

INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF PROPERTY AND CASUALTY

Buyer's Guide, Coverage Selection Form, and Automobile Insurance Consumer Bill of Rights for Standard and Basic Policies

Proposed Amendments: N.J.A.C. 11:3-15 Appendix, Exhibits 1 and 3

Authorized By: Richard J. Badolato, Commissioner, Department of Banking and Insurance.

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, 17:29A-14.c(4), 17:33B-42, and 39:6A-23.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2017-052.

Submit comments by June 2, 2017, to:

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The agency proposal follows:

Summary

The Department is proposing to amend the Coverage Selection Forms for Standard and Basic policies to require inclusion of the estimated premium dollar amount reduction, in addition to percentage reduction, for the selection of the available Personal Injury Protection (PIP) limits and deductibles.

N.J.A.C. 11:3-15 sets forth the requirements for the Coverage Selection Form for Standard and Basic policies. Coverage Selection Forms are used by insureds to make selection of coverages and deductibles for private passenger automobile insurance policies. The Coverage Selection Forms are used for new business and when an insured changes his or her coverage or deductible. The Department prescribes the text of the Standard and Basic Policy Coverage Selection Forms in the Appendix to the subchapter.

For the PIP coverage, the Standard Policy Coverage Selection Form offers four PIP Medical Expense limits below the standard limit of \$250,000 and indicates the range of percentage premium reduction for each choice. The Department is proposing amendments to the Standard Policy Coverage Selection Form to require the inclusion of the range of premium dollar reduction in addition to percentage reduction. For example, the choice of the \$150,000 PIP Medical Expense Limit is proposed to read, “[] \$150,000* for a ____% to ____%, or a \$____ to \$____, reduction in PIP premium.” An insurer shall calculate the premium dollar reduction by applying the existing percentage shown to the insurers’ current Statewide average PIP premium. The premium dollar reduction amounts are not intended to be policy specific.

The amendments make the same change to the provisions in Exhibit 1 that show the percentage changes in premium for the purchase of the available PIP deductibles and for the purchase of the Extra PIP Benefits Package.

The Department is also proposing to amend Exhibit 3, the Basic Policy Coverage Selection Form, to require that the range of premium reductions for the available PIP deductibles be included in addition to the range of percentage premium changes.

The following instruction to insurers will also be added at the end of each section of the Standard and Basic Coverage Selection Forms where the dollar amounts are being added to the percentages: *Include both the range of percentage reduction and corresponding dollar amounts based upon your average Statewide premium.*

The Department believes that these amendments will provide insureds with additional useful information to make choices when they purchase or change coverages in their private passenger auto insurance policies.

A 60-day comment period is provided for in this notice of proposal and, therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the notice is excepted from the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

The Department believes that these amendments will have a positive social impact on insureds and insurers. The proposed amendments will benefit insureds by providing additional useful information for insureds to make coverage decisions.

Economic Impact

The proposed amendments will affect private passenger automobile insurers. Insurers will be required to calculate the premium reductions that correspond to the percentage reductions and print new versions of the Coverage Selection Form to distribute to their applicants and insureds. The Department believes that the amendments will have a positive impact on New Jersey

consumers. The proposed amendments will enable consumers to more easily see the cost differences in the coverage options available to them.

Federal Standards Statement

A Federal standards analysis is not required because the proposed amendments are not subject to any Federal requirements or standards.

Jobs Impact

The Department does not anticipate that any jobs will be generated or lost as a result of the proposed amendments. The Department invites commenters to submit any data or studies about the jobs impact of these proposed amendments together with their comments on other aspects of the proposal.

Agriculture Industry Impact

The proposed amendments will not have any impact on the agriculture industry in New Jersey.

Regulatory Flexibility Analysis

These proposed amendments will impose reporting, recordkeeping, and compliance requirements on “small businesses,” as that term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. To the extent the proposed amendments apply to small businesses, they will apply to New Jersey domiciled private passenger auto (PPA) insurers. The proposed requirements are discussed in the Summary above; the economic impacts and costs of compliance for these entities are set forth in the Economic Impact above.

The proposed amendments provide no differentiation in compliance requirements based on business size. As noted above, the Department believes that any costs that may be imposed will be

outweighed by the benefits to be achieved - namely enabling consumers to more easily see the cost differences in the coverage options available to them.

The Department does not anticipate that additional professional services will be necessary for continued compliance with these rules. To the extent the use of professional services are necessary, these costs will vary with individual professional services and the need of the insurer.

Housing Affordability Impact Analysis

The proposed amendments will not have an impact on housing affordability in this State or on the average costs associated with housing in that the proposed amendments relate to the provision of PPA insurance in this State.

Smart Growth Development Impact Analysis

The proposed amendments will not have an impact on smart growth in this State and there is an extreme unlikelihood that the rules would evoke a change in housing production in Planning Areas 1 or 2, or within designated centers, under the State Development and Redevelopment Plan in New Jersey in that the proposed amendments and relate to the provision of PPA insurance in this State.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in cursive braces {thus}):

APPENDIX

EXHIBIT 1

STANDARD POLICY COVERAGE SELECTION FORM

...

PERSONAL INJURY PROTECTION (PIP)--Buyer's Guide page *insert page #here*

...

\$150,000* for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

\$ 75,000* for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

\$ 50,000* for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

\$ 15,000* for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

Include both the range of percentage reduction and corresponding dollar amounts based upon your average Statewide premium.

*Even if you choose one of the amounts above, all medically necessary treatment over the policy limit up to \$250,000 will be paid for permanent or significant brain injury, spinal cord injury or disfigurement or treatment of other permanent or significant injuries rendered at a trauma center or acute care hospital immediately following the accident and until a doctor says that you no longer require critical care.

Choose the PIP Medical Expenses Deductible you want:

\$ 250 deductible, minimum required by law.

\$ 500 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium

\$ 1,000 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium

\$ 2,000 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium

\$ 2,500 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium

Include both the range of percentage reduction and corresponding dollar amounts based upon your average Statewide premium.

Health Insurer for PIP Option

I choose the health insurer for PIP option--Buyer's Guide, page *insert page #here*.

The name of my health insurer(s) is (are):

1. _____

Policy/Group#/Certificate# _____

2. _____

Policy/Group#/Certificate# _____

Extra PIP Package Coverage Options

The Extra PIP Package benefits include income continuation, essential services, death benefits and funeral expense benefits--Buyer's Guide page *insert page #here*

You may choose not to have the Extra PIP Package benefits for a ___% to ___% {savings}, **or a \$___ to \$___, reduction** in the ___ PIP premium. *Include both the range of percentage {savings} reduction and the corresponding dollar amounts in comparison to your average Statewide base PIP premium.*

...

EXHIBIT 2

(No change.)

EXHIBIT 3

BASIC POLICY COVERAGE SELECTION FORM

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PERSONAL INJURY PROTECTION--Buyer's Guide, page *insert page #here*

WARNING: For a BASIC POLICY, the limit on PIP Medical Expense Coverage is \$ 15,000 but includes up to \$ 250,000 for emergency care of certain catastrophic injuries (See Buyer's Guide

page insert page #here). Prior to insert effective date of P.L. 1998, c.21, all automobile insurance policies had PIP Medical Expense limits of \$ 250,000. The PIP Medical Expense Coverage for a BASIC POLICY is significantly less than previously required by law. *Warning must be in at least 12 point type.*

Choose the PIP Medical Expenses Deductible you want:

\$250 deductible, minimum required by law.

\$500 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

\$1,000 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

\$2,000 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

\$2,500 deductible, for a ___% to ___%, **or a \$___ to \$___**, reduction in the PIP premium.

Include both the range of percentage reduction and corresponding dollar amounts based upon your average Statewide premium.

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