

GAP Claim Reference



- **Deductible:** The primary insurance deductible is waived only to the extent that it is part of the “GAP Amount”. GAP only covers the deficiency loan balance, including any portion of the deficiency caused by the deductible, up to coverage limit stated on the GAP waiver, in most states. *(Please see the example on next page.)*
- **Loan to Value (LTV) Limit:** The LTV limit is noted on the GAP waiver form. LTV does not determine how much GAP will pay; it determines how much of the loan is covered by GAP. If the amount financed does not exceed LTV limit then the amount financed is 100% covered by GAP (subject to terms and conditions of the GAP waiver). If the amount financed does exceed LTV limit, GAP then determines what percentage of the amount financed does not exceed the LTV limit and calculates the claim based on that percentage.
(Please see the example on next page.)
- **Missed, Skipped Payments, Fees and Advances:** If any missed payments and/or Skip-A-Pays exceed the coverage provided by the waiver a deduction will be made. Fees and any other loan advances are not covered by the GAP waiver. If any fees or advances are included in the balance as of the Date of Loss, they will be deducted.
- **Loan Advances (CPI):** GAP does not cover additions to a loan after the GAP inception date. This includes but is not limited to CPI, loan advances and late fees. Net additions to the loan will be deducted from the GAP claim. The only exception to this rule is GAP premium. If a GAP waiver is added to a loan after the loan inception date, the GAP premium will be covered if a GAP claim occurs.
- **Payoff Calculation:** GAP determines the payoff as of the date of loss by taking the balance from the last payment made prior to the date of loss and adds interest up to the loss date.
- **Salvage:** If a borrower chooses to keep the totaled vehicle, the primary insurance carrier will place a ‘salvage value’ on the vehicle and deducts it from the total loss settlement. GAP will not cover the salvage value. By the borrower keeping the totaled vehicle it becomes part of the total loss settlement.
- **Multiple Collateral:** If a loan is secured by more than one piece of collateral and a total loss occurs, GAP will only cover the percentage of the loan that the total loss vehicle was securing. GAP will also use the same percentage throughout the GAP claim calculation except for the vehicle specific items; such as the primary settlement and service contract refund. *(Please see the example on next page.)*
- **GAP Payments:** GAP Payments are mailed from our carriers. The checks are mailed no later than 2 business days after the claim status is marked ‘Paid’. We have to give the check 20 days to make it to its destination before issuing a stop payment, unless we see that it was sent to an incorrect address.
- **Prior Damage:** Prior Damage is a deduction that may be included in the Primary Insurance Carrier’s total loss settlement calculation. This usually means one of two things; 1.) A previously paid claim or 2.) Unclaimed damage to the vehicle prior to the total loss (condition adjustment). Only if the ‘Prior Damage’ is due to a previous paid claim will we deduct this amount from the GAP Amount.

Examples:



- Deductible Coverage:**

<u>Primary Settlement:</u> ACV 10,250 Deductible -0 Net Settlement 10,250 <u>GAP:</u> Loan Bal. 11,000 Net Settlement -10,250 GAP Amount \$750	<u>Primary Settlement:</u> ACV 10,250 Deductible -500 Net Settlement 9,750 <u>GAP:</u> Loan Bal. 11,000 Net Settlement -9,750 GAP Amount \$1250	<u>Primary Settlement:</u> ACV 10,250 Deductible -500 Net Settlement 9,750 <u>GAP:</u> Loan Bal. 10,000 Net Settlement -9,750 GAP Amount \$250	<u>Primary Settlement:</u> ACV 10,250 Deductible -1500 Net Settlement 8,750 <u>GAP:</u> Loan Bal. 10,000 Net Settlement -8,750 (Deductible over 1,000) -500 GAP Amount \$750
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- LTV Calculation:**

<u>LTV:</u> ACV 10,000 Amt Fin 12,500 LTV 125% $10,000 * 150\% = 15,000$ Amt Fin MAX 15,000 Loan is 100% Covered <u>GAP:</u> Loan Bal 11,000 Net Settlement 10,250 GAP Amount \$750	<u>LTV:</u> ACV 10,000 Amt Fin 17,500 LTV 175% $10,000 * 150\% = 15,000$ Amt Fin MAX 15,000 $15,000 / 17,500 = 86\%$ Loan is 86% Covered $100 - 86 = 14$ 14% of loan is uncovered	Loan Bal $11,000 * 14\% = 1,540$ <u>GAP:</u> Loan Bal 11,000 Net Settlement -8,250 Over LTV Deduction -1,540 GAP Amount \$1,210	<p><u>*In these examples the deductible coverage is \$1,000 and the LTV limit is 150%.</u></p> <p><u>Please refer to the GAP waiver for your actual deductible coverage and LTV limit.</u></p>
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- Multiple Collateral:**

<u>Collateral percentage:</u> Chevy Value 12,500 - Totaled Ford Value 10,000 – Not Totaled $12,500 + 10,000 = 22,500$ Value securing total loan 22,500 $12,500 / 22,500 = 56\%$ Chevy Secures 56% of loan	<u>Loan percentages:</u> Total Amt Fin 30,000 $30,000 * 56\% = 16,800$ Chevy Amt Fin 16,800 (used for LTV) Total Loan Bal 20,000 $20,000 * 56\% = 11,200$ Chevy Bal 11,200 Total late fees and missed pymts 400 $400 * 56\% = 224$ Chevy Fees and Missed Pymts 224 Total CL and CD refunds 900 $900 * 56\% = 504$ Chevy Total CL and CD refunds 504	<u>LTV:</u> ACV 12,500 Amt Fin 16,800 LTV 134% <u>GAP:</u> Loan Bal. 11,200 Net Settlement -9,000 Fees and Missed Pymts -224 CL and CD refunds -504 Service Contract Refund -500 GAP Amount \$972
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