Underwriting Guide to Combined Purchase Price Protection & Finance GAP - Cars and Light vans up to 3.5t

This GAP insurance policy is designed for individuals or companies who have purchased a car or light van (up to 3.5t) with or without Finance (i.e. Bank Loan, Hire Purchase, Personal Contract Purchase or Lease Purchase).

This is a single premium insurance policy.

Outline of the cover:

This product is also known in the market as *Combined Return to Invoice GAP*. It is an insurance product designed for customers who are purchasing or financing a new or used vehicle from a dealer who wish to protect themselves against a financial shortfall occurring following a total loss.

When a motor insurer declares the vehicle a total loss it will more often than not settle at market value at the time of loss. i.e. what the car is worth at that time. Because vehicles depreciate in value this settlement can be less than what was originally paid for the vehicle and can even be less than what the customer has outstanding to pay on finance. What this means is that the customer has to find additional funds to clear the finance and source a replacement vehicle.

Combined Purchase Price Protection and Finance GAP is designed to protect customers and companies against this shortfall occurring. Further details are on page 2.

Eligibility:

- The vehicle must be covered by a comprehensive motor insurance policy. Please note Motor trade insurance policies are excluded.
- The insured must be the registered owner or keeper of the vehicle.
- The vehicle is not on a contract hire or lease agreement and was not purchased in a private sale.
- The vehicle has been purchased within the last 90 days.
- The vehicle has not been declared a total loss before the start of this policy.
- The vehicle is under 10 years of age at the start date of this policy (Second hand vehicles accepted).
- The vehicle is not a commercial vehicle over 3.5t and is not used as a taxi, chauffeur, courier, emergency vehicle, or for racing/rallying/speed testing or any competitive event.
- The vehicle has NOT been changed in any way from the vehicle manufacturer's standard specification, unless the vehicle has been modified for mobility purposes.
- The vehicle is registered in the UK.
- The insured is a permanent resident in the UK or a UK registered Company.
- A GAP insurance policy is not already in place for the vehicle.

How the GAP insurer calculates a payout:

Following a Total Loss the GAP insurer will pay the difference between the **Total Loss Valuation** and the **Purchase Price** of the vehicle or if greater, the **Early Settlement Amount** that is owed to the finance company..

Total Loss Valuation, **Purchase Price** and **Early Settlement Amount** are the 3 important definitions here as they define how a GAP payout is calculated:

Total Loss Valuation will be the value of the vehicle as assessed by the motor insurer.

Purchase Price of the vehicle will be calculated as:

- The cost of your vehicle as confirmed in the net sales invoice, less any discount given for your vehicle.
- The net sales invoice will include factory fitted accessories, delivery for a new vehicle and up to a maximum of £1,500 for dealer fitted accessories, but excludes warranty charges, insurance premiums, new vehicle registration fees, number plates, fuel, paintwork protection applications, road fund licence, arrears or negative equity transferred from a previous finance agreement.

In respect of vehicles used for mobility or used for driving school tuition we will cover up to an additional £300 towards the modification.

Early Settlement Amount is the amount required at the date of the total loss to settle the element of your finance agreement that relates to the purchase price. (N.B. If you borrowed more than the purchase price on the finance agreement, you will still have an outstanding balance after we have settled your claim. For example, you may have borrowed to pay for insurance premiums, road fund licence, new vehicle registration fee, fuel, paintwork and/or upholstery protection kits and we would not pay any outstanding balance relating to such items).

The advantage in offering this product to customers on Finance is that if the vehicle is written off during the early stages of the policy customers can find that the amount owing to the finance company is greater than what the vehicle actually costs and Purchase Price Protection GAP, in isolation, may not cover the outstanding balance owing to the Finance company. This situation can occur when little or no deposit has been paid or the customer has a high interest rate.

Excluded vehicles:

The following are not eligible for cover:

- Taxi, private hire or minicab use, for hire as a chauffeur, courier vehicles, Emergency vehicles, minibuses/buses/coaches, Commercial vehicles over 3.5ton.
- Vehicles used for track days, road racing, rallying or any other competitive event.
- Vehicles used for daily or weekly rental purposes.
- Vehicles if they are insured on any type of motor trade motor insurance policy.
- The vehicle if it is an Aston Martin, Bentley, BMW Alpina, Cadillac, Corvette, Ferrari, Hummer, Lamborghini, Lotus, Maserati, Mercedes Brabus, Mitsubishi Evolution, Nissan GT-R, Noble, Rolls Royce, Subaru Impreza, TVR.
- Grey imports.
- Any vehicle that was not manufactured and intended to be sold in the European Union and sold by a VAT registered supplier.
- Vehicles that have been modified other than according with the vehicle's manufacturer's specification unless the modification is for mobility purposes or for use as a dual controlled vehicle for Driving School Tuition.

Period of Cover:

The Purchase Price Protection element of the policy can provide cover for up to four years. The Finance GAP element will provide cover for up to five years depending on how long your customers' Finance agreement is for or how long they intend to keep their vehicle.

Maximum Payout:

Various benefits are available ranging from £5,000 to £50,000 depending on the value of the vehicle.

Restrictions on when the cover can be purchased:

Purchase Price Protection can only be purchased within 90 days of the vehicle purchase date.

An example of how this product works:

Vehicle Cost **£20,000**;
Total finance (including interest) on the vehicle is £21,500;
5 months later the vehicle is written off;
Insurance settlement after write off: **£17,000**;
Outstanding finance after write off is £20,500;
Policy will pay £3500 which is paying back to the vehicle's original cost and also clearing the outstanding finance.

Can Combined Purchase Price Protection & Finance GAP still be purchased when the car was bought for cash (i.e. no finance involved)?:

Yes but we recommend your client buys the stand alone Purchase Price Protection GAP product as there is no finance on the vehicle to protect.

Transferring a policy:

We will allow a customer to transfer their policy if their vehicle has been changed due to a manufacturers fault or where the customer has received new for old cover under their motor insurance. If the vehicle is replaced under the replacement as new extension of the motor insurance policy, we will provide cover for the replacement for the full term of the original period of insurance. Under any other circumstance the policy can be cancelled and a refund provided proportionate to the unexpired term of the policy provided there have been no claims. Please note an administration fee will be deducted from any refund.

Making a claim:

The keyfacts and policy wording contain contact details of how to make a claim. Please note it is an important condition that the customer contacts us as soon as possible and before they accept an offer from their motor insurer.

Cooling off Period:

If this policy does not meet the needs of your customer they have 14 days from the date they received their policy documents to cancel the policy and get a full refund.

Cancelling the policy after "Cooling off Period":

If your customer wants to cancel the policy after the "Cooling off Period", they will be entitled to a refund proportionate to the unexpired term of the policy provided they have not had a successful claim under the policy. An administration fee of £30 will be deducted from the calculated amount prior to any refund being paid. This will be waived if a new GAP policy is purchased through the administrator. Any instructions to cancel must be provided in writing and the refund will be calculated from the date of receipt of the written request to cancel.

Does your GAP policy have a market value clause in the wording:

The good news is 'No'. To explain further...... A market value clause is often a condition put into a GAP policy that says if the motor insurer does not settle to the equivalent of a current retail value at the time of loss, then the GAP policy can ignore this and take its own valuation from Glass's Guide. This can sometimes mean the customer is still faced with a shortfall if the motor insurer refuses to increase their valuation. Because we do not use this clause we will not penalise the customer for this, meaning that we will settle our claim from the motor insurer's offer even if it is low. However it is an important condition that the customer contacts us as soon as possible so that we can, with the customer's authority, take over the negotiations with the motor insurer.

Can this product be offered on New and Used vehicles?

Absolutely yes. Often the wrong assumption made is that this product only benefits brand new vehicles. Many customers buy 2nd hand cars from dealers and this GAP product is just as applicable for them as their vehicle will still continue to depreciate in value. The vehicle can be up to 10 years old at date of purchase.

What sort of questions should I ask my client before selling GAP Insurance?

How have you purchased your vehicle?
The purpose of this question is so that you can identify the most suitable GAP product for your client. You need to know if the vehicle is on finance, contract hire or purchased outright.

Have you purchased your vehicle from a dealer?
If the client has purchased their vehicle privately you will need to consider one of our other GAP products. Please call us for assistance.

How long do you intend to keep the vehicle for?
This will enable you to quote a GAP premium that provides a period of cover equal/close to the length of the anticipated ownership.

When did you purchase the vehicle?
This enables you to check that the customer is eligible for this cover (i.e. 90 day rule). If ownership is over 90 days please consider one of our other GAP products. Please call us for assistance if you are unsure.

What is the purchase price of the vehicle?
The GAP premiums are based upon the value of the vehicle.

This document is a guide to Combined Purchase Price Protection and Finance GAP and produced by Jackson Lee Underwriting. Please refer to the policy wording for full policy terms and conditions.