

Do You Need GAP Insurance?



Whether it's brand new or just new to you, buying a vehicle is one of the most significant purchases that you will make during your life. It requires hours of research comparing different makes, models and features even before you start hunting for the best deal. Unfortunately, after all of that work, once the front tyres of your vehicle leave the forecourt, it begins to lose its value.

After the first year, your vehicle will depreciate about 40 per cent of its original value, according to the Automobile Association (AA). What's more, after three years, its value will depreciate up to 60 per cent.

This can be a disheartening truth, especially after all the time and effort you invested in finding your new vehicle, but fortunately, there is something that you can do to prevent this rapid devaluation. In the event that you are in an accident or your vehicle is stolen, **guaranteed asset protection (GAP) insurance** provides you with compensation equal to the original value of your vehicle when you bought it.

Despite the potential benefits of the cover, a significant number of drivers have chosen to go without it. This decision leaves them exposed to costly risks. Fortunately, you can sidestep their mistake by educating yourself on GAP insurance.

GAP Insurance

Each year, an average of 384,000 cars are written off in the United Kingdom. If you are like those drivers, then you most likely believe that your motor policy should be sufficient for all your vehicle insurance needs. However, that would be an incorrect assessment. In fact, even if your motor policy is fully comprehensive, you can lose money if your brand-new vehicle is written off.

Here is a concrete example of the benefits of GAP insurance. If you were to drive your vehicle 10,000 miles each year for three years, it would lose up to 60 per cent of its original value, according to the AA. This means that, if you originally bought your vehicle for £20,000, it'd only be worth £8,000 after three years.

What's more, if your vehicle is destroyed in an accident or stolen and never recovered, your motor insurance policy would only pay you the vehicle's current market value of £8,000. That would leave you with a potential shortfall of £12,000. In addition, if you purchased your vehicle with finance, you may be required to continue making payments for a vehicle you no longer have.

It is because of situations like these that GAP insurance is beneficial and necessary. GAP insurance helps ensure that you receive your shortfall amount. GAP insurance is most appropriate when you want to replace your vehicle with a brand-new one, or if you took out finance to buy your new car.

Is GAP Insurance Right for Me?

GAP insurance may not be suitable in these situations:

- Your vehicle is less than 12 months old and you're the first registered owner (your comprehensive motor policy may cover brand-new car replacement during the first 12 months).
- You're already covered for the difference between the book price and how much you paid for the vehicle by your finance agreement.
- You can afford to cover the difference between the current value of the vehicle and its original value, or what is left to pay on finance.

In addition, GAP insurance may only come into effect if the following three criteria are met:

Provided by Sirelark Risk Services

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Do You Need GAP Insurance?

1. Your insurance is fully comprehensive.
2. Your vehicle has been labelled a total write-off or unrecoverable.
3. You've made a successful claim and everything is settled.

Available Types of GAP Insurance

There are three main types of GAP insurance:

1. **Finance GAP insurance**—If you've borrowed money to purchase your vehicle, this type of GAP insurance would pay the finance company enough to cover your debt.
2. **Return-to-invoice insurance**—This type of GAP insurance would pay the difference between your motor insurer's settlement (based on your vehicle's depreciated value) and what you originally paid. This type of policy can be purchased for both new and second-hand cars.
3. **Brand-new car (or vehicle replacement) GAP insurance**—This type of GAP insurance ensures that you are able to get the original amount that you paid for the vehicle, plus a bit more, so you can replace your vehicle with a new one of the same model and specification.

Commercial Vehicle Requirements

GAP insurance is not solely limited to personal vehicles; it is also available for commercial vans and other light commercial vehicles. In order to be eligible for commercial GAP insurance, your vehicle must usually meet the following requirements:

- The vehicle weighs up to 3.5 tonnes.
- The vehicle is owned outright or on finance.
- The vehicle is less than 10 years old at the start of the policy.
- The vehicle would be delivered within the last 365 days.

- The vehicle is not used for delivery or courier services, private hire, or other hire and reward.

The types of commercial GAP insurance generally mirror standard GAP insurance. Insurers also offer different commercial GAP policies based on your vehicle, such as policies for vans or pickups.

Common Exclusions

While cover will vary between GAP policies, all generally include the following exclusions:

- Excesses exceeding £250 or voluntary excesses
- Dealer-fitted accessories or other after-market options
- Warranty costs
- Fuel
- Paintwork protection applications
- Insurance premiums
- Road fund licence or road tax
- Charges for excess mileage
- Arrears

Drive off the Forecourt with Confidence

Purchasing a vehicle can be stressful enough without having to worry about what could happen after you leave the forecourt. Thankfully, GAP insurance can provide you with peace of mind that no matter the event, you are financially covered. For more information, contact Sirelark Risk Services today to further discuss how you could benefit from this type of cover.