



14 April 2014

Consumer Notice: GAP Vehicle Insurance Products

It is important to ask questions and be informed when buying a vehicle from an automobile dealership. With all the options and details to consider; you may be excited and overwhelmed at the same time. A new insurance product called GAP insurance may be offered to you when finalizing your purchase.

The Financial and Consumer Services Commission of New Brunswick (FCNB) is issuing this notice to inform consumers about the sale of GAP products at automobile dealerships.

GAP products are intended to do just what the name implies – fill a gap. This product covers the difference between the loan amount, financing or lease value on the vehicle and the actual cash value offered if it is in an accident that causes irreparable damage (such as when the vehicle is written-off). It's meant to cover the gap between the amount you will be paid by your auto insurance company and the amount you owe for the vehicle.

Features of GAP products can vary slightly from company to company and it's important to consider your insurance requirements as part of your vehicle purchase decision. To help you determine if GAP is a product for you, the FCNB has outlined questions to ask yourself, your insurance company and the dealership.

1. **Is the salesperson licensed to sell this type of insurance?** In New Brunswick, all auto insurance products, including GAP products, can only be sold by licensed individuals. The car salesperson at the dealership may provide you with the marketing material. However, they must refer you to the licensed insurance agent to finalize the purchase of the GAP product and the licensed insurance agent should answer any questions you have. You can verify that the person selling you GAP product is licensed on the FCNB website www.fcnb.ca/GAP.
2. **Do you understand what it is that you are buying?** Before signing any documents, make sure you understand the GAP product you're buying, what it covers and if there are any restrictions. Read through the policy completely, and only sign if you are comfortable with the payments and the amount of insurance coverage the policy provides.
3. **Do you have the full cost in writing?** After making the decision to purchase a car, with any additional features you may request, consumers are typically provided with one final cost. Review the document that outlines what you're paying for each item and how much additional the GAP insurance will cost you.



Add-on products, like additional warranties and rust protection can quickly drive up the total price of your vehicle. What may be promoted as only a few dollars more per payment that can quickly add up to hundreds of dollars over the life of your payments. Calculate the total amount of money you pay for these add-ons not just the “per-payment” amount. Only you can determine if you can afford the additional coverage and if the price is worth it.

4. **Are you already covered?** Consumers who are being offered GAP products may already have similar coverage under their current auto insurance policy. If you aren’t sure contact your auto insurance company to determine if you are duplicating coverage.

Your auto insurance company may also offer a similar product. It never hurts to shop around for a better price.

5. **How do you make a claim?** Asking this question before you buy can help alleviate some of the stress if you are involved in an accident. Do you have to contact your auto insurance company first, or the company that sold you the GAP product? You should also make your auto insurance company aware of the process to be sure you are all on the same page.

The Financial and Consumer Services Commission regulates the financial markets in New Brunswick and has the mandate to protect consumers and enhance public confidence in the financial and consumer marketplaces through the provision of regulatory and educational services. FCNB – Empowering you to make the right financial decisions.

Contact us:

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