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To: Members of the Senate Commerce Committee

From: Raymond Cantor, Vice President Government Affairs

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RE: NJBIA Testimony on the Package of Automobile Insurance Bills

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On behalf of the New Jersey Business & Industry Association, the largest most influential business association in New Jersey, please accept the following testimony on the package of automobile insurance bills before the Senate Commerce Committee on Monday. Our members range from the smallest Main Street business to the largest corporations in the state; thus, we have an interest in ensuring that our members have a competitive business climate, and that New Jersey becomes an affordable state in which to live and do business. There has been a strong focus on “affordability” by this legislative body and we are concerned that this package of bills will move us in the wrong direction.

While we have particular concerns with Senate Bill No. 2841 concerning liability limits for commercial vehicles, we have general concerns with many of the bills in this package because they will not only increase costs to the business, but to the consumer as well. More required coverage will naturally mean higher insurance premiums, which translates into higher costs.

It is not disputed that New Jersey is a high-cost state in which to live or do business. We have the nation’s highest property taxes, the nation’s highest corporate tax rate, and we consistently rank in national surveys as one of the worst states to do business. NJBIA’s own [regional business competitiveness survey](#). New Jersey last in the region for its business climate. The Legislature’s policy priorities should be on making New Jersey more affordable for its residents and businesses, not less.

Ironically, one of the few bright spots for New Jersey has been its auto insurance rates. Thanks to former Gov. Jim McGreevey and this Legislature, New Jersey undertook a series of reforms that brought back the auto insurance system from the brink of collapse to a national model. Auto insurance rates, adjusted for inflation, are over \$260 lower today than they were prior to the reforms in 2003. New Jersey also has the lowest uninsured motorist rate in the nation at 3.1%, a testament to the affordability and choice in the current market. We should not go backward.

While NJBIA recognizes that some reforms may be needed to adjust insurance coverages and processes given the changed circumstances since the reforms were put into law, we also believe that the Legislature should be very conscious of the costs they will be imposing on the public.

Increasing insurance rates has an impact on business in two significant ways. One, when the public spends more money to pay for auto insurance, they have less money to go to restaurants, buy products, travel, and otherwise help expand the economy. Money spent on insurance is not returned to the New Jersey economy, but rather takes money away. Coming from the COVID pandemic and the closure of our economy and staring down a looming

recession, we should be trying to grow our economy not restrict its growth. We are now beginning to recover from the last two years, but many businesses, especially our small businesses and those in the hospitality industry, are still struggling. Now is the time to stimulate our local economy, not take money away from it. Our concerns about cost and affordability are especially relevant today, given the extremely high cost of gasoline and the decades' high inflation rate. Consumers cannot absorb another added cost.

Two, increased insurance rates also make New Jersey a more expensive state in which to live. Our business owners and their employees also live in New Jersey. They are forced to pay the insurance rates mandated by the state. Higher costs of living make it harder to attract employees, a concern especially acute in today's environment when employers are struggling to find and attract employees. Higher auto insurance rates only add to the negative perception of New Jersey as a high-cost state and one to avoid when looking to locate or expand a business.

Specifically, as it relates to the business community, we oppose S-2841 which would set a minimum liability limit of \$1.5 million for all commercial vehicles. While this amount of coverage may be appropriate for some commercial vehicles, it is certainly not appropriate for all. Insurance rates should be set, as they are now, based on the risk of the commercial vehicle. A one size fits all, at such high levels, will certainly increase the costs on companies with smaller commercial vehicles that pose less risk to the public. There is a difference in liability needs between commercial vehicles carrying 8 people vs. 40 people. Commercial vehicles that carry hazardous materials need higher insurance than those that do not. Commercial insurance rates should be based on risks, not artificially high levels that are out of step with the overall market.

The current commercial vehicle insurance system recognizes the varying risk levels of different commercial uses and vehicles and sets insurance rates accordingly. There are six statutes that govern commercial vehicle insurance rates in recognition of the disparate needs.

We are also concerned that a \$1.5 million policy mandate will result in some companies no longer writing these policies. This will result in less competition in the marketplace and fewer options for businesses.

The cost of doing business in New Jersey is already extremely high. The cost of diesel is at a point where many trucking companies may be forced to close. The state has already passed regulations that will drive up the cost of commercial trucks over the next two decades. Inflation is making it harder to do business and for consumers to purchase goods and services. Businesses, and the public, can only afford so much. This bill will only drive-up business costs further without any benefit to the public. We ask you not to release this bill and to seriously consider the impacts to costs and affordability of the whole package.

In conclusion, while some reforms may be needed, this committee should be very careful in not passing bills that will once again create an auto insurance crisis and make policies more costly and even unavailable to many of our residents and the business community. We need to make New Jersey more affordable, not less.