

STOCKTON CENTER FOR  
ECONOMIC & FINANCIAL LITERACY  
THE RICHARD STOCKTON COLLEGE OF NEW JERSEY

*An affiliate of SRI & ETTC and the NJCFE*



**Stockton Peer Financial Education Program  
Auto Insurance in New Jersey**

Auto insurance is required in New Jersey. Driving without insurance is breaking the law. The two most common types of auto insurance policies in New Jersey are the basic policy and the standard policy.

**Before we get started, here are some useful definitions:**

- **Claim:** a request to an insurer for payment or reimbursement of a loss covered by the terms of an insurance policy.
- **Premium:** the amount of money a company charges for insurance coverage.
- **Limits:** maximum dollar amount the insurer will pay following an auto accident. Limits of each coverage vary.
- **Deductible:** payment you have to make before the insurer pays for a covered loss.
- **Standard Policy:** provides a number of different coverage options and the opportunity to buy additional protection; the type of policy chosen by most New Jersey drivers.
- **Basic Policy:** costs significantly less than a Standard Policy, but provides limited benefits. It is not for everyone, but it does provide enough coverage to meet the minimum insurance requirements of New Jersey law. The basic policy is recommended most for young drivers who are just beginning work and have fewer assets and few family responsibilities.
- **Limited Right to Sue:** you agree not to sue the person who caused an auto accident for your pain and suffering unless you sustain one of the specified permanent injuries such as, loss of body part, significant disfigurement or significant scarring, a displaced fracture, loss of a fetus, permanent injury, or death. Your premium is somewhat lower if you select this option.
- **Unlimited Right to Sue:** under the No Limitation on Lawsuit Option, you retain the right to sue the person who caused an auto accident for pain and suffering for any injury.

**Types of Required Coverage**

Vehicles in New Jersey are required by law to have these 3 types of coverage: liability insurance, personal injury protection, and uninsured motorist coverage.

1. **Liability Insurance:** pays others for damages from an auto accident that you cause. It also pays for a lawyer to defend you if you are sued for damages that you cause.
2. **Personal Injury Protection:** pays medical expenses if you or other persons covered under your policy are injured in an automobile accident—often called “No Fault” coverage, it pays your medical expenses if you were or were not at fault for the accident.
3. **Uninsured motorist coverage:** protects you if you are in an accident with someone who doesn't have proper insurance coverage.

**Besides the three listed above, you can also purchase these other coverages:**

- **Property Damage Liability Coverage:** pays for claims and lawsuits by people whose property is damaged as a result of an auto accident you cause.
- **Underinsured Motorist Coverage:** pays you for property damage or bodily injury if you are in an auto accident caused by a driver who is insured, but who has less coverage than your underinsured motorist coverage.
- **Collision Coverage:** pays for damage to your vehicle as the result of a collision with another car or other object.
- **Comprehensive Coverage:** pays for damage to your vehicle that is not a result of a collision, such as theft of your car, vandalism, flooding, fire or a broken windshield. Also, it will pay if you collide with an animal.

## Price of Coverage

This depends upon many factors such as previous driving record, type of car, type of geography, and, possibly, credit score. Always use the Rule of 3 and get 3 bids.



coverage, age,

	Progressive	Allstate	Geico
Quote Available Online?	Yes	Yes	Yes
Purchase Online, By Phone, or in Person?	All	Not Online	All
Pay by Installments? (extra fee charged for the payment option)	Yes	Yes	Yes
Report Claims Online?	Yes	Yes	Yes
Guaranteed Repairs?	Yes	Yes	Yes
Online Policy Changes?	Yes	No	Yes

### When purchasing, remember 3 things!

1. Understand YOUR needs
2. Understand YOUR options
3. Understand consumer protections

### Also:

- You have the right to change your coverage and policies at anytime, whether you are close to the renewal date or not.
- If you find a better price somewhere else, you can cancel your current policy and seek a refund on your unused premium.

### Suggested Further Resources:

Information on the Basic Policy can be found here:

[http://www.state.nj.us/dobi/division\\_consumers/insurance/basicpolicy.shtml](http://www.state.nj.us/dobi/division_consumers/insurance/basicpolicy.shtml)

Information on the Standard Policy can be found at this link:

[http://www.state.nj.us/dobi/division\\_consumers/insurance/standardpolicy.html](http://www.state.nj.us/dobi/division_consumers/insurance/standardpolicy.html)

Auto Insurance buyers guide:

[http://www.state.nj.us/dobi/division\\_consumers/pdf/autoguide02.pdf](http://www.state.nj.us/dobi/division_consumers/pdf/autoguide02.pdf)

For further information about Peer Financial Education, contact:

Dr. Deborah M. Figart, Professor of Education and Economics  
Director, Stockton Center for Economic & Financial Literacy

[Deb.Figart@stockton.edu](mailto:Deb.Figart@stockton.edu)