

# Car Insurance in New Jersey Demystified

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Anyone who owns a car in New Jersey is required by law to purchase car insurance. A car insurance policy can be purchased through a local insurance agent or in some cases through a car insurance company directly. Selecting your car insurance can be expensive (New Jersey is one of the highest in the United States) and confusing.

Your automobile insurance policy has different types of coverage:

- liability,
- property damage,
- uninsured/underinsured,
- collision,
- comprehensive,
- medical expenses (also known as personal injury protection, or PIP),
- limitation on lawsuit or no limitation on lawsuit.

If you examine your Declaration Page for your car insurance policy, these types of coverage will all be listed.

In order to understand these types of coverage, it is helpful to use an example of a car accident involving two cars, one owned by Driver A - let's call him Alan - and one owned by Driver B - let's call him Bob. Assume that Alan is stopped at a red light and Bob strikes Alan in the rear bumper. After the collision, Bob's vehicle goes off the road and knocks down a fence in the yard of a private homeowner. Alan files a personal injury lawsuit against Bob and it is determined by a jury that Bob was 100% at fault and that Alan is entitled to an award of \$100,000.00.

## **Liability:**

The first type of coverage listed in most automobile insurance policies is liability. New Jersey residents can select a minimum of \$15,000.00 in liability coverage and a maximum of \$250,000. (However, you can purchase additional insurance in excess of \$250,000 by talking to your agent or company.) If a car accident is determined to be your fault, your liability limits apply because you were the one who was liable or “at fault” for the accident. In our example, if Bob has \$100,000 liability coverage, Bob’s automobile insurance company pays \$100,000 to Alan. If Bob and Alan both have \$15,000 in liability coverage, then Bob would be personally liable – meaning that it would come out of his own pocket - in a civil judgment to Alan for \$85,000 after Bob’s insurance company pays the \$15,000.00 liability limits. Therefore, when selecting the amount of your liability coverage, it is important to select a sufficient amount to protect your assets. A civil judgment is valid for 20 years and can have a long-range effect on your credit and financial stability.

### **Property Damage:**

Your property damage coverage applies if an accident is your fault and you cause damage to someone’s property. In our example, Bob’s insurance would be responsible for paying the homeowner for the replacement or repair cost of the fence.

### **Uninsured/Underinsured Coverage:**

The next provision in most policies is uninsured/underinsured coverage. It is recommended that this coverage be the same dollar amount as your liability coverage. Uninsured coverage applies if there is no insurance available from the vehicle that caused the accident. In our example, if Bob failed to pay his car insurance and his insurance was cancelled before the accident, then his vehicle would be uninsured. Similarly, if Bob struck Alan’s vehicle and then drove around him and away from the scene without Alan noticing his license plate, then Bob’s vehicle would be uninsured because it could not be identified. If Bob is uninsured, then the uninsured coverage of Alan’s policy applies. If Alan’s uninsured limits were \$100,000, then Alan would receive \$100,000 from his insurance company for his injuries. If Alan had uninsured limits of the State minimum of \$15,000 and Bob fled the scene, the most Alan can receive for his significant injuries is the \$15,000 uninsured limits he selected from his insurance company.

Underinsured coverage also applies if the vehicle that caused the accident has less liability coverage than your policy. In our example, if Bob has \$15,000 liability coverage and Alan has \$100,000 liability/underinsured coverage, then Bob is underinsured because his coverage is under the amount of coverage of Alan. In this example, Bob's insurance company would pay \$15,000 to Alan and Alan's insurance company would pay Alan \$85,000, which is the amount of money that Bob was underinsured. Alan's insurance company would then have the right to file a lawsuit against Bob personally to attempt to recover the \$85,000 paid to Alan.

### **Collision and Comprehensive Coverage:**

Collision coverage covers the damage to your car as the result of a collision with another car. Comprehensive coverage covers theft or vandalism of your car and covers damage to your car caused by a fire, flood or an animal. These two types of coverage have deductibles. Generally, the lower your deductible, the higher your insurance premium will be. However, if an accident is not your fault and your company pays for your collision damage less your deductible, the insurance company for the driver at fault usually reimburses your deductible.

### **PIP (Personal Injury Protection):**

Regardless of fault, your car insurance pays for your medical bills in a car accident. This provision in your policy is known as PIP, or Personal Injury Protection benefits. If you are injured, you have the right to go to whatever hospital or medical provider that you want. As with liability coverage, you have the right to select the dollar amount of your medical expense coverage. The maximum amount, which is recommended, is \$250,000. If you select the minimum of \$15,000, with the high cost of medical treatment, this amount could be exhausted quickly if you have significant injuries. It is important to note that the other driver is not responsible for your medical bills. They are the responsibility of your insurance company based upon the dollar limit you select. The same applies for the deductible that you select. You are responsible for the deductible before your insurance company pays your medical bills. In addition, there is a co-pay of 20% for the first \$5000 in medical expenses, after your deductible is applied. You do have the right to choose your health insurance to pay your car accident medical bills, but many health insurance companies will not pay for automobile accident injuries. Also,

it should be noted that New Jersey car owners have the right to purchase a “Basic” policy, which is an inexpensive policy that does not have liability coverage or uninsured/underinsured coverage and has minimal \$15,000 medical expense payments. This policy is not recommended because: (a) you can be sued personally for an accident which is your fault, (b) if the other car was uninsured, there is no insurance available to pay you and (c) the minimal medical expense limits would be insufficient if you sustained significant injuries.

### **The Verbal Threshold (Limitation on Lawsuit Option):**

One of the least known provisions of New Jersey automobile insurance policies is the limitation on lawsuit option (also known as the verbal threshold). This portion of your policy determines whether or not you can file a personal injury claim against the driver who caused the accident. The fact that you were injured in a car accident and the accident was not your fault does not mean that you are entitled to be paid for your pain and suffering. In every New Jersey automobile insurance policy the vehicle owner has to choose either the limitation on lawsuit (verbal threshold) option or the no limitation option (also called no threshold or zero threshold). The cost of the no threshold option is higher than the verbal threshold option. In our example, if Alan selected the verbal threshold option in his policy he cannot file a personal injury case against Bob unless a treating medical provider signs a certification that Alan’s injuries are permanent. For verbal threshold cases, an injury is permanent if there is: (a) loss of a body part, (b) significant disfigurement or significant scarring, (c) a displaced fracture, (d) loss of a fetus, (e) death, or (f) when a body part has not healed to function normally and will not heal to function normally with further medical treatment based on objective medical proof.

In my experience as a [personal injury](#) attorney representing injured individuals for 32 years, if an injured driver has the verbal threshold, the insurance company for the other driver will either refuse to pay the injured individual or will offer less money than the case might be worth. Many times these cases go to trial and a jury determines if the injury is permanent. In our example, therefore, if Alan has a temporary minor injury he cannot sue Bob for pain and suffering if Alan has the verbal threshold. Also, even if Alan’s medical provider certifies that Alan’s injuries are permanent, Bob’s insurance company has to the right to fight the case with their medical expert to argue that Alan’s injuries are not permanent. If, however, you select the zero threshold in your insurance policy, you can file a personal

injury claim against the other driver's insurance company for any injury that you receive, temporary or permanent.

The automobile insurance coverage that you choose is important in protecting your legal rights, your health and your financial security. Although car insurance in New Jersey is expensive, it is recommended that you sit down with your agent to determine the cost difference of the various types of coverage and dollar limits, the cost difference of deductibles and the cost difference between the verbal and zero threshold. This evaluation of your insurance coverage with your agent or company to determine what dollar limits and deductibles are best for you can significantly affect what monetary recovery you might be entitled to if you are injured and can significantly affect what personal liability you could be exposed to if you are sued.

If you have any concerns or questions about your car insurance or about your rights in a car accident, please feel free to contact [Einhorn, Barbarito, Frost & Botwinick, PC](#) for a free consultation.