

Remarks of Governor Jim Florio
Joint Session of the Legislature
Re: Car Insurance
Trenton, New Jersey
Monday, January 22, 1990

Mr. Speaker, Mr. President, members of the State Legislature, I want to thank you for agreeing to convening this joint session to hear my proposals for solving a problem that has plagued the people of New Jersey for too long.

I believe that you and I are going to have a productive four years together. We want the same things, and your willingness to meet so soon today tells me you are as eager as I am to get to work.

Everyone in New Jersey knows what our first order of business has to be -- car insurance. I was in New York over the weekend taping a television program. And it was interesting -- so characteristic -- two members of the studio crew came over to me, said that they live in New Jersey, and they provided me with the latest of the horror stories that I was able to add to the growing volume of legitimate complaints that people have.

Car insurance is a problem across the country. It's a problem in other states, too. But New Jersey drivers pay the highest rates of any state in the entire nation. So we should be in the vanguard of tackling this challenge. That's the kind of leadership that the people of New Jersey expect from their government. And that's the kind we're going to give to them.

People want representation from their government that represents the interests of the people -- not special interests. By solving this problem, as we're going to do, we not only bring down insurance rates -- but we will help to bring back the people's faith in those who serve them.

Our car insurance system is a disgrace. It costs drivers too much. It's too generous to the industry. It's unfair. To borrow a word used to describe a car wrecked beyond repair, our system of car insurance is "totaled." And we may as well start anew.

We're going to deal with first things first. And we're going to put the automobile insurance system in New Jersey where it belongs -- on the junk heap -- and start fresh.

I promised in my campaign to bring down this unfair tax on New Jersey drivers. We're going to give good drivers their due. And we're committed to do that. We're going to make sure that New Jersey drivers don't pay more just because they happen to be unmarried, and they don't pay more because they happen to be male or female, old or young. None of those things have anything to do with rationality.

In short, we're going to bring this system under control so that people think it's fair. And it will be fair.

Today I take the first formal step to make good on my promise.

I am not coming today with anything that is radical. We're not talking about radical proposals. I'm offering to you the best ideas that have been tried and tested in other states, and in other places around this nation. What I've done is to combine them all into a comprehensive, rational plan that is coherent.

I'm not going to spend a lot of time, because it's not productive, talking about how we got to this point. I'm not going to be spending time assigning blame. As far as I'm concerned the chief enemy today is time. Our system, if allowed to continue, just doesn't stay as bad as it's been -- it gets worse.

Just last week the insurance department informed me that New Jersey drivers face another increase in their already obscenely high rates, just to keep the Joint Underwriters Association afloat.

We can't let that happen.

My plan starts by keeping a simple promise I made through the course of this last year: the JUA should be, and will be, DOA.

Insurance companies have labeled up to 53 percent of New Jersey drivers as "bad drivers" and thrown them into the JUA, the bad driver fund. You and I know that half the drivers of our state should not be so categorized.

Last year those companies were audited. The state found the companies owed New Jersey drivers \$900 million, just short of a billion dollars. We will pursue that audit and we will go about the effort of recovering every penny that is owed one way or another.

Under my plan, the JUA will write no more policies after October 1st of this year. Surcharges will end within a year of enactment. The average policy will cost at least \$225 less.

Ladies and gentlemen, it's time to start telling the truth about the JUA. The JUA is more than \$3 billion in debt. It's bankrupt, and we ought to treat it that way.

Bloomington's is a model of fiscal restraint compared to the JUA. Under my plan, a trustee will be appointed and will liquidate the bankrupt JUA as it should be.

The JUA deficit will be paid off, and those who prospered the most will pay pack the most. The insurance companies will be assessed at least \$1.4 billion. Doctors, lawyers, body shops -- they'll all pay too.

The second part of my plan is again something that is long overdue -- a "good driver guarantee." Good drivers will not be turned down for coverage by insurance companies in the arbitrary ways they have been in the past. How will we define a good driver? Well, how about a little bit of good common sense.

When rates are set for drivers, the questions they'll have to answer will be: What's your accident record? How many miles do you drive a year? What kind of car do you own? Not just where do you live; not just how old are you; are you married, are you single? Are you a male or female? We're going to have relevant considerations taken into account.

Third, there will be a place for bad drivers. Not everyone is a good driver and those who are not will be treated differently. That's fair, and that's what every other state in the Union does. But no more than 10 percent of New Jersey drivers will be allowed to be put into a bad driver system. And the new system won't look anything like the JUA. For one thing, insurance companies will be responsible for paying the claims against those drivers as they are in every other one of the 49 states.

For another thing, drivers won't have to be stuck forever in this high-risk group. When they clean up their records they can get out -- giving them strong financial incentives to be better, safer drivers. That incentive is clearly lacking in our current, crazy system.

Fourth, the insurance companies' exemption from anti-trust laws will end. No more price fixing. The companies will join the world of free enterprise and compete like everyone else does in business.

Fifth, drivers will be for the first time able to have the opportunity to get their choice of letting their health insurance policies cover them in car accidents. If you pay for health insurance anyway, why pay twice? Again this is the norm almost everywhere else. It saved drivers money in other states because health insurers have lower expenses than car insurers. They are more efficient. The drivers of the state should have the benefits of that efficiency.

My plan offers fairness that will spread through the system like the ripples on a pond. No longer will drivers of economy cars subsidize, as they currently do, the insurance of those who want to spend \$35,000 for what they drive. No longer will good drivers who happen to live in certain communities be denied affordable coverage just because of where it is that they live.

Now, ladies and gentlemen, I'm not going to pretend to you that these changes are going to be made easily. Those who have benefitted from New Jersey's car insurance boondoggle are not particularly eager for change. They may not realize right away that these changes really are in their interest, too.

But you, members of the Legislature, who represent the people of New Jersey, you'll be called upon to be courageous. The special interests will converge undoubtedly, perhaps even now, on Trenton to try to convince you this plan is a bad idea, because they like their piece of the status quo. I urge you, as I know you do, to always keep in mind that it is the people's interests we are here to protect.

And by the way, I'm not telling you anything I haven't said to the faces of the insurance executives and the representatives of all of the other special interests who have been benefitting off of our system. I made it clear that if they stand in the way of the people's will, they'll lose. The people have had it too bad for too long. And they want, no, they demand, change. And if I have anything to say about it they're going to get it.

Ladies and gentlemen, let me conclude. Because through the course of this process we will take into account all dimensions of the problem. I know that this Legislature is intellectually committed to having full discussions and deliberations about each and every aspect of this proposal. And I just want to leave you with my firm belief and share with you my philosophical commitment to the proposition that we all are interested in having a healthy industry but we're also interested in fairness to New Jersey's drivers.

I'm not against fair profits and healthy competition. But I don't want to allow in this state, as I know you don't, an organized ripoff of the drivers of New Jersey.

Car insurance should not be an issue of class. Everyone has to have car insurance and everyone should be able to afford it. That's certainly not the case now. Cars are an essential part of life. Let's face it, Americans have a love affair with their automobiles and it's no different in New Jersey than anyplace else.

One of our distinguished citizens here in New Jersey, Bruce Springsteen has got a song, "Thunder Road," for those of you who happen to be fans, in which he talks about "rolling down the window and letting the wind roll back your hair." I'll always remember my first automobile. I was 17, I was in the Navy and I bought a 1949 Ford for \$300. It was a great feeling. I was on top of the world -- I owned the world.

Today people of New Jersey are paying more than three times that just for insurance much less the car. The cost of insurance has turned the joy of owning a car into a heartache.

And that's why I have asked the Legislature to introduce a bill this Thursday that will reflect my proposals. Study my plan. Consider it. And deliberate.

But let me remind you that time is of the essence. We have a commitment to the drivers of New Jersey. It's a commitment to fairness; a commitment to keeping promises. A commitment to working together. I'm confident that we're going to keep all of those commitments.

Thank you very much.