



The Insurance Minute



Gap Coverage and New Car Replacement

Featuring

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Gap coverage exists to protect drivers who have financed or leased their vehicle. If you own your vehicle outright, or owe less than the car is worth, then you don't need gap coverage.

Gap simply refers to the “gap” between the vehicle actual cash value and what you owe on it. The minute you drive a brand new car off the lot, it begins to depreciate in value. You could end up “upside down” on your loan.

Gap coverage is available from many auto insurance companies and is fairly inexpensive. It is designed for brand new or newer vehicles. Check with your specific insurance company to see what their rules are on the age of the vehicle.

Another type of coverage is “new car replacement”. In the event of a total loss, this coverage is designed to pay for a brand new vehicle of the same make and model, minus your deductible. (A low deductible would be very handy in this case!)

This coverage tends to be a bit more expensive than Gap Coverage and the car usually can be no more than 2 years old. With some carriers, it has to be 1 year or newer.

Check with your insurance agent to make sure you have the coverage that fits your needs.



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