

Understanding GAP Coverage

When buying a new (or newly used) vehicle, one thing consumers often overlook is “GAP” Insurance. GAP is guaranteed auto protection, sometimes incorrectly referred to as “totaled insurance”, and it provides coverage in the event of total loss on a new or nearly new vehicle. If your car is a total loss after an insurance claim, you may not be fully covered without a GAP policy.

This inexpensive coverage may save you thousands of dollars for a small initial investment when you purchase a new vehicle. GAP insurance covers the difference (or gap) between what the vehicle is actually worth (or what the insurance company values your totaled vehicle) and what is owed to the lender. Many consumers don’t carry this important insurance on their vehicles. In addition, GAP coverage must be purchased when you buy the vehicle-it cannot be added later.

Why is GAP coverage so important? Your vehicle depreciates about 7-20% percent¹ as soon as you drive it off the lot, and it continues to depreciate significantly for the first two or three years. If your car were to be totaled or stolen during this time, insurance would only pay you the actual cash value (ACV) of your car. Your loan amount could be significantly more, however, and the consumer is responsible for the difference.

For example, assume you pay \$25,000 for a new car and one year later it is a total loss while you still owe the lender \$20,000. Assume your insurance company tells you that the car's ACV is only \$17,000. The insurance pays only \$17,000, leaving you with a \$3,000 balance owed to the lender. Without GAP insurance, you'll have to pay that difference.

Unless its built in to your current auto policy (in most cases it isn’t) GAP coverage should be considered. GAP coverage is highly recommended on a new car for consumers who:

- ◆ Make a down payment of less than 20 percent
- ◆ Roll negative equity from a previous car loan into a new car loan
- ◆ Finance for 72 months or more
- ◆ Finance a vehicle that depreciates quickly (Luxury & Sport)
- ◆ Lease a vehicle

If you meet any of the above criteria the risk of owing more than your vehicle is worth is potentially very high and you should purchase GAP insurance when buying a new vehicle. In most cases if you lease your vehicle, the GAP coverage is generally included. But make sure to read the documents you’re signing to verify.

If you are a Farmers auto customer you can purchase an equivalent coverage called, Residual Debt Coverage. However, this coverage is only available for new and unused vehicles. If you have questions on this coverage, please contact our office to discuss.

¹www.edmunds.com

Protecting Yourself from Identity Theft

In 2009 an estimated 11 million Americans were affected by identity theft crimes¹. This crime is one of the fastest growing crimes in the US and research suggests that one in every ten consumers has already been victimized by identity theft².

There are a variety of reasons that perpetrators will misuse your personal identifying information. These crimes include stealing money from existing accounts, applying for loans in your name, establishing accounts with utility companies, renting an apartment, obtaining a job and receiving medical care¹. Regardless of the type of misuse, the criminal is always looking for some sort of financial gain at your expense.

Everyone is at risk. There are a few things that you can do, however, to help protect you and your family from identity theft. Simple tasks like shredding old credit cards and documents with personal information. Installing spyware and anti-virus protection on your computer. Do not carry social security cards and birth certificates in your wallet.

Keep in mind that you may be at greater risk if you own a small business, earn over \$70,000 per year, or are over the age of 65 or under the age of 18.

It's best to monitor your credit by checking your credit report twice a year with all three reporting agencies. Every consumer can request a copy of his or her credit report free of charge from each of the credit reporting agencies. For more information visit www.annualcreditreport.com or call 877.322.8228.

You might also purchase identity theft protection coverage. These services will monitor your credit and provide you with ongoing reporting of your credit. These services will also alert you to any unusual activity showing up on your credit file.

There are a variety of identity theft protection plans available to consumers, and costs can range from \$80-\$200 per year. At Farmers, we offer Identity Shield protection that you can add to your homeowner's policy. This coverage will cover all household members, including dependents away at college. The cost is generally \$45 to \$65 per year.

Farmers Identity Shield not only offers 24-hour credit monitoring, you will also receive a personal claims advocate to help guide you through the credit restoration process (if your identity is stolen), assistance with placing security freezes with credit bureaus, and reimbursement of certain fees and expenses. Farmers also offers a comprehensive website on identity theft which includes helpful tips and information on how to protect yourself.

www.farmersidentityshield.com

For more information on how to add identity shield to your policy please call us today at 303-397-7822.

¹www.edmunds.com