

## **GMAC RETURN TO INVOICE and FINANCIAL SHORTFALL GAP INSURANCE WORKBOOK**

This module should be taken **AFTER** the generic ‘Finance and Total Gap Insurance - Part 1 - an overview’ (Unit 8) within the FCA Refresher Training Course.

All of the following product-specific information is from the policy terms and conditions coded **GMCG01**.

### **Objectives**

Completion of this module will ensure that an individual understands and is competent in the specific terms and conditions of GMAC Return to Invoice and Financial Shortfall GAP insurance product.

### **Contractual Agreements**



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**Abraxas Insurance Administration Services Ltd** is the administrator for the insurer.

## Why is There a Need for GAP Insurance?

- Current statistics indicate the risk of a vehicle being stolen or written off is now greater than ever before. Nearly 500 vehicles are stolen every day in the UK and nearly half are never recovered. An estimated 600,000 cars are written off by insurers every year.
- A car is stolen every five minutes in the UK.
- The motor insurance sector has seen claims rise by 320%.
- According to most insurance companies, a vehicle will lose more than half its value in less than three years.
- 30% of all crime in the UK is car crime.

GMAC Return to Invoice and Financial Shortfall GAP Insurance is not a replacement for a Motor Insurance Policy, but a valuable supplement that protects the Insured against serious financial loss if their vehicle is written off.

Most people think that their Comprehensive Motor Insurance covers them if their vehicle is written off. However, most insurers will only cover up to the current market value of the vehicle at the time of the claim. It won't provide enough to replace the vehicle with a new one; and it may not even be enough to pay off any outstanding finance. This leaves the owner out of pocket by having to pay out the difference (the 'gap') and with no vehicle! A Gap Insurance policy will cover against financial loss should a car be stolen and/or written off.

The initials G.A.P. stand for Guaranteed Asset Protection.

## Overview

GMAC's Return to Invoice and Financial Shortfall Insurance fills the gap between the vehicle insurance payout and the cost of vehicle replacement. It gives the customer not only extra security and peace of mind, but additional protection that could save thousands of pounds.

It covers the financial shortfall between the amount the Insured receives in respect of an accepted claim under the motor insurance policy for the vehicle and the greater of,

- the original **purchase price of the vehicle**;
- the **finance early settlement figure** on the vehicle.

## **The Benefits**

- ✓ Protects the customer's investment
- ✓ Covers the motor insurance excess (up to the limit specified on the certificate)
- ✓ No vehicle age restrictions
- ✓ No upper limit to the amount that will be paid
- ✓ Covers vehicles up to the value of £75,000
- ✓ Flexible cover to suit most circumstances

## **Eligibility**

Customers are eligible to take out the cover if, at the starting date:-

- They are applying as an individual, over 18 years old and are resident in the UK;
- They are applying as a company, that company is registered in the UK;
- They are the registered keeper and/or owner of the insured vehicle or the vehicle must be financed on their behalf;
- They have purchased the policy within 60 days of taking delivery of the insured vehicle;
- Their vehicle was purchased from the dealer that supplied the insured vehicle;
- Their vehicle is a private car or light commercial vehicle not exceeding 3.5 tonnes;
- Their vehicle is registered and used principally in the UK;
- There is comprehensive motor insurance in place.

## **What is Covered?**

In the event of a total loss, the following will be paid....

## Return to Invoice and Financial Shortfall GAP

If the vehicle is declared a total loss, the insurance will pay the Insured the greater of:-

- the difference between the motor insurance settlement and the amount of the net invoice price, or
- the difference between the motor insurance settlement and the finance early settlement balance if the vehicle is subject to a finance agreement.

Any settlement amount will include all manufacturer-fitted and manufacturer-approved dealer-fitted accessories, provided these are listed on the original purchase invoice and are present at the date of loss.

The settlement will also include any outstanding debt transferred from a previous vehicle or financial arrangement (otherwise known as negative equity), up to the purchase price of the vehicle.

If a settlement is unable to be paid following a valid claim, then a refund of all premiums paid will be made in settlement of the claim and the policy will end.

## Motor Excess Contribution

If the customer must pay a motor insurance excess as part of their motor insurance settlement, this policy will pay up to the limit shown on their certificate towards the cost of this excess (in addition to the maximum amount payable under the policy).

There is no excess contribution where the Insured is eligible for a replacement vehicle under the terms of the motor insurance.

### **A note about Hybrid (or combined) Policies**



This Peugeot Policy is what is often referred to as a Hybrid Policy. For a finance customer neither Return to Invoice nor Financial Shortfall offers full protection. It will pay **either** finance or Return to Invoice, whichever is the highest. If the car is deemed a total loss following an accident, fire or theft by the motor insurer, it will pay the difference between the original purchase price of the car and the written off settlement or, if greater, the amount required to settle the finance agreement (where applicable).

The hybrid product provides both benefits all in one product to ensure complete coverage for a finance customer.

## **Jargon Buster! – Some Useful Definitions**

These words and phrases appear throughout the policy so it is useful to spend a few minutes familiarising yourself with their meanings and their relevance to the policy.

### **“Market Value”**

The value of the vehicle at the date of total loss by reference to Glass’s Guide retail transacted value. If modifications have been made, or additional accessories included at the time of purchase, an assessor’s may be requested to establish the value of the vehicle.

### **“Net Invoice Price”**

The amount paid for the insured vehicle. For new or pre-registered vehicle this will include vehicle excise duty, delivery charges, number plates and first registration fee.

### **“Finance Early Settlement Balance”**

The net balance required by the Finance Company at the date of loss. For new or pre-registered vehicles this will include vehicle excise duty, delivery charges, number plates and first registration fee.

### **“Finance Agreement”**

The agreement between the Insured and the finance company (excluding contract hire and finance lease agreements) arranged by the supplying dealer for the purchase of the vehicle.

### **“Territorial Limits”**

The UK including Northern Ireland, the Isle of Man and the Channel Islands and any member countries of the European Union, including Andorra, Croatia, Gibraltar, Iceland, Liechtenstein, Monaco, Norway, San Marino and Switzerland.

### **“Total Loss”**

Means the insured vehicle is the subject of accidental or malicious damage, fire or theft to the extent that a claim is paid as full and final settlement under the Motor Insurance Policy or a Third Party’s Motor Insurance and the vehicle is recorded as salvage category A, B, C or D as set out in the UK Insurance Industry’s Code of Practice for the Disposal of Motor Vehicle Salvage.

**What is meant by “total loss”?**



If a car is damaged in an accident, through fire or as a result of theft, or stolen and not recovered, an insurer will assess the costs of repair. Where the cost of repairs to a car exceed the value of the car, taking into account the salvage value, an insurer can deem the vehicle to be beyond economic repair. Can also be referred to as **written off**.



Simply stated, if compensating the owner for repairing the car, renting something in the meantime and paying what the car has lost in value *costs more* than what they'd shell out to just buy a replacement and then sell the wreck to a salvage yard, the owner is not going to get their car back, but a cheque instead. Any payment of benefit under this policy is conditional upon the Insured having received a total loss payment under their comprehensive motor insurance.

## Terms and Conditions

**For detailed terms and conditions please refer to the specific Policy booklet at your dealership.**

- If the Insured is entitled to a replacement vehicle under the Motor Insurance Policy, or if the insured vehicle can be replaced by the manufacturer and the Insured does not utilise that benefit, the claim will be settled on the basis of the market value of the vehicle. This may result in no settlement being paid under the policy;
- The policy will only provide cover for the finance agreement taken out through the supplying dealer at the time the policy was purchased.
- The Insured should not accept any offer made under the comprehensive motor insurance policy until given authority to do so by the Administrator.
- Where the motor insurance settlement is less than the market value of the vehicle (i.e. the motor insurers have offered less than Glass's Guide value), the Insured should provide authority to the Administrator to contact the motor insurer, or the Third Party's Motor Insurance Provider, to negotiate an increased offer;
- If the risk covered by this policy is also covered by any other insurance, the Insurer shall only be responsible for paying a fair proportion of any settlement which they would otherwise be due to pay.

## **Exclusions**

**For a full list of detailed exclusions please refer to the specific Policy booklet at your dealership.**

- ✘ Any claim where the vehicle is not declared a total loss, or where no motor insurance settlement is paid;
- ✘ Any claim where the vehicle is stolen or driven without the Insured's consent by any person who has access to a removable ignition device, including but not limited to family members, spouse and partner, unless access was gained through forcible means;
- ✘ Any claim where the vehicle is left unattended unless all security devices/immobilisers present have been activated and the vehicle is locked, or any claim where a removable ignition device is left in, or on, the vehicle
- ✘ Any total loss that occurs while the vehicle is in the control of anyone not permitted to drive it, unless the total loss occurs as a result of fire or theft
- ✘ VAT if VAT registered
- ✘ Any claim if the driver of the vehicle is intoxicated by alcohol, under the influence of non-prescribed drugs, or where they have been advised not to drive by a registered medical practitioner
- ✘ Any discount given by the supplying dealer such as:- vehicle contents; cash back; additional interest charges; arrears; administration/credit facility, option to purchase, or documentation fees; credit protection insurance; end of lease penalty charges (including but not limited to excess mileage; late payment charges; title discharge fees; loss/damage excess, or wear and tear charges); electric vehicle batteries that are leased/hired; paintwork and/or upholstery protection kits; cherished number plates; fuel; insurance premiums (including the Premium); warranty, roadside assistance, servicing and maintenance plans or charges, or any secondary schedule(s) noted in the Finance Agreement
- ✘ Loss of use of the vehicle or any other consequential losses that are directly or indirectly caused by the event which led to the claim, such as travel expenses or loss of earnings
- ✘ Any total loss that occurs as a result of the vehicle being modified other than in accordance with the manufacturer's specification

- ✘ Any claim where the Insured is eligible for a replacement vehicle under the terms of their motor insurance policy. In this instance they may be able to transfer cover to the replacement vehicle.
- ✘ Any claim where the vehicle can be repaired but the Insured has asked for the motor insurance claim to be dealt with on a total loss basis
- ✘ Damage caused by pressure waves of an aircraft or other aerial device travelling at sonic or supersonic speed
- ✘ Any claim arising as a result of war; any warlike activity (whether war be declared or not); civil unrest, or any act that the United Kingdom Government considers to be an act of terrorism
- ✘ Any total loss that is directly or indirectly caused by ionising radiation; the combustion of nuclear fuel; contamination by radioactivity from any nuclear fuel or waste, or the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or associated nuclear parts
- ✘ Any total loss that occurs before the start date, outside the period of cover, or outside the territorial limits

**Important!**

This is not an exhaustive list and referral to the policy booklet should be made for the full list of terms and conditions and exclusions.

There is no need to memorise the terms, conditions and exclusions, however, when recommending this policy to your customers. Once you have obtained the correct Initial Disclosure Document and selected their appropriate demands and needs, it is recommended that customers are shown where to find exclusions and other key information in their policy information.

## **Duration of Cover**

The period from the start date until the earliest of the following:-

- The end date of the period of cover as shown on the certificate;
- The date on which a valid claim is registered;
- The date the policy is cancelled; or
- The vehicle is sold, transferred to a non family member or repossessed.



## **How to Cancel**

The Insured may cancel the policy within 30 days of the receipt of policy documents, without giving any reason. A full refund will be made providing no claims have been made.

Cancellation requests after this 30 day period will result in a pro rata (calculated daily) refund providing no claims have been made, minus an administration charge of £30.

Cancellation requests should be made to the Administrator.

## **Transferring the Cover**

In the event that the vehicle is declared a total loss by the motor insurance policy provider or a third party's motor insurance and the Insured is provided with a replacement vehicle as part of a motor insurance settlement, under a manufacturer's or dealer's warranty, or due to merchantable quality issues, they may transfer the policy to a replacement vehicle subject to the following terms and conditions:-

- The transfer must occur within 12 months of the start date
- If the Insured has chosen to pay the policy in instalments via an instalment agreement, all payments must be up to date

The policy may also be transferred to their spouse or civil partner; parent; grandparent; child; grandchild; brother or sister subject to the same conditions.

- The start date and the period of cover will remain the same.
- Irrespective of the invoice price of the replacement vehicle, the original net invoice price or Glass's Guide retail value (calculated from the date the vehicle was purchased) will be used to calculate any future claim.

To transfer, the Administrator should be written to within 30 days of the date delivery is taken of the replacement vehicle and provide the following:-

- A copy of the original purchase invoice for the insured vehicle
- A copy of the purchase invoice for the replacement vehicle, or a copy of the V5 document if not available/applicable, and;
- A cheque for £30 made payable to AIAS

The transfer will be subject to the Administrator's approval and the £30 transfer fee will be returned in the event of non-acceptance.

## How to Claim

The customer should not accept any offer made by their comprehensive motor insurance underwriters until the Administrators of this policy have been contacted and given the Insured the authority to do so.

The Insured should contact the Administrator with their certificate of insurance and vehicle registration number to hand on:-


<http://claims.mapfre.co.uk>  
[gapclaims@GMAC.co.uk](mailto:gapclaims@GMAC.co.uk)  
0330 400 1617

The claims form should be completed, signed and returned to the Administrator along with the following:-

- Motor insurance policy certificate and schedule;
- The motor insurance settlement letter;
- The original purchase invoice for the insured vehicle;
- A copy of the finance agreement and early settlement balance from the finance company if applicable;
- If the total loss occurs as a result of malicious damage, the crime reference number.

## Complaints

**Step One** For complaints relating to the selling of the policy, the Insured should contact the supplying dealer.



**Step Two** If there are any enquiries or complaints about the terms, service received or administration under the policy, the Insured should contact the Customer Care Manager:-

[gapcomplaints@GMAC.co.uk](mailto:gapcomplaints@GMAC.co.uk)  
0330 400 1410

The Customer Relations Team, 1 Victoria Street, Bristol Bridge, Bristol, BS1 6AA

They should confirm receipt of the complaint within 5 working days and aim to resolve the problem within 8 weeks.



### If still dissatisfied...

**Step Three** If it is not possible to reach an agreement the Insured has the right to make an appeal to the Financial Ombudsman Service.

**Financial Ombudsman Service**

*Exchange Tower, London, E14 9SR, Tel: 0800 023 4567*

The right to apply to the Ombudsman must be exercised within six months of the date of the final decision.

Utilising the complaints process will not affect the Insured's legal rights.



**FSCS** – The insurers are covered by the **Financial Services Compensation Scheme**. FSCS is an independent body, set up under the Financial Services and Markets Act 2012 as the UK's compensation fund of last resort for customers of financial services firms.

This means that FSCS can pay compensation to consumers if an authorised financial services firm is unable, or likely to be unable, to pay claims against it. Their service is free to consumers. Authorised firms are those regulated by the UK's financial watchdog, the Financial Conduct Authority (FCA) or previous financial regulators.

The Insured may be entitled to compensation from this scheme if GMAC cannot meet their obligations. This depends on the type of business and circumstances of the claim. Insurance advising and arranging is covered for 90% of the claim, without any upper limit. Further information is available from the FSCS at [www.fscs.org.uk](http://www.fscs.org.uk) or telephone 0207 892 7300.

## **Prices**

Obtaining a quotation for your customer can vary from dealership to dealership. Please refer to your manager for details on the prices for your customers.

**Well** done! You have reached the end of this online training module. You now need to take the knowledge test to be considered competent in this unit. Click on the blue [Continue to Test](#) instruction back on the Training page.