



STATEMENT RE: **A-3178**
“An Act concerning special automobile insurance policies and amending P.L.2003, c.89.

TO: Assembly Financial Institutions and Insurance Committee

BY: Professional Insurance Agents of New Jersey

ON: February 7, 2005

**PROFESSIONAL
INSURANCE
AGENTS**

PIANJ thanks the committee for the opportunity to testify regarding A-3178. PIANJ is a trade association that represents more than 7,000 professional independent insurance agents and their employees doing business in communities throughout New Jersey.

Opposition to bill

PIANJ opposes S-3178, a bill that would expand eligibility for the special automobile insurance policy (SAIP) to those enrolled in: The Work First New Jersey program; NJ FamilyCare; the Pharmaceutical Assistance to the Aged and Disabled Program; The Senior Gold Prescription Discount Program; and the federal Section 8 rental assistance voucher program.

The SAIP was established to help certain low-income individuals in the state comply with the mandatory private passenger automobile insurance requirements. Currently, the policy can be offered only to those enrolled in the Federal Medicaid Program. To date there have been over 10,000 of these policies sold, a number much higher than original estimates. S-3178 would greatly expand the number of drivers eligible for the SAIP policy.

PIANJ supports the goal of helping to bring uninsured drivers into compliance with the law. However, PIANJ does not support the “buydowns” of coverage that many drivers would be enticed to do under this bill. The SAIP was never designed to encourage drivers to reduce their insurance coverages. It was designed as a last resort to help make auto insurance available to drivers who are likely to go uninsured because of limited financial resources. As such, it was appropriately limited to those enrolled in the Federal Medicaid Program

While coverage under the SAIP policy satisfies the state’ mandatory insurance requirement, the coverage provided by the SAIP policy is very minimal. The SAIP only includes coverage for emergency care for injuries sustained by the insured and dependent family members (not to exceed \$250,000 per person) and a \$10,000 death benefit. The policy does not provide liability coverage for damages or injuries a driver causes to others. Since there is no liability coverage, an insured would be subject to judgments and legal costs not covered by the policy.

Therefore, the policy is not a viable option to anyone with assets, or the prospect for attaining assets in the future, as these could be used to satisfy uninsured liability judgments.

Not only do SAIP insureds lack adequate protection, but other drivers in New Jersey who purchase a standard policy are often left holding the bag when involved in an accident with a SAIP driver. Since the SAIP has no liability coverage, drivers who incur property damage or injuries as a result of an accident with a SAIP driver are responsible for their own damages, (either through their own insurance or out-of-pocket) even when the SAIP driver is at fault for the accident. In sum, while the SAIP may lower premiums for a handful of drivers, it increases the costs for all others drivers.

Because of the risk of currently insured drivers “buying down” appropriate coverages, and the very minimal coverage afforded under the SAIP, PIANJ opposes the expansion of this policy to groups beyond those currently eligible

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At the very least, the bill should be amended to prohibit currently insured drivers from “buying down” coverage they may already have in place. Additionally, fraud safeguards should be included to exclude coverage for drivers other than the program participant named in the policy.