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SHOCKING

Auto Crash & Theft Facts

21 Crucial Gap Insurance Questions Answered

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21 Frequently Asked Questions: How The Auto Gap Insurance Companies Answer

Automobile gap insurance companies are clamoring for your business. Do you need this kind of coverage? What exactly does it entail? Where can you get the best deal?

The insurance world is filled with jargon and pitfalls. By asking the right questions, you can make sure that you get the policy that is a perfect fit for your needs, without paying a cent more than you need to.

Automobile gap insurance companies abound, and it pays to do a bit of research before you make a buying decision.

Don't think you need auto gap insurance? Let's take a look at the reality of modern day living in terms of auto theft and car accidents:

- According to 2006 statistics from the Federal Bureau of Investigation (Uniform Crime Reports), a car is stolen in the USA every 26,4 seconds.
- You have a 1 in just over 200 chance of having your car stolen. Urban areas are the higher risk areas.
- In 2006, the vehicles stolen numbered 1,192,809! Yes, more than a million cars disappearing, folks!
- According to statistics from 2006, only 12,6 percent of the auto theft cases resulted in arrests.

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- Again looking at 2006 statistics, the value of the cars stolen was in the region of \$7.9 billion.
- Annually there are more than 6 million auto accidents in the USA alone, with more than 3 million injuries and over 41,000 deaths resulting. That is 1 death every 13 minutes.
- Financially, these accidents translated into a massive 230 billion dollars.

To help you to understand [auto gap insurance](#), let's now get the answers to 21 frequently asked questions:

1. What exactly is gap insurance?

Here's the picture: You have just visited your local car dealership and purchased your dream car. As you are driving out of the lot and making your first turn, a car from a side street slams into you.

You escape unscathed, but your now not-so-new car isn't so lucky. In fact, the shiny set of wheels has become a sorry sight indeed.



The thing is, you still owe \$30,000 on the vehicle, but your hard-nosed insurance carrier is adamant that the automobile was minus 20% of its value the second you began to drive away from the dealer. So, your exhilaration makes room for a heavy heart about the \$6,000 or so that you are now out of pocket.

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That is the end-result of having a no-down-payment loan and a crumpled car.

Now, let's change the picture: You did some homework before you purchased the car and identified one of the good, value-for-money gap deals. You decided to be safe, rather than sorry and opted to get auto gap insurance right away.

So, you can now take the unfortunate punch with a smile. Your gap company is able and willing to step in right when you need it most. The company is happy to cover the difference between what you owe and what your comprehensive insurance agrees to pay out.

So, what is gap insurance? It may very well be the difference between kids without a college fund or financial peace of mind and security.

2. Where do you get gap insurance coverage?

"My car dealer says I should buy through him."

Most car dealerships will add a gap auto insurance quote when making a car deal. If you want to save money, this isn't the way to go. You can get really cheap quotes if you shop around a bit.

This is one deal where you have to do your homework before you buy. Linking a gap insurance discussion to a car deal isn't wise. Luckily you are in no way obligated to purchase through the car dealership.

Just don't delay this decision. Make your enquiries and arrangements

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before you go car shopping.

3. Am I likely to need a gap auto insurance payout?

What are the odds of you needing an auto gap insurance payout? Read the statistics above again. Isn't there a huge chance that you or a member of your family will become part of these frightening stats somewhere down the line? Some numbers point to around 5 million vehicles totaled in the USA each year! Can you really afford to assume that you will never need this affordable kind of shortfall insurance coverage?

4. Do automobile gap insurance companies function worldwide?

Unfortunately these deals are only available in certain countries and states. They also apply only in the case of certain loan periods.

5. Must I buy gap car insurance coverage right away?

Not at all. You may have up to 12 months from the time you purchase the vehicle to get the coverage. However, look at the scenario in question 1 and decide if a delay is wise.

6. Do gap insurance providers only cater for new vehicles?

Luckily not. You can get coverage for used, repossessed and refinanced automobiles as well.

7. Why do I need this extra product over and above my ordinary comprehensive insurance?

When making your buying decision, ask yourself if you can really afford the consequences of a major, unforeseen mishap. Such an event could wipe out the kids' college fund! Of course you need to opt for the best comprehensive insurance policy you can afford, not the cheapest. These days the deductible can be adjusted as needed, thereby making the premium more affordable. But it simply isn't smart to stop here.



If you look at the possible consequences of not opting for auto gap insurance, the minimal one-time fee becomes almost negligible.

This becomes really crucial if you are financing your car over a longer period or are considering opting for a very low down payment. If you can't afford a substantial down payment in the first place, how on earth are you and your family going to manage if you have a serious accident without shortfall coverage?

With gap insurance coverage in place, you don't ever have to get caught in

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the position of having to pay off a vehicle that is no longer in use.

8. Do I still need my usual car insurance policy if I have this product?

Yes, this is totally apart from your comprehensive auto insurance coverage. This is just an extra safeguard, and is only good for the shortfall between your loan value and the actual market value of the car. If you are uninsured, you will only get the difference between the ACV (actual cash value) and the outstanding loan. Some companies don't offer gap insurance, unless you have another primary insurance policy.

9. Is it complicated to make a claim? What documentation do I need?

You simply take along a copy of the settlement check of your insurance company, as well as a copy of the police report. The details of the process should be explained clearly in the policy document.

10. What about commercial vehicles? Will they be covered under an automobile gap insurance quote?

You need to study the stipulations of the policy you are considering carefully to make sure that you are not using the vehicle for a purpose that may void the coverage. Usually 'vehicles for commercial purposes' are specifically excluded. These are livery and delivery vehicles such as taxi cabs, delivery vans, limousines and service vehicles. Check with your insurance carrier broker agent.

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11. Am I obligated to buy gap auto insurance?

In most instances, no. Although some financing houses prefer that you have such a policy, it usually isn't a requirement. In most instances it will be the consumer's choice. Financing companies know that your collision coverage only takes care of the current market value of your car, not the outstanding loan value. So, it usually makes it easier for them to get the balance of the payments if you do have this extra insurance. A car lease agreement may require you to be covered - many companies include it in their contracts.

12. How do I know that the company won't disappear before I can lodge a claim?

It is a good idea to go to companies that have been around for a while. There has to be some history and a solid reputation. A fly-by-night operation may disappear long before you need them. Always check the ratings of the relevant company, before making a commitment. This is especially important if you are considering buying gap insurance online.



13. Can gap insurance be transferred from one party to another?

No, it can't be transferred to another person, vehicle or a new loan arrangement. If you refinance your car, you will need to get a new policy.

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14. Is this coverage only for a total loss?

Yes. This type of coverage has to do with your car being stolen or damaged to such an extent that the repairs will cost more than the actual cash value of the car. This usually includes serious calamities such as fire, earthquake, vandalism, floods, or derailment during transport.

15. What are the exclusions?

Yes, these are more or less similar to that of ordinary car insurance. Losses due to wear and tear, acts of war, embezzlement or any other criminal act, use of the car in contests, etc. will not be covered.

16. What is the situation if I buy from a private seller?

Again, this depends on your particular policy. Some companies don't accept private deals. Check with the company before making the purchase.

17. What about my deductible? Will auto gap insurance cover it?

This depends on your policy. The best companies [cover the deductible up to \\$500](#). In this case, this is more or less how the payout will be calculated:

Purchase Of New Car	\$30,000.00
Loan Balance At Time Of Loss	\$26,000.00
Actual Cash Value Insurance Settlement At Time Of Loss	\$21,000.00
Less Your Arranged Deductible	\$500.00
Settlement Paid By Insurance Company	\$20,500.00
Automobile Gap Insurance Payment	\$5,500.00

18. Will a loan with a balloon payment disqualify me?

No, in most instances you can't get this type of coverage if there is a loan with a balloon payment.

19. What is the upper limit for coverage?

In most instances only loans of up to \$100,000.00 are covered.

20. What interest rate rules apply?

Only loans with an interest rate (APR) of 12,5% or less are covered.

21. Isn't gap insurance really expensive? What are we talking about?

Automobile gap insurance is offered at anything from [\\$399](#) to \$700 for a

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comprehensive package. This is a one-time payment, not a monthly or yearly cost and gives coverage for the life of the loan.

If you consider the repercussions if you are involved in an accident with a fairly new car, it simply doesn't make sense to pass on a good gap deal. If you take into account that financing now allows you to buy a new car with virtually no money down, your financial risk is simply too high if you don't opt for these products.

However, you don't have to fall for high end offers. You can get an excellent automobile gap insurance package at almost half the price offered by most dealers.

Isn't the extra 4 to 7 dollars a month over the period of the loan a pittance when you consider the peace of mind it will give you?

Overall, the list of pros seems way longer than the list of cons when it comes to gap insurance.