

Statehouse rally boosts passage of referendums on auto insurance

By VINCENT R. ZARATE

A handful of persons, representing various citizens' groups, yesterday demonstrated in the rain at the Statehouse urging the Senate to act before the Aug. 6 deadline and pass bills to allow voters to approve a 20 percent rollback in car insurance rates.

But despite the demonstration, both houses are still deadlocked on which referendum is the best—the Senate proposal or the Assembly proposal. Chances one of them will win the necessary approval to be placed on the November ballot are slim.

A dozen persons representing New Jersey Automobile Insurance Reform, the American Association of Retired Persons and the United Taxpayers of New Jersey conducted the rally.

The demonstrators were led by Samuel Perelli, state chairman of the United Taxpayers. He said the Senate should convene immediately and approve two Assembly bills that would let voters decide the car insurance problem.

The deadline to put the constitutional amendment on the ballot is Aug. 6.

Perelli said that if the issue does not make the ballot, "40 senators will be responsible for their failure to act on this referendum."

"Time is running out and we are demonstrating to urge everyone to contact their senators and demand they act on these bills to give the voters the chance to decide the issue," he said.

The Assembly on July 10 passed its bills calling for a constitutional amendment and rejected the Senate proposals. The Assembly bills are pending in the Senate, but the Senate has scheduled only committee meetings on Aug. 3 and will not have a scheduled voting session until Aug. 12, well past the deadline to put a constitutional amendment on the ballot.

Sen. John Lynch (D-Middlesex), the sponsor of the Senate bill (S-3681), has urged Assembly Speaker Chuck Hardwick (R-Union) to recall the Assembly to amend his proposal so the public will have an opportunity to vote.

Lynch said his bills, which would place nonbinding referendums on the ballot, present the Legislature with a unique opportunity to reduce rates and achieve other reforms in "a sensible and effective fashion."

Lynch noted his proposal does not call for a constitutional amendment, and the Assembly has until Aug. 26 to act to place it on the general election ballot.

In a letter to Hardwick urging the Assembly to act on his proposal, Lynch said there should be compromise because the Senate proposal has many of the same end results as the Assembly proposal.

"These differences should not be a hindrance to consideration of the bill," Lynch wrote. He said the Senate proposal is substantially the same as the Assembly questions calling for elimination of the Joint Underwriting Association (JUA), the elimination of the JUA surcharges, the imposition of some financial responsibility on the industry for the JUA deficit and the elimination of the car insurance industry's antitrust exemption.

Lynch said his proposal, if passed by the Assembly and signed by the Governor, would give the voters the opportunity to decide the issue, and end "the public perception that the Legislature is either unable or unwilling to resolve this problem."

Joseph Tomeo, chairman of the New Jersey Automobile Insurance Reform group, said the Assembly had overwhelmingly passed the bills to "allow for the first time the citizens to vote for real car insurance reform this November."

He said, "The people should be given that right and the Senate should not block that chance."

The proposal would be historic in that the voters could by popular vote lower the costs of a product—a power now vested only with the Legislature and regulators in state government.

Under the plan, voters will decide two issues and the one receiving the most votes would be the law, and the other would not.

The first proposal (ACR-42), sponsored by Assemblyman Michael Aduato (D-Essex), would ask voters if they want to order a rollback in rates to what they were Jan. 1,



Sam Perelli of the United Taxpayers of New Jersey tells a Statehouse rally to urge senators to vote on the auto insurance referendum

1987, and eliminate the \$152 in surcharges for the JUA. The lowering of rates would not apply to any company threatened with insolvency or to the JUA if it results in eliminating cash flow to pay claims.

The second proposal (ACR-140), sponsored by Assemblyman Robert Franks (R-Union), calls for the same reduction in rates to what they were in 1987, imposing a mandatory strict limit on "pain and suffering" lawsuits, and prohibit car insurance companies from basing rates on gender and age. The Franks proposal would not lower the rates if it denied a company "a fair rate of return" or cash shortfalls to the JUA.

Franks talked to the demonstrators and urged them to continue their drive to get the Senate to act.

In the meantime, Sen. John Dorsey (R-Morris) urged Senate President John Russo (D-Ocean) to call a special session before the Aug. 6 deadline to vote on the two bills calling for the constitutional amendment.

Dorsey said the Assembly passed the bills July 10, and they are "the only ones which stand a chance of being presented to the voters in November."

Meanwhile, Gov. Thomas Kean said, "I have no desire for them to come back. There is no reason to amend the Constitution. It is not going to lower insurance rates. It is a political gesture in a political year."

"Whether the Senate comes back or doesn't, we won't

pay one cent less in insurance rates."

He said instead of dealing with constitutional amendments, he would have "less trouble" with a law. But he said the only way to cut insurance rates 20 percent is to reduce medical bills, repair costs and legal fees.

"The way to do it is to take on the special interests," Kean said, emphasizing the closest the Legislature has come to lowering insurance rates was when the Assembly approved a verbal threshold, which the Senate has never considered.

When the Assembly passed its bills, it overwhelmingly defeated the Senate plan.

The JUA is the system providing car insurance to an estimated 1.9 million motorists who were rejected for coverage by car insurance companies.

Even though there might not be a binding question on the Nov. 7 general election ballot, in at least 10 counties there will be a nonbinding referendum calling for the voters to urge the Legislature to pass laws that would reduce rates, eliminate the surcharges, abolish the JUA and require the car insurance companies—not the insurance buying public—to pay off the reported \$3 billion deficit of the JUA.

This nonbinding referendum drive is backed by the Citizens Auto Revolt, a joint project of New Jersey Citizen Action and the New Jersey Public Interest Research Group.

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Citizens group supports lawsuit seeking refunds of insurer surplus

By ADRIENNE KNOX

New Jersey Citizen Action (NJCA) members, bearing placards reading State Farm Insurance Co. is "not a good neighbor," yesterday announced their support of a \$7 billion lawsuit against the company.

At a press conference held outside the company's office in West Orange, the NJCA urged policyholders to become plaintiffs in the suit which claims State Farm has a surplus that should return more than \$65 million in dividends to New Jersey drivers.

"State Farm management has been engaged in an ongoing effort to systematically deprive its mutual policyholders of dividends to which they are entitled," said Victor Deluca, an NJCA board member and director of the Ironbound Community Center in Newark. "It is yet another example of an industry that answers to no one and gouges everyone."

"We'll be using a network of 100 agencies all over the state to join our effort," continued Deluca, who along with 10 other NJCA members entered the company's office to present a cardboard "claim" of \$7 billion to a State Farm claims officer. "We're asking all policyholders to contact us at our main office in Hackensack."

The group maintained that since State Farm is a mutual insurance company, it has no stockholders and therefore the policyholders own the company. Deluca said policyholders are entitled to dividends from any profit the company makes, but that State Farm has withheld \$64.9 million in dividends, New Jersey's portion of the surplus.

Reading from the state Department of Insurance's 1988 annual report, Carlton Levine of the NJCA said State Farm last year insured 294,661 of New Jersey's 2.1 billion vehicles. He said the insurance company is the state's third largest insurer.

Ron Arnold, a State Farm spokes-

man, said the suit filed in May is similar to one initiated against the company last August.

"When that suit was filed, the court disallowed all of the claims," Arnold said. "Then, a couple of months later, they came up with a suit saying we had \$7 billion in excess dollars, but the court has not acted on it, and I think this time the results will probably be the same as last time."

Stressing that State Farm has an obligation to some 31 million auto insurance customers nationwide, Arnold said depleting the surplus, or "public protection fund," would result in higher rates for policyholders. "We have to be financially sound to meet our obligations to our customers," Arnold maintained. "The amount of money we have in the bank is not excessive. I think our customers would rather us be able to come up with the money when they need it."

The Rev. Reginald Jackson of St. Matthew's Church AME in Orange at-

tended the conference and said he would encourage State Farm policyholders in his congregation to add their names to the list of plaintiffs.

"People are struggling to pay their premiums, and for State Farm to have this kind of a surplus is unconscionable," he said. "There are hundreds of thousands of motorists driving around without insurance, not because they don't want to be insured, but because they can't afford it."

The NJCA said the suit calls for the company to reduce last year's surplus ratio of 1.23 to 1 to the industry average of 2.17 to 1. The group said the one-time dividend, if granted, would result in a 35 percent reduction over 1988 premiums for New Jersey customers.

Phyllis Salowe-Kaye, executive director of the NJCA, said the class action suit is new evidence of the need for insurance reform in the state. "Our concern is that the money that should be returned to consumers will be used to fight insurance reform," she said.

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Suspect cited for false ID

A 19-year-old Orange man, who was arrested Wednesday on charges of shooting and trying to rob a man entering a taxi in Orange, was charged yesterday with giving false information to a police officer, police said.

Isadore Johnson of 34 Linden Ave. in East Orange told police his name was Kelly Smith, said Orange Police Director Charles Cobbett. Yesterday, Smith called the police from home and said someone else was using his identification, police said.

Police said they questioned Johnson, who then admitted he falsely identified himself.

Johnson and a 17-year-old East Orange resident were charged with attempted robbery, aggravated assault, possession of a weapon and possession of a weapon for an unlawful purpose, Cobbett said.