



## **GAP Insurance**

Should your vehicle be stolen or written off, GAP insurance covers the difference between the insurance pay out (generally the market value of the vehicle) and the amount you paid for it in the first place. GAP is short for Guaranteed Asset Protection.

Cars and commercial vehicles depreciate in value and according to the AA, on average, a new car has lost 60% of its original value after three years. As insurers generally\* only pay the market value of the vehicle it may not be enough to repay what you owe on your finance deal or buy an equivalent new car.

There are various forms of GAP cover suited for privately or commercially owned vehicles offering protection whether you have bought the vehicle outright or if it is on finance, leased or contract hire.

Fleet GAP policies are available to cover all vehicles up to 44 tonne and under 10 years of age at inception of the policy and so long as they are comprehensively insured, in the event of a total loss provides a benefit of;

25% on top of the motor insurer's total loss settlement figure OR

The difference between the motor insurer's total loss settlement figure and the outstanding amount owing to the finance/lease company.

Whichever calculation is the greater (up to an agreed sum insured).

**Courtesy Vehicles** - some GAP insurers also include cover for temporary replacement vehicles until a write off settlement is received. Most motor insurers do not offer courtesy vehicles when a vehicle is written off and if they do, it is usually for a very limited period.

**Where to Buy GAP Cover** – be careful. GAP is a sound insurance product and can be very reasonably priced but was, and still can be somewhat overpriced when sold by motor dealers and finance companies as an 'add-on' when buying or financing a vehicle. A few years ago, the Financial Conduct Authority had to take action against some of the 'sales tactics' employed by dealers and finance companies, which included a higher level of Insurance Premium Tax of 20% for 'add-on' sales. This compares to 12% when GAP is arranged via other channels such as insurance brokers. It is also important to ensure you compare premiums correctly as some are annual and others for the period of the finance.

For more information please speak to your usual Nsure contact on 01903 520200 or email [phil.bristow@nsure.co.uk](mailto:phil.bristow@nsure.co.uk)

\*Unless it is an agreed value policy (usually for Classic and Cherished Car Policies) or if your policy offers a 'new' car replacement benefit. Generally these provide for a new car if it was bought new within 12 months of the accident/theft and the repair costs exceed 60% of the list price. Generally lease vehicles do not qualify for this benefit.