

New Jersey Auto Insurance – Are You Covered?

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According to the National Highway Traffic Safety Administration there are more than 38,000 fatalities each year in the United States and more than 1,860,000 injuries as a result of motor vehicle accidents¹. In New Jersey we had more than 800 fatalities

last year and thousands of New Jersey citizens were injured in motor vehicle accidents.

Driving these days, especially in New Jersey, has become increasingly hazardous. How can you best insure that you have sufficient auto insurance coverage to protect you and your family?

The law in New Jersey requires the owner of every automobile registered or principally garaged in New Jersey to purchase an automobile liability insurance policy. If you do not purchase insurance, you will be subject to civil and criminal penalties including fines up to \$5,000, community service, loss of license and imprisonment. In addition, if you are injured while operating an uninsured automobile you may not be permitted to recover any economic or non-economic damages from the careless driver who caused the accident, even if you were not at fault.

Currently in New Jersey, you can choose either a **standard policy** or a **basic policy**. The standard policy provides liability coverage to protect your assets (your property and your income) if someone makes a claim against you. This is the amount of money that your insurance company will pay to someone who is injured by you, by a resident family member, or by the driver of your car. In addition, a standard policy provides uninsured/underinsured motorist coverage if you or a resident family member are injured by a driver who has no insurance or who has very limited insurance.

Underinsurance coverage is critical and you should be sure to protect you and your family by requesting the highest amounts of coverage you can afford. It is recommended that you purchase underinsurance coverage at a minimum of \$500,000.

The minimum liability and uninsured/underinsured motorist limits in New Jersey are \$15,000 per person/\$30,000 per accident for bodily injury and \$5,000 for property damage. Accordingly, someone could be operating their car in New Jersey legally and only have \$15,000 worth of coverage available to you if you are injured as a result of their carelessness.

Purchase a standard policy as it provides the best insurance coverage to protect your assets and your family. **Always buy a standard policy.** A basic policy provides minimum coverage and does not provide liability coverage if someone makes a claim against you for bodily injury. A basic policy only provides \$15,000 of medical expense benefits and does not provide uninsured/underinsured motorist coverage.

The standard policy will provide coverage for medical expenses. This is known as personal injury protection (PIP) coverage and includes medical expenses up to \$250,000 per person/per accident. You may elect to purchase less coverage but it is not recommended that you do so. If you are injured in an automobile accident, your automobile insurance is primary and will pay your medical bills. You may elect to make your health insurance primary; however, your health insurance plan may not provide coverage for automobile accidents and may not cover all of your family members. Always buy \$250,000 in PIP coverage.

Recommended Coverage:

✓ Standard policy

✓ \$250,000 personal injury protection

✓ \$500,000 single limit liability coverage

✓ \$500,000 underinsurance/uninsured coverage

✓ No limitation on lawsuit option

In addition to liability, underinsurance and personal injury protection coverage, you also have the option of choosing either a lawsuit limitation option or no option. If you purchase a standard policy you are required to elect a "lawsuit option" that will determine if you have the right to make a claim. You must select either the limitation on lawsuit option or the no limitation on lawsuit option. If you purchase a basic policy, you are assigned the limitation on lawsuit option. The limitation on lawsuit option (also known as the verbal threshold) eliminates the legal rights of yourself, your spouse and your family who reside with you to make a claim for monetary damage or to file a lawsuit against a careless driver unless you sustain a permanent injury. The no limitation on lawsuit option (also known as **no threshold or zero threshold**) permits you to make a claim or file a lawsuit against a careless driver for any and all personal injuries. That is, you decide whether you wish to pursue a claim, not the insurance company.

Should you choose the limitation on lawsuit option, the careless drivers who cause accidents will benefit because they may have no responsibility for your economic loss or your personal injuries. The insurance companies who provide coverage for careless drivers will benefit because they may

not have to pay any monetary damage for your injuries. Accordingly, choose the no limitation on lawsuit option.

Review your auto insurance policy information with your attorney who will provide you with appropriate information regarding the coverage that you currently have and your options to increase coverage to protect you and your family. For example, you must specifically name all resident relatives, employees and all other drivers as named insureds so that they can receive the same amount of uninsured/underinsured motorist coverage that you have purchased for yourself. This simple fact may be overlooked by most motorists.

Purchase liability coverage and uninsured/underinsured motorist coverage with single limits of \$500,000 or the highest limits you can afford.

In certain circumstances, you can purchase a personal catastrophic liability umbrella policy at a reasonable cost that will provide you with additional coverage if a claim is made against you or any resident family member sustained by another person. We strongly recommend that you purchase a personal catastrophic umbrella policy with limits of \$1,000,000 which is offered by some insurance companies in New Jersey.

Do not wait until the renewal of your existing policy to discuss increasing the coverage benefits to you and your family. Contact your auto insurance company immediately to discuss quotes for increasing your liability and underinsurance coverage. It will send you a coverage selection form and you must sign the form and return it to your insurance agent or insurance company.

In summary, choose a standard policy with personal injury protection benefits of at least \$250,000 with the no limitation in lawsuit option and a single limit coverage of at least \$500,000. Be sure that the insurance company provides you with underinsurance/uninsured coverage for the same \$500,000 limit. You can confirm these coverage selections on the declaration page of your insurance policy.

Once an accident has happened it is too late to change the coverages on your policy. Protect your family now in order to avoid a lack of coverage in the future.

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¹ Source: Crashes, Fatalities, Injuries and Costs National Highway Traffic Safety Administration, 2004.