

PERSONAL LINES

Collision 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

Collision coverage is a type of auto insurance that helps cover the cost of repairs or replacement of your vehicle if it is damaged in a collision with another vehicle or object, such as a tree or a pole. This coverage is optional in many places, but it can be an important component of an auto insurance policy, especially if you want financial protection for your vehicle.

Here are some key points to understand about collision coverage:

1. Coverage for Your Vehicle: Collision coverage is specifically designed to pay for the damages to your vehicle resulting from a collision, regardless of who is at fault. This can include accidents with other vehicles, as well as collisions with stationary objects.
2. Deductible: Like other types of insurance coverage, collision coverage often comes with a deductible. A deductible is the amount of money you must pay out of pocket before your insurance coverage kicks in. You can choose a deductible amount when you purchase the policy, and a higher deductible typically results in lower premium costs.
3. Coverage Limits: Collision coverage has limits, which is the maximum amount the insurance company will pay for covered damages. It's important to be aware of these limits when selecting your coverage to ensure it meets your needs.
4. Comprehensive Coverage vs. Collision Coverage: While collision coverage pays for damages resulting from collisions, comprehensive coverage handles damages from non-collision events. This can include things like theft, vandalism, natural disasters, and collisions with animals. Drivers often choose to carry both collision and comprehensive coverage for more extensive protection.
5. Loan or Lease Requirements: If you're financing or leasing your vehicle, the lender or leasing company

may require you to carry collision coverage as part of the loan or lease agreement. This helps protect their financial interest in the vehicle.

6. Age and Value of the Vehicle: The decision to purchase collision coverage may depend on the age and value of your vehicle. If your vehicle is relatively new or has a high market value, collision coverage can be particularly beneficial. However, for older vehicles with lower values, the cost of coverage may outweigh the potential benefits. Also, collision coverage can be higher on older vehicles due to the cost of repair or damage/injuries older cars can be associated with.

Note (Internal): At times collision coverage is more expensive for inexperienced or young drivers, sports cars, or cars that statistically do more damage (large SUVs), but you will have to test this theory with your carriers. There is a FALSE belief that the color of the vehicle changes the price.

How the Policy Helps Clients

Collision coverage provides several benefits to clients who choose to include it in their auto insurance policies. Here are ways in which collision coverage helps clients:

1. **Vehicle Repair or Replacement:** The primary purpose of collision coverage is to assist with the cost of repairing or replacing your vehicle if it is damaged in a collision. This can include accidents with other vehicles, as well as collisions with objects like trees, poles, or guardrails. Without collision coverage, you would be responsible for covering these expenses out of pocket.
2. **Financial Protection Regardless of Fault:** Unlike liability coverage, which typically only covers damages for which you are at fault, collision coverage applies regardless of who is responsible for the accident. This means your insurance company will help cover the costs of repairing or replacing your vehicle, even if the collision was caused by another driver.
3. **Flexibility in Repairs:** With collision coverage, you have the flexibility to choose where to have your vehicle repaired. While the insurance company may provide recommendations for repair shops, you are not limited to these options. This flexibility can be important if you have a preferred mechanic or want to choose a repair shop that offers additional services or benefits.
4. **Protection for Financed or Leased Vehicles:** If you are financing or leasing your vehicle, collision coverage is often required by the lender or leasing company. This requirement helps protect their financial interest in the vehicle, ensuring that it can be repaired or replaced in the event of a collision.
5. **Peace of Mind:** Knowing that you have collision coverage can provide peace of mind on the road. Accidents happen, and collisions are a common risk. With collision coverage, you have a financial safety net that can help alleviate the stress and financial burden associated with repairing or replacing a damaged vehicle.
6. **Choice of Deductible:** Clients can choose a deductible amount when purchasing collision coverage. The deductible is the amount the policyholder must pay out of pocket before the insurance coverage applies. Clients can select a deductible that aligns with their budget and risk tolerance, allowing for some control over premium costs.

Example of Claims

Collision coverage typically comes into play when your vehicle sustains damage from a collision, regardless of who is at fault. Here are some examples of scenarios where collision coverage could be used to file a claim:

1. **Car Accidents:** The most common scenario is a collision with another vehicle. If you're involved in a car accident, whether it's a fender bender or a more severe collision, collision coverage can help cover the costs of repairing **your** vehicle. *Reminder-liability takes care of the other vehicles if you were at fault.
2. **Single-Vehicle Accidents:** If your vehicle collides with a stationary object, such as a tree, pole, guardrail, or building, collision coverage can come into play. For example, if you swerve to avoid an animal and hit a tree, the damages would be covered by collision insurance if the customer has collision coverage.
3. **Hit-and-Run Accidents:** If your vehicle is involved in a hit-and-run accident and the responsible party cannot be identified or is uninsured, collision coverage can help cover the costs of repairing your vehicle.
4. **Parking Lot Accidents:** Collisions that occur in parking lots, such as backing into another car or hitting a stationary object, are often covered by collision insurance. This is one of the most common forms of accidents agents see today. Word of advice, back in!
5. **Accidents Caused by Uninsured Drivers:** In some cases, if you're involved in a collision with an uninsured or underinsured driver and cannot recover the costs from the other party, collision coverage may help cover your vehicle's damages.

It's important to note that collision coverage typically covers the cost of repairing or replacing your vehicle up to its actual cash value, minus the deductible you chose when purchasing the coverage. The deductible is the amount you are responsible for paying out of pocket before the insurance coverage takes effect.

How to Explain It to Clients

Explaining collision coverage to a client involves breaking down the key components of the coverage in a clear and understandable manner. Recommend that before filing a claim, they should review their insurance policy, understand the coverage limits, and consider the potential impact on future premiums. Additionally, if the cost of repairs is close to or less than the deductible, it may not be advantageous to file a claim, as they would be covering the expenses without the assistance of insurance.

Here's a step-by-step guide on how you might explain collision coverage to a client:

1. **Start with the Basics:**
 - Begin by explaining that collision coverage is a type of auto insurance that helps cover the cost of repairing or replacing their vehicle in the event of a collision.
 - Emphasize that collisions can involve other vehicles or objects, such as trees, poles, or guardrails.
2. **Coverage Regardless of Fault:**
 - Highlight that unlike liability coverage, which covers damages only when the insured is at fault, collision coverage applies regardless of fault. It provides protection for their vehicle in a broader range of scenarios.
3. **Deductibles:**

- Introduce the concept of deductibles. Explain that a deductible is the amount the client agrees to pay out of pocket before the insurance coverage kicks in.

- Clarify that they can choose their deductible when purchasing collision coverage. A higher deductible often leads to lower premiums but means they would pay more out of pocket in the event of a claim. At times customers fight deductibles, I let them know that deductibles help insurance carriers keep costs down. It may prevent someone from filing too many claims.

4. What's Covered:

- Provide specific examples of scenarios covered by collision coverage, such as car accidents, collisions with objects, and single-vehicle accidents.

- Mention that hit-and-run accidents and accidents with uninsured or underinsured drivers are also situations where collision coverage can come in handy.

5. Vehicle Value Consideration:

- Explain that the decision to get collision coverage might depend on the value of their vehicle. If the vehicle is newer or has a higher market value, collision coverage can be more beneficial. If it is a newer vehicle and will be repaired the customer may be able to request depreciated value, as the resale value of the vehicles has been reduced by an accident (usually only if not at fault.)

6. Lender or Lease Requirements:

- Mention that if they are financing or leasing their vehicle, collision coverage is often required by the lender or leasing company. This is to protect the financial interest of the entity providing the loan or lease.

7. Comprehensive Coverage Distinction:

- Differentiate collision coverage from comprehensive coverage. Mention that while collision coverage handles collisions, comprehensive coverage deals with non-collision events like theft, vandalism, or natural disasters.

8. Cost and Budget Considerations:

- Discuss how the cost of collision coverage will impact their overall insurance premium. Help them balance the level of coverage they need with their budget constraints.

9. Encourage Questions:

- Encourage the client to ask questions and seek clarification on any aspects they find confusing. This helps ensure they have a full understanding of the coverage.

10.*Review Policy Documents:

- Recommend reviewing the actual policy documents to understand the specific terms, conditions, and coverage limits associated with their collision coverage.

Remember to tailor your explanation to the client's level of familiarity with insurance concepts and use examples that resonate with their individual circumstances. This personalized approach can enhance their understanding and help them make informed decisions about their coverage.

Common Objections

Objection	Response
"My car is old, and its value has depreciated. Is collision coverage necessary?"	"It's true that the value of your car may have depreciated, but consider how much it would cost to repair or replace it in the event of a collision. If the cost is significant and would be a financial burden for you, collision coverage could still provide valuable protection. However, if the potential repair costs are low compared to the premium and deductible, you may choose to forgo this coverage."
"I'm a careful driver, and I won't cause an accident. Why do I need collision coverage?"	"While your driving skills are important, accidents can happen due to factors beyond your control, such as other drivers, weather conditions, or unforeseen obstacles. Collision coverage not only protects you when you're at fault but also in scenarios where someone else causes the accident. It provides an additional layer of financial protection for your vehicle."
"I can't afford higher premiums. Isn't collision coverage expensive?"	"I understand budget concerns. The cost of collision coverage depends on factors like your deductible, the value of your vehicle, and your driving history. We can explore different deductible options to find a balance between premium costs and out-of-pocket expenses. Additionally, consider the potential financial impact of covering repairs or replacement on your own in the absence of collision coverage."
"I have emergency savings, so I can cover any vehicle repairs without insurance."	"Having savings is great for financial security. However, collisions can result in unexpected expenses, and repair costs can add up quickly. Collision coverage is designed to help ease the financial burden in such situations. Even with savings, it's worth considering whether the added protection and peace of mind that insurance provides are valuable to you."
"I drive an older car, and it's not worth much. Is collision coverage worth it?"	"The decision to carry collision coverage on an older vehicle often depends on your comfort level with potential repair or replacement costs. While the market value of your car is a factor, consider how much it would cost to get your vehicle back on the road after a collision. If that cost is significant and you want to avoid a financial strain, collision coverage might still be

	worth considering."
"I've never been in an accident before. Why do I need collision coverage now?"	"It's great that you have a good driving record. However, accidents are unpredictable, and the road is shared with other drivers. Collision coverage is not just for situations where you're at fault but also for scenarios where others cause accidents. It provides a safety net to ensure you're financially protected in a variety of collision scenarios."

When addressing objections, it's essential to tailor your responses to the specific concerns and circumstances of the client. Encourage open communication and ensure that the client feels informed and empowered to make a decision that aligns with their needs and preferences.