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# THE LEGAL GUARDIAN

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## BRIDGING THE INSURANCE GAP

When I moved back to St. Croix, I set out to find a vehicle to get me from point A to point B.

Lucky for me, I found a 1992 Toyota Paseo. It was perfect for me - small, in good condition and cute. However, the reviews were mixed.

On one hand, I was constantly approached by young guys wanting to know if I would consider selling my Paseo. I would always respond "no." One day I changed my response to "Why?" I was told that the car was perfect for racing. I smiled in response because I secretly called it my hot rod since I tended to go over the speed limit, by a mile or two. Okay, maybe it was more like five to ten miles over.

On the other hand, they were those who referred to my Paseo as the "little punky blue car" or I was asked when would I start driving a real car. Tired of the questions, I decided to purchase my dream car - a Lexus.

Not wanting to break the law, I inquired about adding the Lexus to my automobile insurance policy. While revising my policy, I was asked whether or not I was interested in GAP insurance - to which I enthusiastically responded yes!

What is GAP insurance? GAP or "Guaranteed Asset Protection" insurance is a way for consumers to ensure that should their vehicle be totaled in an accident or stolen, they would have the means for covering the difference between the car's actual worth and what its current "fair market" value was. In other words, if a total loss occurs, GAP insurance will pay the difference

between the actual cash value of the vehicle and the current outstanding balance on the loan or lease.

Everyone knows that vehicles lose their value as soon as they are driven off the dealer's lot; sometimes as much as 20 percent. So let's say you get a \$20,000.00 loan from the bank to purchase a vehicle. You purchase your car and you are cruising around and life is good! Six months later you are involved in an accident and your insurance company deems your totaled vehicle to be worth only \$15,000.00. Once your insurance company pays off the \$15,000.00 of the loan, what happens to the remaining balance?

If you purchased GAP insurance, it will cover the difference so that you don't have to pay for a car that you can no longer drive. On the other hand, if you did not purchase GAP insurance, you will still be responsible for the difference. You will have to pay for a vehicle you no longer have.

There are some things to remember when purchasing GAP insurance: 1) GAP insurance is separate from your regular car insurance and is a one-time cost. While your regular insurance covers damage to your vehicle, medical bills, etc., GAP insurance covers the loan. 2) GAP insurance covers vehicle loans, whether the vehicle is new or used. The loan must be less than or equal to \$100,000.00; the loan term must not be greater than 84 months; and the insurance does not cover late charges or other penalties due on the loan.

These days the only question that I am asked with respect to my vehicle is why did I purchase it in black since they are so hard to keep clean!!!