

INSURANCE  
DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF INSURANCE

Collision and Comprehensive Coverage Deductibles and Options

Proposed Amendment: N.J.A.C. 11:3-13.3

Authorized By: Holly C. Bakke, Commissioner of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1, 17:1-15e and 17:29A-39; and Section 65 of P.L. 2003, c. 89

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

Proposal: PRN 2003 - 278

Submit comments by September 19, 2003 to:

Douglas Wheeler, Assistant Commissioner  
Legislative and Regulatory Affairs  
Department of Banking and Insurance  
20 West State Street  
P.O. Box 325  
Trenton, New Jersey 08625-0325  
Fax: (609) 292 -0896  
Email: [Legsregs@dobi.state.nj.us](mailto:Legsregs@dobi.state.nj.us)

The agency proposal follows:

**Summary**

P. L. 2003, c. 89 (the "Act") provides a well-balanced approach to addressing the immediate automobile insurance availability crisis facing New Jersey consumers, insurers and regulators. The Act includes many provisions intended to put downward pressure on rates. One such provision is Section 65, which revises the collision and comprehensive coverage deductible options that are currently available to New Jersey consumers. Pursuant to current law, each insurer is required to offer a range of deductibles, up to at least \$2,000, for private passenger automobile collision and comprehensive coverage. The Act adds a new deductible option of

\$750.00, as well as a new default deductible. Moreover, N.J.A.C 11:3-13.3(a)1 and 2 set forth the minimum schedules of deductibles for private passenger automobile collision and comprehensive coverage which each insurer shall offer.

The proposed amendments would have two main impacts. First, they would change the default deductible from \$500.00 to \$750.00 for those new insureds who fail to make an affirmative deductible selection on their application for initial auto insurance coverage. Second, the amendment allows the Commissioner to adjust the maximum amount in the schedules of deductibles for collision and comprehensive coverage to reflect increases and decreases in the Consumer Price Index for the Northeast region (CPI-U).

The default deductible amount of \$750.00 provided for in proposed N.J.A.C. 11:3-13.3(d) will apply to new policies providing collision and comprehensive coverages, unless the insured indicates otherwise in writing. New Jersey consumers will continue to have the ability to select the deductible amount for their collision and comprehensive coverage. However, applicants for new policies who do not select a deductible amount would be issued a policy with a deductible of \$750.00 for collision and comprehensive coverage.

#### **Social Impact**

The proposed amendments will have a positive social impact on New Jersey consumers. The amendments are intended to put downward pressure on rates by providing an additional deductible option. The amendments further will provide insureds with the ability to choose from a broader range of deductibles for collision and comprehensive coverage. The proposed amendments would also benefit insurers because, by allowing the adjustment of the \$2,000 maximum deductible amount in the prescribed schedules based upon the CPI-U, companies will

be able to more accurately rate policies where insureds desire the maximum deductible available. This change may also encourage additional companies to enter the New Jersey market and increase insurance availability to New Jersey consumers.

#### **Economic Impact**

The Department believes that there will be a positive economic impact on insureds, who may see downward pressure on rates if they select the new, higher \$750.00 deductible option. The \$750.00 minimum deductible that will be assigned to applicants for new policies who do not select a deductible amount for their comprehensive and collision coverage will result in the issuance of policies with lower premiums than would have been charged on similar policies with a \$500.00 or lower deductible for collision and comprehensive coverage. The proposed amendment would also have a positive economic benefit on insurers because by allowing the adjustment of the \$2,000 maximum deductible amount in the prescribed schedules based upon the CPI-U companies will be able to more accurately rate policies where insured's desire the maximum deductible available. Thus, the amendment will have a positive impact on consumers who omit to select a specific deductible amount when applying for insurance. The Department does not anticipate any increased administrative, enforcement or oversight costs as a result of this proposed amendment.

#### **Federal Standards Statement**

A Federal standards analysis is required when any State agency proposes to adopt, readopt, or amend State regulations that exceed any Federal standards or requirements.

The proposed amendments deal with insurance related issues which are exclusively the subject of State law and are not subject to any Federal standards or requirements. Thus, no Federal standards analysis is required.

#### **Jobs Impact**

Although the Department does not anticipate that the amendments alone will result in the generation or loss of jobs, it believes that the package of statutory and regulatory amendments of which it is a part, taken as a whole, will contribute to the attractiveness and competitiveness of the New Jersey automobile insurance market and help preserve and expand employment in the automobile insurance industry and in insurance agencies and brokerage firms. The Department invites interested persons to submit any data or studies about the jobs impact of these proposed rules with their written comments.

#### **Agriculture Industry Statement**

The Department does not anticipate any impact on agriculture from the proposed amendments.

#### **Regulatory Flexibility Analysis**

The Department believes that the proposed amendments will apply to "small businesses" as that term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., because some insurers may have fewer than 100 full-time employees. To the extent that these amendments will apply to such small businesses, those insurers will be required to comply with the proposed amendments as described in the Summary above. The Department does not believe

that the proposed amendments will impose any substantial additional compliance costs on insurers. However, insurers will have to calculate rates for the new \$750.00 comprehensive and collision coverage level and revise systems and forms to accommodate this new option. Also, insurers may have to revise application forms if the \$2,000 maximum deductible is adjusted by order of the Commissioner. As amended, N.J.S.A. 17:29A-39 makes no distinction amongst insurers based upon the size of a company or the volume of its auto insurance business. Accordingly, the proposed amendments provide no differentiation in compliance requirements based on business size. All businesses should be able to comply with the proposed amendments utilizing existing staff, professional services, or resources. The proposed amendments impose no additional reporting or record keeping requirements on insurers.

### **Smart Growth Impact**

The proposed amendments have no impact on the achievement of smart growth and implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows: (additions indicated in bold face **thus**; deletions indicated in brackets [thus]):

11:3-13.3 Deductibles for private passenger automobile collision and comprehensive coverage

(a) [Paragraphs (a) 1 and 2 below set forth the] **The** minimum schedules of deductibles for private passenger automobile collision and comprehensive coverages which each

insurer shall offer, [ effective January 1,1984 ] pursuant to **P.L. 2003, c. 89**, N.J.S.A. 17.29A-39

[.] **are as follows:**

1. Deductibles for collision coverage:

\$100.00	<b><u>\$750.00</u></b>
\$150.00	\$1,000.00
\$250.00	\$1,500.00
\$500.00	\$2,000.00

i. (No change).

2. Deductibles for comprehensive coverage:

\$100.00	<b><u>\$750.00</u></b>
\$150.00	\$1,000.00
\$250.00	\$1,500.00
\$500.00	\$2,000.00

ii. (No change.)

**3. The \$2,000 amount referenced in (a)1 and 2 above may be adjusted in \$100.00 or \$250.00 increments by order of the Commissioner. Such orders shall be issued no more frequently than every 36 months, as the Commissioner deems appropriate, to reflect the cumulative increases or decreases, since the deductibles were last set, in the components of the Consumer Price Index, All Urban Consumers (CPI-U) for the Northeast Region. Such changes shall be reflected in this subsection through a notice of administrative change published by the Department in the New Jersey Register.**

(b)– (c) (No change.)

**(d) Where no selection of a deductible in a specific amount for collision and comprehensive coverage is made in writing by an applicant for an**

**initial policy of auto insurance, an insurer shall provide a deductible in a default amount of \$750.00 each for collision and comprehensive coverage. Insurers shall inform insureds that this default amount will be selected upon the failure to affirmatively select a deductible in a specific amount**