

New Jersey Law Concerning Automobile Insurance

Several of my clients and former clients that have consulted with me have indicated they have felt they purchased the best automobile insurance policy that money could buy to protect them in the event of an automobile accident resulting in personal injuries. This article is specifically related to the law on automobile insurance concerning personal injury coverage and does not cover other aspects of your insurance policy. This article is meant to be an informative article for purposes of purchase, renewal, and modification of your currently existing automobile insurance policies.

HISTORY

To understand the law on New Jersey automobile insurance, one has to understand the history behind automobile insurance coverage. Lobbyists for the automobile insurance industry were able to convince lawmakers that New Jersey automobile insurance companies would be leaving the State of New Jersey and not providing coverage for car owners without some incentive as they were not earning enough. A bargain was struck whereby lawmakers felt it necessary that those who were injured in an automobile accident should have, at a bare minimum, medical insurance coverage. In turn, the automobile insurance companies would have the ability to restrict a person's right to sue in the event of an accident and would continue to provide insurance coverage to New Jersey drivers.

In striking this bargain, automobile insurance companies continued to offer coverage within the State of New Jersey. They benefited significantly in restricting their exposure and contrary to their indications to lawmakers that they were not earning sufficiently within the state of New Jersey; many such insurance companies have significant liquidity and even in a downturn economy are financially sound institutions.

POLICIES AVAILABLE

Oftentimes people will opt for a policy that they believe to have been the "best" policy money could buy. Most people are not familiar with the fact they have a policy with high "value" coverage but limited in their right to sue.

There are three (3) types of insurance policies that are available within the state of New Jersey:

1. A no limitation on lawsuit policy (also known as a zero threshold policy).
2. A limitation on lawsuit policy (also known as a verbal threshold policy).
3. A mini policy (also known as a basic policy).

RESTRICTIONS ON THE RIGHT TO SUE

Most insurance brokers will offer the prospective insurance buyer a limitation on lawsuit policy. They fail to realize and fail to disclose that you as the end consumer are not permitted to recover any damages for your injuries unless you prove with objective evidence that the injuries satisfy one of the following criteria:

- (i) Death.
- (ii) Dismemberment (including loss of a body part).

- (iii) Loss of a Fetus.
- (iv) Significant disfigurement or significant scarring; note significant refers to an objective view of an observer, and not the opinion of the person who was injured.
- (v) Displaced fracture (simple fractures do not satisfy the verbal threshold and do not satisfy the threshold unless they cause a permanent injury after healing).
- (vi) Permanent injury, within a reasonable degree of medical probability.

The first five (5) injuries listed are injuries that occur in very few automobile accident cases. People that wish to sue for recovery for injuries sustained in an automobile accident would have to file a claim under the last category. Insurance companies have become significantly aggressive in defending these permanent injury accident cases and will generally force most claimants to proceed until the date of trial to make any offer of settlement. If the case does go to trial, then the increase in the cost will be one that may come out of a settlement to the claimant.

RECOMMENDATIONS

I recommend that you re-visit your insurance coverage policy for automobile insurance coverage and make sure you have a policy that does not restrict your right to sue. Say "NO" to the limitation of lawsuit or the verbal threshold policies. It is very important that you purchase a "**no limitation on lawsuit**" policy so that you may sue for any type of injury.

Many insurance agents and brokers will never even advise their customers of the choices available and/or the consequences. Sometimes insurance companies offer insurance agents and broker's incentives to sell only the limitation of lawsuit policies, thereby limiting the insurance company's future exposure. If you do not expressly choose a **no limitation option** you will receive a limitation on lawsuit policy by default. It is this firm's experience that insurance companies will not offer to settle a verbal threshold case before trial. They almost never make a reasonable settlement offer before seeking dismissal of the case by Court. Some insurance companies as a matter of policy always take its limitation on lawsuit cases to trial, increasing both the time until the trial is reached and costs incurred in bringing a claim. A limitation on lawsuit or a verbal threshold policy essentially will eliminate the chances of obtaining fair and prompt resolutions of your claims.

There is greater cost associated with the purchase of a "**no limitation on lawsuit option.**" However purchasing a limitation on lawsuit policy may not allow you to sue for an injury even if it has had an impact on your life and your families' life. I would urge that you make a very careful decision as to which policy you seek or re-visit your current policies and change them accordingly.

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