



Department of Banking and Insurance Consumer Information Scenarios*

For purposes of completing the insurance scenarios, insurers and agents should assume the following:

- ▶ Driver: Married couple, both between ages of 30 and 49 with 19-year-old daughter in household
- ▶ Reside in New Brunswick territory (May alternately use either territory of applicant or territory of producer's office where applicable)
- ▶ Two vehicles on policy:
 - Car #1: 2002 Pontiac Grand Prix SE 4-door sedan (financed) driven by husband to work 10 or more miles; 20,000 annual miles
 - Car #2: 1992 Chevrolet Lumina Std 4-door sedan (owned outright) driven by wife to work less than three miles; 12,000 annual miles
- ▶ No driver training, no good student, no defensive driving discount
- ▶ No accidents within the past three years
- ▶ No motor vehicle violations within the past three years
- ▶ Continuous insurance with same company for 10 years

- ▶ **POLICY SELECTION**
 - No lawsuit threshold
 - \$250,000 Standard PIP; \$250 deductible
 - With a Category II anti-theft device discount, and active seatbelt and dual airbags (front only) on Car #1
 - Bodily Injury limits of \$100,000/\$300,000
 - Property Damage Liability \$25,000 (or combined single limit of \$300,000)
 - Uninsured Motorist Coverage with Bodily Injury limits of \$100,000/\$300,000 and Property Damage Liability \$25,000 (or combined single limit of \$300,000)
 - \$500 deductibles for Comprehensive and Collision

*Available for use by Insurers and Agents Pursuant to N.J.A.C. 11:3-47



Cost Saving Options for Auto Insurance

The following sets forth insurance coverage choices developed by the New Jersey Department of Banking and Insurance and supplied for discussion purposes only. Any questions you may have regarding coverage for your particular circumstances should be discussed with your agent or insurer. Actual costs will vary based on individual circumstances.

EXAMPLE: This example assumes a typical (for insurance rating purposes) policyholder household that includes a husband and wife with a 19-year-old daughter. They own a late-model vehicle that is financed and an older vehicle that is paid off. The policy provides commonly selected coverages and includes commonly selected deductibles, like those most New Jersey drivers choose. The policy also has the No Limitation on Lawsuit option.

The annual premium for a policy like this, based upon the policyholder household described above, would be approximately \$ 6,554.

Based on the above, choosing the following coverage options would affect the premiums in the **approximate** amounts indicated below:

Scenario 1:

Alternate Bodily Injury Liability Coverage.

(The premium for the Bodily Injury portion of the policy in the example above is about \$ 3,643).

A. The policyholders do not have many assets they need to protect and wish to save money, but would like to retain the right to sue. Instead of the commonly selected liability limits of \$100,000/\$300,000 and \$25,000, they choose a policy with the following minimum limits: Bodily Injury Liability limits of \$15,000/\$30,000; Property Damage Liability of \$5,000 (or combined single limit of \$35,000) and Uninsured Motorist Coverage in these amounts. Choosing these limits will result in a reduction of about \$ 1,307.

Total Approximate Premium: \$ 5,247

B. Choosing the coverage limits in A. and the Limited Right to Sue option will result in a reduction of about \$ 2,629.

Total Approximate Premium: \$ 3,925

Scenario 2:

Commonly selected Coverages and Deductibles with Alternate Medical Expense (Personal Injury Protection or "PIP") coverage.

(The premium for the PIP portion of the policy in the example above is about \$ 878.)

A. The policyholders have health insurance through work and stable employment. Choosing to have their health insurance as the primary source of coverage for medical expenses, instead of their PIP, will result in a reduction of about \$ 182.*

Total Approximate Premium: \$ 6,372

B. Choosing to have PIP (medical expense) coverage of \$75,000 instead of the commonly selected \$250,000 and a PIP deductible of \$1,000 will result in a reduction of about \$ 124.

Total Approximate Premium: \$ 6,430

C. Choosing the coverage limit and deductible in B. and the "Medical Expense Only" option, (which excludes income continuation benefits, essential services benefits, death benefits, and funeral expense benefits) will result in a reduction of about \$ 167.

Total Approximate Premium: \$ 6,387

* Check with your health plan. Not all plans offer this option.

Scenario 3:

Commonly selected Bodily Injury Liability and Medical Expense Coverages, but the Policyholder wishes to save money on coverage for damage to their vehicles.

(The premium for the Physical Damage portion of the policy in the example above is about \$ 1,961.)

A. Excluding all physical damage coverage on the older vehicle will result in a reduction of about \$ 448.

Total Approximate Premium: \$ 6,106

B. Use of a \$1,000 deductible for physical damage on the late-model vehicle will result in a reduction of about \$ 385.

Total Approximate Premium: \$ 6,169

C. If the 19-year-old daughter does not ever drive the late-model vehicle, use of the "Named Driver Exclusion" for the daughter on the late-model vehicle will result in a reduction of about \$ 262.

Total Approximate Premium: \$ 6,292

D. Choosing to exclude the older vehicle from all physical damage coverage and to apply the higher \$1,000 deductible on the newer vehicle will result in a reduction of about \$ 833.

Total Approximate Premium: \$ 5,721

After considering their options, the policyholders decide that they want to retain an unlimited right to sue, but choose other options to reduce their auto insurance costs. Using options 1A, 2A, 3A and 3B, **their total premium becomes approximately \$ 4,232**, for a savings of about **\$ 2,322** below the cost of the commonly selected coverage levels and deductible amounts.

Note: Because numerous factors are considered when rating an application for auto insurance, your individual circumstances will, in all probability, result in your being quoted a price for coverage similar or identical to the coverage levels included in these scenarios that is different from any dollar amount(s) reflected above. Pursuant to N.J.A.C. 11:3-47.3 (c), insurers and producers are not liable for the coverage choices made by applicants on a properly executed Coverage Selection form.