

Getting it right with GAP & RTI

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Dealers across the country have increasingly switched onto the value of successfully promoting Gap insurance products. However, in offering Gap cover, it is imperative that the dealer does so accurately.

The Financial Ombudsman Service and FSA have both published guidance on Gap sales. The emphasis is very much upon ensuring products offered are not mis-sold and that the customer is treated fairly. The risks of mis-selling are very real if sales people:

- Do not fully understand the product mix correctly
- Fail to fully qualify the customer
- Fail to explain the products to the customer correctly
- Fail to keep adequate records

[AutoProtect](#) has worked to enhance the quality of training available to dealer personnel and to develop their product offering to ensure it is more customer friendly. It is a market leading position that the business feels will create and sustain value for the long term.

1. Product Demand

Used car values may have risen from the low points of 2009, but the value offered by Gap to buyers continues to provide an attractive option to car buyers who are increasingly aware of the risk that any write off can offer to their finances. The wider product range and customer flexibility offered by AutoProtect are designed to make it easy for customers to choose a product to suit them with the option to cancel (with a pro rata refund of premiums) or transfers it to an alternative vehicle.

2. Training

Gap products can vary significantly and as the FOS observe failure to describe the product on offer accurately is the key source of customer complaints with Gap type policies.

The AutoProtect training support programme is tailored at dealer level to ensure sales personnel are fully up to speed with current legislation and guidelines (notably on areas such as the ABI guidelines on customer rights on cancellation and transfer of policies). Above all, it is about ensuring that sales personnel understand the different types of Gap insurance that exist and the specific terms and conditions offered.

The Gap Portfolio Mix

Correct training can help to avoid mis-selling repercussions. All too often, in training sessions the AutoProtect team discovers that sales personnel do not fully appreciate the differences in products. In essence, there are three key generic products in market:

- 1) Finance GAP insurance – the payment is made direct to the finance company to meet any amount still outstanding on the vehicle loan after the motor insurer has paid out.
- 2) Return to invoice insurance – the payment is made to the consumer, based on the original invoice price minus the amount the motor insurer has paid out.
- 3) Vehicle Replacement GAP insurance – the payment is made to the consumer, based on the price of a new vehicle (of the same model and specification) at the time of the claim minus the amount the motor insurer has paid out.

“Even within these three key headings, the products available can vary considerably. It is vital sales staff know the precise details of the products they are offering to ensure they meet the customer’s needs.” Observed AutoProtect’s Mike Macaulay. “When a customer does need to make a claim, the policy sold well will create a ‘raving fan’ and customer for life. However, if a policy is sold poorly the risk of creating a dissatisfied customer is all too real.

3. Meeting the Needs of all Buyers - Product Development

Product development to the AutoProtect range has been designed to ensure that there is a product

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suitable for every buyer. Policies offered can be transferred and cancelled on a "pro-rata" basis.

AutoProtect's high integrity approach to Gap that embraces the ABI Code of Conduct ahead of any formal regulation is designed to be easy for the customer to buy covering most new and used cars, vans and motorbikes.

Gap Does Offer Clear Value

Sold correctly and with high integrity Gap insurance can offer significant support to customers faced with a total loss insurance situation

- 482,000 vehicles were reported as written off in 2011 (MIB)
- 71% of stolen cars disappear, never to be seen again. In 2011, 65,000 stolen vehicles – worth an estimated £300 million - were stolen and never recovered. Cars worth between £10k and £25k are least likely to be recovered (Swiftcover)
- Of the 24.3 million private vehicle insured in 2010, 3.7 million made an insurance claim in 2010, leading to £22.4 million per day being paid out in claims (ABI)

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