

October 17, 2011

VIA EMAIL

Robert Melillo, Chief
Legislation and Regulation
Department of Banking and Insurance
20 West State Street
Trenton, NJ 08625-0325
legsRegs@dobi.state.nj.us

Re: PRN2011-163, Personal Injury Protection Reforms

Dear Mr. Melillo:

I am pleased to present the views of the National Association of Mutual Insurance Companies regarding PRN2011-163, the auto insurance personal injury protection (PIP) reforms proposed by the Department of Banking and Insurance (DOBI). NAMIC is the largest and most diverse national property/casualty insurance trade and political advocacy association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. NAMIC has been advocating for a strong and vibrant insurance industry since its inception in 1895. More than 100 NAMIC member companies do business in New Jersey, including 24 companies domiciled in the state.

NAMIC is supportive of DOBI's proposed PIP reform measures and commends the Department for recognizing troubling trends that affect all New Jersey drivers and for taking a proactive approach to address them.

From the perspective of a national association that monitors the functioning of insurance markets in states across the country, NAMIC offers the observation that the turnaround of the New Jersey auto insurance system since the passage of competitive reforms in 2003 has been a remarkable success story. However, those legislative reforms did not address aspects of the PIP system that threaten to destabilize the long-term success of the competitive reforms.

The success of the 2003 legislative reforms can be attributed in large part to the role that DOBI played in overseeing a transition process to promote competition for the benefit of New Jersey drivers. With the PIP reform proposals, DOBI continues to take a proactive stance to ensure that the state's auto insurance system serves the interests of New Jersey's insurance consumers.

Under the existing PIP system, auto insurers frequently pay inflated medical charges compared to what private health insurance and government programs would pay for the exact same services. The expanded medical fee schedule, adding about 1,100 procedures to the 1,500 procedures in the current fee schedule to cover many common medical procedures, can be expected to reduce billing disputes and control costs. Significantly, even with the expansion of the fee schedule, payments under PIP would still be substantially higher than those available under government programs and private health insurance. Expanding the fee schedule will help reduce billing disputes, control costs and add predictability to the auto insurance system.

For cases where there are still disputes, DOBI is proposing to reform current arbitration rules, particularly regarding attorneys' fees. The proposal provides guidelines for the awarding of attorneys' fees in an effort to ensure that awarded fees are commensurate with the amount in dispute and the amount awarded.

New Jersey has gone from having one of the most troubled auto insurance markets in the country to having one of the most vibrant, and the proposed PIP reforms are reasonable measures that will control costs and allow New Jersey drivers to continue to enjoy the benefits of competitive reforms.

Thank you for your consideration of NAMIC's views on this important matter. I would be happy to respond to any requests for additional information relative to NAMIC's perspective.

Sincerely,

A handwritten signature in black ink that reads "Paul T. Tetrault". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul T. Tetrault, JD, CPCU, ARM, AIM
Northeast State Affairs Manager

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