



## **NJ CURE Auto Insurer Continues To Grow: Bases Rates On Driving Skills, Not Credit Ratings**

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([PRWEB](#)) May 12, 2005 -- In the past two years, NJ CURE, a not-for-profit writer of auto insurance, has experienced significant growth, even as larger companies have faced a severe crisis. NJ CURE now insures 50,000 vehicles and has more than \$75 million in admitted assets. In addition, the company has expanded from 90 to 220 employees.

“Some people have wondered how a relatively small insurance carrier like ours has been able to thrive during the auto insurance crisis, while multi-billion dollar companies have been forced to leave this market over the past 14 years,” said Eric Poe, CPA, JD, vice president of operations for NJ CURE, who noted that some 40 auto insurers have left the New Jersey market over those years. “The answer is that we have a very different approach to auto insurance, based on the motto, ‘responsible drivers should be receiving reasonable rates.’”

Recently, 17 auto insurers – including major companies such as GEICO and Mercury General – have been granted the right by the NJ Department of Banking and Insurance to use personal credit ratings as a factor in auto insurance rates.

Some, like industry-giant GEICO, are even requiring applicants to supply information about education and occupation to determine rates.

But NJ CURE rejects the concept that criteria such as a driver’s credit ratings should have any bearing on car insurance rates.

“A number of auto insurance reforms were enacted in New Jersey in 2003 to address the auto insurance crisis,” said Poe. “The changes have impacted methods of setting prices for drivers, giving more freedom for insurance companies to charge favorable rates to certain select drivers with high credit scores. However, we strongly believe there are great drivers, with less than perfect credit scores.”

By contrast, 15-year-old NJ CURE has stayed loyal to its business model of determining rates upon driving records alone. “Despite recent changes in regulations that allow auto insurers to use credit history as a factor in determining auto insurance rates, we do not believe that poor credit equates to poor driving. What you do on the road is what truly matters to us,” Poe explained.

### **A Different Set of Criteria to Assess Insurance Rates**

In fact, NJ CURE’s entire rate structure and criteria for evaluation are dramatically different than most other automobile insurance companies in the state. For example, while most insurance carriers place single male drivers between the ages of 20 and 29 in a substantially higher rate category, NJ CURE’s rates are not as dramatically high for that classification of driver. “Once again, our rates are based more upon the person’s individual driving record,” said Poe. “We don’t believe that being young and male automatically means you are a bad driver. There are thousands of very responsible single male drivers in New Jersey, and we believe



we are the best alternative for them.Â

ÂIn addition, typical auto insurers tend to raise rates dramatically with every accident or moving violation. They tend to raise your rates significantly, despite the fact it may be your first accident in 20 years. Recent research indicates that many drivers today decide to pay for minor accidents out of the pocket, rather than risk their insurance rates escalating,Â he explained. ÂWe think that way of running an auto insurance operation defeats the purpose of why people purchase insurance. NJ CURE does not believe that one ticket or one fender-bender makes you a high-risk bad driver,Â he continued. ÂIn fact, our member drivers are automatically enrolled in a Âforgiveness program.Â This protects them against rate increases as a result of their first accident or moving violation. And the longer drivers are insured with NJ CURE, the more points they accumulate to offset any occasional accidents or moving violations. ItÂs an old fashioned model aimed at having people stay with NJ CURE for a lifetime.Â Therefore, NJ CURE drivers know they can report their first minor accident in years without fear that they will be unable to afford their insurance next year. That kind of peace-of-mind has contributed to the strong growth in the number of policyholders over the years.

#### The Reciprocal Exchange: A Conservative Business Model

Established by former state insurance commissioner James J. Sheeran and award-winning insurance actuary Dr. Lena Chang in 1990, NJ CURE (New Jersey Citizens United Reciprocal Exchange) is a not-for-profit reciprocal exchange. This means policyholders are actually members who share insurance risks among themselves. The members are accepted based on their eligibility to meet specific responsible driving criteria, and a senior management team creates and manages the exchange.

ÂThe fact that NJ CURE is a membership organization and, therefore, can be more selective in its membership requirements, helps to reduce the collective risk and hold rates down,Â Poe explained. In order to be eligible, all members of the insuredÂs household must have at least 36 months of responsible driving experience.

In addition, NJ CURE is a direct writer of policies. It does not use agents or brokers, thereby eliminating commission costs. ÂThis is another way in which we keep costs down,Â said Poe. ÂHandling all operations in-house also means we can provide members with more personalized attention. We are proud to have the distinction of holding one of the lowest valid complaint ratios among auto insurers throughout the state, as compiled by the New Jersey Department of Banking and Insurance.Â

Although recent changes in New Jersey insurance regulations have somewhat eased the crisis, the state still has some of the highest auto insurance rates in the country. So for some, the crisis still exists.

ÂWe have proven that we have a formula that can weather any storm in the insurance environment,Â said Poe. ÂWe are looking forward to even greater success in the future, as we have seen many carriers come and go over the past 14 years, but we have the confidence that we will remain the ÂcureÂ to the auto insurance problem.Â

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