

## PERSONAL LINES

### Auto Liability Coverage

#### How to Explain Any Coverage: Tips & Tricks

- 2 Sentences & A Question: Make it a conversation
- Nana Principle: Use the vocabulary you would use with your Nana (nothing complicated)
- Be Concise: try not to talk in circles
- Tell A Story to Illustrate the Coverage
- Always talk about pricing in monthly amounts
- If someone is not interested ask a few more questions and always document your system

#### Coverage Explanation

Auto liability coverage helps protect the policyholder financially if they are responsible for injuring others or damaging their property in a car accident. This type of coverage is typically required by law in most states, as it helps ensure that individuals take financial responsibility for the consequences of their actions while driving.

Auto liability coverage is divided into two main parts:

1. Bodily Injury Liability (BI): This coverage helps pay for the medical expenses, rehabilitation, and sometimes even funeral expenses of others involved in an accident for which you are at fault. It also covers legal defense costs if you are sued.
2. Property Damage Liability (PD): This coverage helps pay for damage to someone else's property (e.g., their vehicle, home, or other structures) that occurs as a result of an accident for which you are at fault. Like bodily injury liability, property damage liability also covers legal defense costs if you are taken to court.

When you purchase auto insurance, you will often see liability coverage limits expressed in three numbers, such as 25/50/20. These numbers represent, in thousands of dollars:

- Bodily injury liability per person/accident: In this example, \$25,000 would be the maximum amount the insurance company would pay for injuries to one person, and \$50,000 would be the maximum for all injuries in a single accident.
- Property damage liability per accident: In this example, \$20,000 is the maximum amount the insurance company would pay for property damage in a single accident.

## How the Policy Helps Clients

An auto liability policy helps the client in several ways:

1. **Financial Protection:** Auto liability coverage provides financial protection to the policyholder in the event they are found at fault in a car accident. The coverage helps pay for the medical expenses, rehabilitation, and sometimes funeral expenses of others (bodily injury liability) and damage to other people's property (property damage liability).
2. **Legal Defense:** If you are sued as a result of a car accident, the liability coverage helps cover legal defense costs. This can include attorney fees, court costs, and other legal expenses associated with defending against a liability claim.
3. **Compliance with Legal Requirements:** In most states, having auto liability insurance is a legal requirement. Purchasing and maintaining the required liability coverage helps ensure that you comply with state laws regarding financial responsibility for potential damages you may cause in an accident. Failure to comply with these laws can lead to penalties, fines, and even the suspension of your driving privileges. License plates can be revoked by the state.
4. **Peace of Mind:** Knowing that they have liability coverage can provide peace of mind while driving. Accidents can happen unexpectedly, and being financially protected in case of an at-fault accident can reduce stress and worry.
5. **Coverage for Others:** Auto liability coverage not only protects the policyholder but also extends coverage to other authorized drivers of the insured vehicle. This means that if someone else is driving your car with permission and is at fault in an accident, your liability coverage may apply.

It's important for individuals to carefully consider their liability coverage limits based on their financial situation and assets. Inadequate coverage limits could leave a policyholder personally responsible for expenses exceeding the policy limits, which could have serious financial consequences. Many insurance experts recommend carrying liability limits that are higher than the state's minimum requirements to ensure better protection and purchasing an umbrella liability policy.

## Example of Claims

Auto liability coverage typically comes into play when the policyholder is at fault in a car accident and causes bodily injury or property damage to others. Here are examples of claims scenarios for each type of coverage:

### 1. Bodily Injury Liability:

- Scenario 1: You fail to stop at a red light and collide with another vehicle. The occupants of the other car suffered injuries, including whiplash and broken bones. Your bodily injury liability coverage would help pay for their medical expenses, rehabilitation, and other related costs.
- Scenario 2: While merging into traffic, you accidentally sideswipe a pedestrian. The pedestrian is injured and requires medical attention. Your bodily injury liability coverage would come into play to cover the pedestrian's medical bills, rehabilitation, and other related expenses.

### 2. Property Damage Liability:

- Scenario 1: You lose control of your vehicle during adverse weather conditions and crash into a parked

car, causing significant damage. Your property damage liability coverage would help pay for the repairs to the other person's vehicle.

- Scenario 2: You skid on ice and slide into a fence, damaging the fence and a portion of someone's garden. Your property damage liability coverage would help cover the cost of repairing or replacing the damaged property.

In both scenarios, the liability coverage would also cover legal defense costs if the injured parties decide to sue you for damages.

It's important to note that auto liability coverage is designed to protect the policyholder from financial responsibility for **injuries or damage they cause to others**. It does not cover the policyholder's own injuries or damage to their vehicle. For coverage related to the policyholder's injuries and vehicle damage, additional coverages such as Personal Injury Protection (PIP) or Medical Payments (MedPay) and Collision coverage may be necessary.

## How to Explain It to Clients

Explaining auto liability coverage to a client involves breaking down the key components clearly and understandably. Here's a step-by-step guide:

### 1. Introduction:

- Start by explaining that auto liability coverage is a fundamental part of auto insurance.
- Emphasize that it helps protect them financially if they are responsible for causing injuries to others or damaging their property in a car accident.

### 2. Components of Auto Liability Coverage:

#### Bodily Injury Liability (BI):

- Define bodily injury as harm or injury to the body of another person.
- Explain that BI coverage helps pay for the medical expenses, rehabilitation, and sometimes funeral expenses of others if the client is at fault in an accident.
- Provide an example, such as a scenario where the client runs a red light, causing injuries to occupants of another vehicle.

#### - Property Damage Liability (PD):

- Define property damage as damage to someone else's property, such as their vehicle, home, or other structures.
- Explain that PD coverage helps pay for the repair or replacement of the property of others if the client is at fault in an accident.
- Provide an example, like a scenario above

### 3. Coverage Limits:

- Discuss the three numbers associated with liability coverage limits (e.g., 25/50/20) and what each represents in thousands of dollars.
- Emphasize the importance of choosing liability coverage limits that align with their financial situation and assets.

### 4. Legal Defense:

- Highlight that auto liability coverage not only provides financial protection but also covers legal defense costs if they are sued as a result of an at-fault accident.
- Clarify that legal defense costs may include attorney fees, court costs, and related expenses.

5. State Requirements:

- Mention that auto liability coverage is often a legal requirement in most states.
- Explain that complying with these requirements helps avoid penalties, fines, and potential suspension of driving privileges (revoked plates and/or license).

6. Personal Responsibility:

- Stress the importance of taking financial responsibility for potential damages caused in an accident and how liability coverage helps in this regard.
- Remind them that liability coverage protects not only their financial interests but also helps fulfill legal obligations.

7. Ask for Questions:

- Encourage the client to ask questions to ensure they have a clear understanding of auto liability coverage.
- Address any concerns or specific inquiries they may have.

By providing a straightforward and relatable explanation, you can help the client grasp the significance of auto liability coverage and make informed decisions about their insurance needs.

Common Objections	
Objection	Response
1. Cost Concerns: - Client Objection: "Liability coverage increases my insurance premium. I'm trying to save money."	Emphasize the importance of liability coverage in protecting them from significant financial losses. Provide examples of potential costs they could face if at fault in an accident without adequate coverage. Also, explore options for adjusting other coverage elements or discounts to help manage overall costs.
2. Minimum Coverage Perception: - Client Objection: "I just want the minimum required coverage. Why do I need more?"	Explain that minimum coverage may not be sufficient in the event of a serious accident, and they could be personally responsible for costs beyond the coverage limits. Share scenarios where higher coverage limits provide better protection and stress the potential financial impact of being underinsured.
3. Misunderstanding Coverage: - Client Objection: "I have comprehensive and collision coverage; why do I need liability coverage?"	Clarify that comprehensive and collision coverages protect their vehicle, but liability coverage is crucial for protecting them from being financially responsible for injuries or property damage to others. Each type of coverage serves a different purpose.
4. Overestimation of State Minimums: - Client Objection: "I have the state-mandated minimum coverage; that should be enough."	Highlight that state minimums are often quite low and may not cover the full extent of potential damages in a severe accident. Encourage them to consider their financial assets and the potential

	costs of medical bills and property damage.
<p>5. Confusion About Who is Covered:</p> <ul style="list-style-type: none"> <li>- Client Objection: "I heard liability only covers the other party. What about me?"</li> </ul>	<p>Clarify that liability coverage primarily protects them from financial responsibility towards others. To cover their own medical expenses and vehicle damage, they would need additional coverages like Personal Injury Protection (PIP) or Medical Payments, and Collision coverage.</p>
<p>6. Trust in Driving Skills:</p> <ul style="list-style-type: none"> <li>- Client Objection: "I'm a safe driver; I won't cause an accident."</li> </ul>	<p>Acknowledge their commitment to safe driving but highlight that accidents can happen unexpectedly. Emphasize that liability coverage is not just about personal driving habits; it's also about protecting against unforeseen circumstances and the actions of other drivers on the road.</p>
<p>7. Preference for Self-Insurance:</p> <ul style="list-style-type: none"> <li>- Client Objection: "I'll pay for damages out of pocket; I don't need insurance."</li> </ul>	<p>Explain the potential financial risks of self-insuring, especially in the case of severe accidents. Insurance provides a safety net and legal compliance that can be crucial in protecting personal assets and ensuring financial stability.</p>