



## **What is "Gap Coverage"? Do I need it?**

When you lease a new vehicle, or purchase one with financing, you may need this type of coverage. If you financed the purchase with a zero or small down payment, chances are that during the first couple of years of your purchase term, you owe the lender more than the car's actual cash value (ACV) is. If you have an accident, and the vehicle is a total loss, your auto insurance policy will pay the vehicle's ACV (minus the deductible). If the ACV is less than you owe on the vehicle, you have a "gap" which you will have to make up out of your pocket. Gap coverage is intended to pay the full amount of your loan, even if that amount is higher than the value of the car. In this type of situation, buying gap coverage (also known as "loan/lease coverage" in the insurance world) is a good idea.

That said, don't buy the "gap coverage" that the dealer will try to sell you. Dealer charges can range upward of \$500 to \$1,000. Instead, ask us (your insurance agent) to put a lease/loan endorsement on your auto insurance policy. It does the same thing as the dealer's gap coverage, but costs much less- in many cases it costs around \$5 per month. And, when you've made a few payments and you no longer have a gap problem, tell us and we can take the endorsement off of your policy!