involved
- How the accident occurred
- Names, addresses and phone numbers of any witnesses to the accident
- Names, badge numbers of police officers or emergency personnel, and instructions on how to obtain a copy of the police report

After an Accident

Contact your insurance company as soon as possible – Ask your insurer what forms or documents will be needed to support your **claim**. Current regulations require your company to contact you within 10 working days after it has been notified of a loss; or, within seven working days if it intends to inspect the damaged vehicle. This inspection must be done at a time and place that is reasonably convenient for you. For your own protection, you should contact your insurance company even if you believe you were not at fault in an accident, or if there is no visible damage or injury.

Get a copy of the police report – Make copies for your own records and your insurance company. Review report for details, such as how many passengers were listed in comparison to how many were present at the accident. If you see inconsistencies, let your insurance company know and contact the police department that responded to the scene.

Take reasonable steps to protect your property from further damage – For example, if you don't cover a broken windshield and rain damages your upholstery, your insurer could refuse to pay for the damaged upholstery. Save all receipts for emergency repairs and submit with your claim.

Who is At Fault?

In New Jersey, if more than one driver contributes to an accident insurance companies will pay physical damage and other liability claims according to the percentage of fault for each driver involved.

Who decides who is at fault in an accident?

Insurance companies determine each driver's degree of fault in an accident using the **Comparative Negligence Act** (N.J.S.A. 2A:15-5.2). The amount, or percentage, of fault is determined on a case by case basis depending on the circumstances surrounding the accident and is used to determine liability for physical damage and other liability claims. Under the law, an individual cannot recover damages if his or her percentage of fault for the accident is greater than the individual from whom damages are sought.

In the event of an accident, the insurer will conduct an investigation and review all the facts provided by each party (such as police reports, driver and witness statements, etc.). It will then assign a percentage of fault to the parties involved in the accident based on contributing factors such as: failing to observe and avoid another vehicle, failing to sound the horn, apply brakes or swerve, and/or driver inattention.

If you are found to have a portion of fault for an accident, any payment or reimbursement you may receive from the other driver's insurer will be reduced by that portion.

For example:

If you were considered **50 percent at fault** for the accident and had $1,000 in damage to your car, you would be paid $500 or 50 percent by the other driver's insurance company. If in the same accident you were only considered **10 percent at fault**, you would receive $900 from the other driver's insurance company.

If you have an accident where you believe you are not at fault and have **collision coverage** on your vehicle, you have the option of filing with your own insurance coverage or directly with the person you believe is at fault. If you are paid under your own policy minus your collision **deductible**, your insurer will try to pursue reimbursement from the at-fault person. If your insurer is successful, it will reimburse you the proportionate share of your deductible.

For example:

You file a claim with your insurer for $2,000 in damage under collision. After applying your $750 collision deductible, your insurer pays you $1,250. The insurer pursues **subrogation** (reimbursement) from the at-fault person's insurance company and recovers 80 percent of the loss. Your insurer will reimburse you 80 percent of your deductible, or $595, for a total payment on your claim of $1,845. If you filed the claim directly with the at-fault person's insurance company rather than under collision, you would be paid 80 percent of $2,000 or $1,600.

You should also be aware that your percentage of fault will be considered when reimbursing you for other accident-related costs, such as rental car charges. However, if you are found to be more at fault than the other driver, (i.e., if you were 80 percent at fault and the other driver was 20 percent at fault), you **would not** be entitled to collect damages from the other driver's company.

What if you disagree with the percentage of negligence assigned to you?

All auto insurers must have an **Internal Appeal Process** in place for the review of disputed **claims**. In the event that a settlement cannot be reached through the Internal Appeal Process, the company must inform the claimant of their right to contact the **Department's Office of Insurance Claims Ombudsman** to request a review of the claim and the appeal determination. (For contact information, see the *back cover* of this guide.)

Remember...

Under the law, in order to recover damages from another person or his insurance company, an individual's percentage of fault for the accident cannot be more than the individual from whom damages are sought.

However, police report details or opinions and extenuating circumstances exist for nearly every accident and there are times when a dispute between the drivers involved as to how an accident occurred cannot be resolved. In this situation, determining the facts of the accident would be up to a court of law. It should be remembered that filing an internal appeal or a complaint through the Department does not negate your right to file suit to ultimately resolve the claim dispute. Consult an attorney or your County Court Clerk for more information on filing a lawsuit.

What are Your Rights?

As a New Jersey driver, you have certain rights and responsibilities regarding the purchase of auto insurance. Knowing these rights will allow you to get the most from your insurance coverage.

You Have the Right to Purchase Insurance

You can never be denied auto insurance based on your gender, race or ethnicity. In most circumstances, a company cannot refuse to sell you insurance based on where you live as long as you meet the company's acceptance criteria*.)

If you are denied auto insurance coverage, the agent or company must state a reason. Common reasons include:

- You do not meet any of the company's acceptance criteria*.
- The insurer is a "membership company" that only covers certain categories of drivers.
- The Department of Banking and Insurance has permitted the insurer to stop writing new policies.

You Have the Right to Cancel or Change Insurance

You can shop for cheaper auto insurance at any time – not just when your policy is up for renewal. If you find a better price, you can cancel your old policy and seek a refund of your unused **premium**. However, never cancel your old policy until a new one is in effect. A **lapse in coverage** will result in higher rates in the future.

You have the right to change your coverages and policy **limits** at any time, even if you are not near your renewal date. If you select lower policy limits or cancel nonmandatory coverages to save money, you have a right to a refund of your unused premium within 60 days.

***Acceptance criteria are the written standards by which a company accepts new business or renews existing business.**

You Have the Right to Choices

Agents, brokers and companies must inform you of your coverage options when applying for a new policy, or at any time upon your request if you are already insured. You have the right to know how each choice may affect what you pay and what your benefits would be in the event of an accident. You always have the right to ask about additional options.

You Have the Right to a Timely Response

You have the right to a timely response when seeking an appointment or application from an agent, broker or company. Appointments should be scheduled so that you can obtain coverage before your current policy expires. However, an application is usually not considered complete until the company has obtained all pertinent information, including a copy of the applicant's driving record from the Motor Vehicle Commission and verification of any previous coverage. Therefore, the overall application process can take up to two weeks. Make sure you give yourself enough time to shop for coverage.

You Have the Right to the Prompt and Fair Handling of Claims

You have the right to ask about any payments made to others by your company and charged to your policy. If you file a claim, it should be handled promptly and fairly. If a claim is denied, you must receive a written explanation for the denial.

You Have the Right to a Notice of Cancellation

There are specific circumstances that allow an insurance company to cancel your policy during the policy period. This is referred to as a **mid-term cancellation**. This may only occur when **fraud** is discovered, when your driver's license is suspended or when the policyholder fails to make premium payments. A 15-day warning notice must be sent before the policy is canceled.

You Have the Right to Appeal

If your coverage is canceled, you can file an appeal with the New Jersey Department of Banking and Insurance. Contact the **Consumer Inquiry and Response Center, P.O. Box 471, Trenton, NJ 08625-0471**, call **(609) 292-7272** or **1-800-446-7467,** or visit online at **www.dobi.nj.gov/consumer.htm**. The Department cannot guarantee that your policy will be reinstated, so you should not delay shopping for alternate coverage.

If a carrier denies you coverage and does not state a reason, or if you believe you have been treated unfairly, you can contact the Department.

You Have the Right to a Notice of Non-renewal

Insurers can decline to renew coverage if you no longer meet any of the company's acceptance criteria*. This can occur when a driver's record includes "at-fault accident" or motor vehicle violations. Other reasons for nonrenewal of a policy include:

- The Department has, for regulatory reasons, permitted the company to non-renew policies.
- The insurer is using the 2-for-1 or the 2 percent rule. The 2-for-1 rule allows the insurer to non-renew one vehicle for every two new ones it writes in each territory. The 2 percent rule allows the insurer to non-renew up to 2 percent of policies in a territory experiencing heavy growth. Drivers subject to non-renewal do not have clean driving records or have a poor payment history. Insurers must state that they have invoked these rules on the non-renewal notice.

A written non-renewal notice must be sent at least 60 calendar days prior to the expiration date of the existing policy.

***Acceptance criteria are the written standards by which a company accepts new business or renews existing business.**

Your Obligations as a New Jersey Driver

New Jersey state law requires that any registered vehicle be covered by an insurance policy. Failure to maintain coverage can lead to higher prices for new policies, placement in the "**assigned risk**" pool, suspension or revocation of your driver's license or registration, and additional fines and penalties.

Maintaining your auto insurance coverage requires that you:

- Always make payments for your policy on time or a **lapse in coverage** may result. A driver who incurs a lapse in coverage will end up paying far more for coverage.
- Always provide any information your company seeks. Insurance companies have the right to seek information about **all** licensed drivers in the household.
- If you receive a non-renewal notice, do not wait to shop for alternate coverage. Policies can be prepared in advance to become effective on a date several days or weeks after the application.

A driver who mails a renewal payment before the due date cannot lose coverage. However, insurers can charge the driver a late fee if the payment is postmarked on time, but arrives after the payment due date.

What if My Renewal Payment is Late?

A driver who mails a renewal payment before the due date cannot lose coverage if the payment is received within three business days of the due date or there is evidence it is postmarked prior to the due date. However, insurers can charge the driver a late fee if the payment arrives after the due date.

What is Auto Insurance Fraud?

Auto insurance fraud occurs when people knowingly misrepresent pertinent facts to a company or agent to obtain a policy or collect money to which they aren't entitled.

There are many types of fraudulent schemes and scams, all of which increase premiums for policyholders of auto, life, health, homeowner's and other types of insurance. Insurance fraud can be "hard" or "soft."

Soft fraud occurs when normally honest people knowingly misrepresent facts on insurance applications or "pad" a **claim** with damages and injuries that never occurred. Some examples:

- Understating the annual number of miles driven on an insurance application to reduce insurance **premiums**.
- Reporting to your agent or company that a car is principally garaged in New Jersey when it is garaged elsewhere.
- Adding damages to a claim to cover the cost of your **deductible** or prior premiums paid.
- Omitting high-risk drivers from your application or policy.

Hard fraud occurs when an accident, injury, theft or other loss is deliberately staged, either by a lone person or as part of an organized fraud ring. These rings often join dishonest doctors, lawyers and repair shop owners in snaring innocent drivers with a staged collision that appears accidental. Some examples:

- A driver stops abruptly in front of your vehicle, causing you to rear-end it. In addition to collecting money for vehicle damages, the "crash dummy" also submits a claim for nonexistent injuries to collect more.
- A vehicle is found abandoned and burned <u>before</u> it is reported stolen by its owner.
- A fraudster obtains insurance on a vehicle using a counterfeit title and registration. Later, a theft claim is filed on the "paper car."

Any form of auto insurance fraud is a serious crime in New Jersey that can lead to heavy fines and possible jail time. Protecting yourself from fraud scams is one way to help fight this crime. If you have specific information about individuals or entities that may be committing insurance fraud, contact the New Jersey Office of Insurance Fraud Prosecutor at **1-877-55-FRAUD**.

Frequently Asked Questions

The Department wants all New Jersey drivers to make informed decisions regarding their auto insurance coverage. We are happy to assist with any additional questions you may have about insurance.

What if I don't pay my premium?

If you don't pay your insurance premium, the company will cancel your policy. Getting a policy from another insurer may be difficult or may cost more if you let your policy lapse and go without insurance. A lapse exceeding 30 days could place you in the **assigned risk market**. (*See page 9*).

I sent in my insurance payment on the due date, but the company said it was too late and still canceled my policy. Can they do that?

Whether or not a policy is terminated for a late payment depends on what type of payment is due. Most companies will allow policyholders to make installment payments on their premiums and may even accept these payments received after the initial due date. This is permissible because a policy is already in force and there may be equity (premiums already paid) available to continue coverage for a short time. However, if no payment is received, the company will issue a notice of cancellation for nonpayment of premium. If this payment is not received before the due date, the policy will terminate. Until the initial payment for a policy renewal is paid, there is no policy in force. Therefore, when the renewal payment is not received by the due date, the previous policy expires and the offered policy does not become effective. Should the policyholder wish to continue coverage with that company, the company would then need to write a new policy for that customer.

I got a notice that said I had to make my overdue premium payment or my policy would be canceled on the 15th. I took the money to my agent on the 15th, but they said it was too late and the policy had already been canceled. How can this be?

Because an insurance policy must provide coverage for every full 24-hour day that it is in force, every insurance policy expires at 12:01 a.m., meaning one minute after midnight on the specified date. Therefore, any premium payment must be received before the cancellation date in order for the policy to remain in force.

Due to financial difficulties, I sent my insurance payment a few days late and the policy was canceled. My company did not notify me that the policy was canceled; they just sent my check back. Isn't there a grace period during which the company must accept the payment?

There is no "grace period" for policies that have lapsed or terminated. Under current regulations, companies must provide notice of payment due dates according to what type of payment is due. Renewal offers must be mailed 30 days prior to the due date. A cancellation notice for nonpayment of premium must be mailed at least 15 days prior to the expiration of the policy. If you do not pay your renewal premium or the premium due amount on a notice of cancellation by the date specified, the company is not required to once again tell you the coverage has lapsed, nor to offer to reinstate your policy. While insurance laws require that an insurer must be able to provide proof that a notification was mailed to the address where you have told them you reside, they are not required to mail any notice "certified" or "return receipt" and are under no obligation to ensure that these notices are received.

Why do insurers charge young males more than young females?

Insurance rates are based on statistics and probability. Historically, statistics have shown that, while males as a group have only a slightly higher percentage of accidents and violations than females, accidents involving youthful male drivers cause substantially higher amounts of damage and cost the insurance companies considerably more in claim settlement costs than accidents involving youthful females. Therefore, insurance companies are permitted to set rates based on the overall risk of the policy being written.

My son has received his driver's license and our family now has two cars and three drivers. My son is listed as an operator of my car on our insurance policy, but my son is not allowed to drive my car; he uses his mother's car. How can I remove him from the rating of my vehicle?

The **Named Driver Exclusion** endorsement is available for the **Comprehensive** and **Collision** portion of **Standard policies**. This endorsement allows certain licensed drivers within the household to be excluded from the rating of comprehensive and collision costs of a particular vehicle on the policy. If you own vehicles that your child(ren) does not operate, this may help save premium dollars. However, it should be remembered that if the excluded driver does, for any reason, even in an emergency, operate that vehicle there would be no coverage afforded for repair to the vehicle in the event of an accident. (*See page 6.*)

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For More Information

For more information or questions about insurance, contact:

New Jersey Department of Banking and Insurance - Consumer Inquiry and Response Center (CIRC)
P.O. Box 471
Trenton, NJ 08625-0471

(609) 292-7272 or **1-800-446-7467**

File a complaint online:

www.dobi.nj.gov/consumer.htm

The Office of Insurance Claims Ombudsman is established in the Department to investigate and help resolve complaints from consumers. The Office of Insurance Claims Ombudsman can be reached at:

New Jersey Department of Banking and Insurance - Office of Insurance Claims Ombudsman
P.O. Box 472
Trenton, NJ 08625-0472

E-mail: ombudsman@dobi.nj.gov

Visit us online:

www.dobi.nj.gov

DOBI

New Jersey Department of Banking and Insurance