NEWS RELEASE

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New Jersey Supreme Court Decision Will Increase Auto Rates, Pinnacle Predicts

A New Jersey Supreme Court decision handed down yesterday will dramatically increase automobile insurance rates in that state, Pinnacle Actuarial Resources predicts.

The decisions, Octavio Serrano v. Jacqueline Serrano, et al. (A-99-03) and its companion case - DiProspero v. Penn, et al., (A-66-03), concluded that the New Jersey Auto Cost Reduction Act does not imply a “serious impact” requirement for those seeking damages for non-economic losses. As a result, claimants maintain the opportunity to seek recompense for losses such as pain and suffering.

When N.J.S.A. 36:6A-8(a) – the Automobile Insurance Cost Reduction Act (AICRA) - was implemented in New Jersey, its language did not specifically include a “serious impact on one’s life standard,” which had previously been applied as a matter of case law as determined in Oswin v. Shaw. However, the courts continued to apply this standard in conjunction with the requirements set forth in AICRA. The Supreme Court decision in essence ruled that the language, as enumerated in AICRA, is sufficient and that this additional requirement should not have been imposed by the courts since the legislature did not specifically include it.

Eliminating the “serious impact” criteria would significantly raise losses and rates, according to analysis Pinnacle Actuarial Resources had published last fall. Specifically, the increases in Bodily Injury and UM/UIM costs for drivers selecting the verbal no fault threshold option of between 34 percent and 57 percent, or approximately $98-163 annually per car, according to Pinnacle.

The analysis, conducted on behalf of the Save Choices for New Jersey Drivers group, was published in the NAIC’s Fall 2004 Journal of Insurance Regulation. The survey was based on claims closed during the period May 1 through June 30, 2003.

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Pinnacle Actuarial Resources, Inc. is one of the 10 largest property/casualty actuarial consulting firms in the United States. Based in Bloomington, IL, Pinnacle specializes in insurance pricing, loss reserving, alternative markets and financial risk modeling. To learn more about Pinnacle, please visit www.pinnacleactuaries.com.

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