



The consumer guide to GAP Cover Insurance



Why do I need GAP insurance for my car?

You might never have had a car stolen or written off. However, life can be unpredictable. So imagine what could happen if you're unlucky enough for such a scenario to happen to your vehicle?

How would you be able to pay for a new car? Your motor insurance should cover it all, shouldn't it?

Not exactly....

Almost all cars lose value over time after being purchased. Most motor insurers only pay out the current market value of your car when an accident or theft occurs and the car is declared a "total loss". This is considered a "total loss claim" to the motor insurer.

What is a "total loss"?

"Total loss" is the term associated with cars that are stolen or written-off. It's when the vehicle cannot be repaired to its pre-accident condition, or if the cost of this repair equals or exceeds a percentage of the current value of the car. This term will also apply in the event your car is stolen and not recovered.

So when a motor insurer declares a "total loss", this could leave a shortfall of several thousand pounds compared to the value of your car when you bought it. That means if you wanted to replace your motor with a like-for-like vehicle, you'll need to make up the outstanding balance after the insurance pay-out yourself.

You can protect yourself against this cost by taking out GAP insurance when purchasing your vehicle.

This handy guide explains GAP insurance in its simplest form and gives an insight into the types of GAP insurance products available that you may want to consider taking out when purchasing your car.



So how does GAP insurance work in relation to motor insurance?

GAP insurance is designed to cover the financial shortfall that can occur when a motor insurer pays out on a “total-loss” claim. As the motor insurer is unlikely to pay out the full purchase value of the vehicle, GAP insurance covers that proverbial ‘gap’ between the motor insurer’s pay-out and the original purchase value of the vehicle.

The best way to explain how GAP insurance works is with the simple following example:

- You’ve bought a new car for £20,000 and have taken out both comprehensive motor insurance and GAP insurance cover.
- The value of the car depreciates over three years to £10,000.
- The car is then written off due to an accident or the vehicle is stolen and not recovered. This is a “total loss” claim.
- The motor insurer will now only pay out £10,000 because that is the current value of the car.
- GAP insurance provides the outstanding balance of £10,000.

What GAP insurance products are available?

So if you're interested in taking out GAP insurance, it's good to know the various types of covers and policies available to motorists. These are the most common types you'll likely come across:

RETURN TO INVOICE INSURANCE (RTI)

In the event your car is stolen or involved in an accident that results in the motor insurer declaring the vehicle a "total loss", Return to Invoice Insurance will cover the difference between what the motor insurer pays and the original invoice price you paid for your car.

What Warranty Direct can offer

Warranty Direct can offer Return to Invoice GAP insurance for new and used cars under 10 years old and with less than 120,000 recorded miles and have been bought from a dealer within the last 3 months. Warranty Direct can offer 1, 2, 3 or 4 year periods of cover for cars valued up to £80,000.

RETURN TO VALUE INSURANCE (RTV)

In the event your car is stolen or involved in an accident that results in the motor insurer declaring the vehicle a "total loss", Return to Value Insurance will cover the difference between what the motor insurer pays and the value of your car when you took out GAP cover.

What Warranty Direct can offer

Warranty Direct can offer Return to Value GAP insurance for cars valued under £80,000. The value of the vehicle will be confirmed when you apply for a quote.

Cars must be under 10 years old and with less than 120,000 recorded miles. This product has been designed for vehicles which have not been bought from a dealer within the last 3 months. Warranty Direct can offer cover for a 1,2,3 or 4 year period.

Warranty Direct can offer GAP insurance for cars (including hybrids), vans, LCVs (< 3500kg) and motorhomes.

VEHICLE REPLACEMENT INSURANCE (VRI)

In the event your car is stolen or involved in an accident that results in the motor insurer declaring the vehicle a "total loss", Vehicle Replacement Insurance will cover the difference between what the motor insurer pays and the cost of a new car of the same make, model and specification*. Vehicle Replacement Insurance will even cover you if the manufacturer's prices have increased since the original car was purchased.

** Or, at our discretion, if exactly the same make and / or model is no longer available at the time of a claim, the vehicle type closest to the insured vehicle considering a) the insured vehicle's specification and b) the recommended retail price of the insured vehicle at the time of purchase.*

Warranty Direct is currently designing a new VRI product which should be on the market very shortly



Are there any exclusions I need to be aware of?

While GAP insurance helps where “total loss” claims occur, it is worth bearing in mind it also has limitations.

- First and foremost, GAP insurance only works in conjunction with a comprehensive motor insurance policy. While GAP insurance provides cover for the shortfall, it cannot cover the whole value of the car by itself. GAP insurance will only be applicable if a motor insurance policy accepts a “total loss” claim. If they don’t approve a claim, you can’t claim on GAP insurance.
- GAP insurance will not cover any amount deducted by your motor insurer (other than the policy excess). Examples of potential reductions to your “total loss” payout could be due to contributory negligence, unpaid premiums, previous damage to your vehicle or salvage value.
- Non-standard extras such as a new music system or a sat-nav console will not be covered by GAP insurance.
- GAP insurance does not cover the cost of any extended or used car warranties, insurance, road tax and any other add-ons which may be included in the vehicle purchase invoice.
- It’s worth bearing in mind that some GAP insurance providers, like Warranty Direct, will ask you to call them before accepting any offer by the motor insurer. It is one way of making sure that pay-out from the motor insurer is correct – some GAP providers will offer advice in this area.
- GAP insurance will not be valid if a vehicle is written off due to an accident where the driver is under the influence of alcohol or drugs.
- Vehicles being used for pace making, speed testing or other competitive event or for hire and reward are ineligible for GAP insurance.
- No benefits are likely to be paid if the vehicle is written off outside the UK, the Channel Islands, the Isle of Man or the European Union.
- GAP insurance policies may not cover all vehicle types. Good examples of this would be electric vehicles or motorbikes.
- You should always check the full list of exclusions in the policy terms and conditions.

What key exclusions affect Warranty Direct GAP insurance?

Warranty Direct GAP insurance will not be valid if a customer’s motor insurer does not make a total loss settlement.

We will not pay any benefits if the vehicle is written off due to an accident where the driver is under the influence of alcohol or drugs or where it is being used for competitive events or for hire and reward.

Benefits will not be paid on vehicles written off outside the UK, the Channel Islands, the Isle of Man or the European Union.

Warranty Direct cannot provide GAP insurance for electric vehicles and motorbikes.

GAP insurance is also not currently available for cars that are leased rather than purchased.



Why choose Warranty Direct for your GAP insurance?

- Warranty Direct has been arranging GAP Cover Insurance since 2011 and has a dedicated UK-based call centre and administration facility.
- Warranty Direct GAP insurance options* have been designed to be flexible to meet your specific requirements whether you've purchased a brand new car, a slightly older car that you have owned from new, a used car from a dealer, or even a car that you bought privately some time ago.
- If you ever have to claim, Warranty Direct's in-house Claims Department will deal with it for you ensuring the service you receive is prompt and efficient and that you don't have to deal with any third party claims handling company.
- Warranty Direct are authorised and regulated by the Financial Conduct Authority.
- We can also offer comprehensive warranty packages as well to help ensure your car stays on the road.
- Our customer feedback speaks for itself. In 2018, we were accredited as a Trusted Merchant from Feefo - one of the most popular online review platforms.

** Cover options are available for cars valued up to £80,000 but terms and conditions apply to Return to Invoice and Return to Value options. Please see page 4 for more information.*





***Warranty Direct began offering GAP Cover Insurance in 2011.
As a business, we always believe it is important to put the consumers first.
With this, customers deal directly with us and no one else when taking
out GAP Cover Insurance.***

We try to keep policies simple to understand and operate, and these principles help us to control costs and pass the savings onto our customers without affecting our service.

By taking out one of our motoring products, our customers can be assured that we will endeavour to deliver a high standard of service and keep our customers happy.

Sales: 0800 097 8838 Email: gapcoverinsurance@warrantydirect.co.uk

www.gapcoverinsurance.co.uk

Warranty Direct, Floor 4, Fountain House, 2 Queens Walk, Reading, Berkshire, RG1 7QF.

GAP Cover insurance policies are arranged and administered by BNP Paribas Cardif Limited, trading as Warranty Direct. BNP Paribas Cardif Limited is a company, registered in England and Wales No. 3233010 at Pinnacle House, A1 Barnet Way, Borehamwood, Herts, WD6 2XX and is authorised and regulated by the Financial Conduct Authority, Register No.309075

GAP Cover Insurance policies are underwritten by Pinnacle Insurance plc who are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Register No.110866.

Warranty Direct also provides a range of highly rated car and motorcycle warranties.