
[Home](#) [About Us](#) [Contact Us](#) [Locations](#) [Sign In](#)
[Membership](#) [Travel](#) [Insurance/Financial](#) [Automotive](#) [Member Savings](#) [News & Safety](#)

Insurance

[Automobile](#)
[Home/Renters](#)
[Life](#)
[Travel/Trip](#)
[Boat](#)
[Pay Online](#)

(AAA Brand Only)

[Claim Info](#)
[Information Resources](#)

Financial

[AAA Credit Card](#)
[AAA Visa® Account](#)

Access

[AAA Travel Money](#)
[CDs & Money Markets](#)

What happens when a new car is totaled and the insurance doesn't cover your loan?

Getting a new car is usually fun and exciting. However, having a total loss on a new car causes a double-whammy. The extreme disappointment of losing a new car, plus the shocking realization that the loan or lease balance may be greater than the amount paid by the insurance company for the total loss of the car.



Owing money after a car has been totaled is extremely frustrating. Fortunately, there are endorsements and insurance available to address the problem.

A recent study from Kelley Blue Book Marketing Research indicates the value of used cars is plummeting, in part due to zero-percent financing and a glut of used vehicles on the market. "People that purchased vehicles with little or no money down will likely find they owe more than the car is worth when seeking out their next new vehicle," said Jim Rookard, Director of Insurance Services for AAA Colorado. Jim also pointed out that "Many consumers are choosing to finance vehicles for longer periods of time, such as six to seven years, which only serves to make the situation worse."

For example, a Ford Taurus with a sticker price of \$23,305 just two years ago commands a trade in value of only \$8,350, a whopping 64% depreciation. A Chevrolet Suburban with a sticker price of \$43,440 yields a trade in value of \$24,125, or 45% depreciation after only two years.

Other examples of depreciation or cars that are currently two-years-old include:

Nissan Maxima SL (33.7%)
 Mercedes ML 500 (41.2%)
 Infiniti Q45 (48.3%)
 Dodge Durango SLT 2WD (51.8%)

As if the decreased value weren't enough, the real problem lies in the fact that the loan amount on many cars decreases only slightly in the first two years.

Fortunately, there is a relatively simple solution.

The personal auto policy has an endorsement available to provide a remedy for this coverage dilemma. The endorsement is called "Gap" coverage because it "fills the gap" between the amounts owed on a loan, or lease, and the actual cash value settlement paid by the insurance company for a total loss vehicle.

The cost to add the endorsement is small, and in simple terms adding the "Gap Endorsement" provides payment for the difference in what the client owes the bank, and what the insurance company pays as actual cash value of the auto. It means you won't lose your car and have to pay money to your lender at the same time — the "double whammy" effect.


Insurance carriers, in general, will allow policyholders to add the Gap Endorsement when insuring a new car; or on cars manufactured within the last two years. And, most carriers, will only include the Gap Endorsement on a new policy; i.e. they will not add the endorsement to cover a car that has been on a policy for a period of time.

By adding "Gap Coverage" to your personal auto policy, the consumer will typically see a significant savings over a policy for Gap Coverage that may be offered by the auto dealer. Consumers should also look closely to determine whether coverage is capped for add ons such as extended warranties, maintenance agreements, etc.

Clearly, members who purchased or leased cars in the last two years could face a very nasty surprise should they ever face a total loss. Anyone buying , or leasing, a new car needs be aware of the "gap" in their vehicle's worth and the loan on it.

Contact your insurance agent, or let the professional agents at AAA Colorado, counsel you to make sure your auto policy is designed to properly address any "gaps" in your coverage.

Request a free no-obligation [insurance quote online](#), or call a AAA Colorado insurance agent and check out your potential savings at 1-800-251-7189.

 = Members Only
[Privacy Policy](#)

AAA Colorado proudly serves AAA members in the state of Colorado.
If you live in another area, [find the AAA website](#) that serves you.

AAA Colorado: 1-866-625-3601
Roadside Assistance: 1-800-AAA-HELP

Copyright © 2007, AAA
All rights reserved