



# BIBA WEBINAR – *GAP INSURANCE*

# Webinar Agenda

Presented to you by Mark McLaren

- FCA Competition Remedy
- The UK Vehicle Market
- The Importance of GAP
- Are customers aware of the pitfalls?
- Update on products with claim examples.

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# The FCA Competition Remedy

- September 2015 – FCA introduced new rules for dealers selling GAP Insurance.

## WHY?

- To achieve better customer outcomes from more informed purchasing decisions; and
- Improved competition.
- FCA recognised GAP insurance premiums are significantly higher.
- Almost half of customers unaware they could buy GAP elsewhere.
- Customers had a worse understanding of the product.
- They want customers to shop around.

## The Good News:

- Broker sales are on the increase, dealer sales have dropped.
- Such a buoyant time in the automotive sector.

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# The UK Vehicle Market

- 2016 – another record for new car sales.
- 2.7 million – up 2.3% from previous year.
- Nearly 80% of vehicles on Finance (2009 it was 40%).
- Growth – PCP & PCH. Plus a spike within fleets in Contract Hire.
- VW's main concern was their financial debt on finance deals if car residuals dropped, not their brand!
- Used car market – Finance in this sector has doubled!. PCP now accepted funding.
- Alternatively fuelled vehicle market share over 4% for the first time.

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# The UK Vehicle Market

## Motorcycle sales

| Summary                                                    | Dec 2016 | Dec 2015 | % Change | Dec 2016 YTD | Dec 2015 YTD | % Change |
|------------------------------------------------------------|----------|----------|----------|--------------|--------------|----------|
| Total Mopeds, Motorcycles & Tricycles (excluding Scooters) | 7,669    | 3,394    | 126.0%   | 92,575       | 82,873       | 11.7%    |
| Total Scooters                                             | 3,321    | 1,830    | 81.5%    | 36,069       | 32,248       | 11.8%    |
| TOTAL REGISTRATIONS                                        | 10,990   | 5,224    | 110.4%   | 128,644      | 115,121      | 11.7%    |

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# Personal Contract Purchase (PCP)



- It's a type of loan.
- Instead of paying off the entire value of the car you pay off the depreciation.
- Gives a low monthly payment
- At the end customer pays the balloon or hands the car back

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# The UK Vehicle Market

- The market has changed – Getting a new car is like a new mobile phone contract!
  - Buyers want the best
  - The newest
  - With flexibility to change to newer models.
  - Consumers change their vehicle more regularly.



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# The UK Vehicle Market

- Is it all Positive stuff?
- What about the impact on residual values?



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# The UK Vehicle Market

- Surplus of used vehicles suppresses vehicle values.
  - Lower insurance settlements.
  - More susceptible to write offs.
  - Affects customers financial exposure.



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# The UK Car Market

WHY I AM HIGHLIGHTING THIS?

(apart from more car sales = more GAP sales)

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# The UK Car Market – importance of GAP

- Our claim settlements are higher. Customers aren't negotiating on the invoice price, they negotiate on the monthly amount they can afford.
- Customers up spec their cars – higher specs make little difference to the market value at the date of loss – contributes to a greater shortfall as the invoice price was higher.
- Glass's Guide only values 3 manufacturer upgrades in vehicles.
- Are your customers aware of the finance shortfall that can occur following a total loss and what are the pitfalls?

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# Are customers aware of the pitfalls

- Single biggest worry – customer's car is written off and .....
  - The settlement offer from the motor insurer is less than the outstanding finance.
  - Customer has to get another loan to source a new replacement vehicle.
  - Customer has to fund the deposit on another car purchase much earlier than planed.
  - Commercial customers not protected by the consumer credit act. Termination charges beware!

# Are customers aware of the pitfalls

- Most motor insurers settle at Market Value.
  - Not reflective of how the vehicle has been purchased and the termination charges that can apply.
  - Market value interpretation can vary enormously from one insurer to another.
  - Market value does not take into account additional fitted items.



| CUSTOMER A     | CUSTOMER B                                                   |
|----------------|--------------------------------------------------------------|
| £15,700        | £15,700                                                      |
|                | £425.00 City Pack<br>£800.00 Leather Pack<br>£400.00 Sat Nav |
| Total: £15,740 | Total: £17,235                                               |

**GLASS'S GUIDE/MARKET VALUE AT DATE OF TOTAL LOSS:  
£10,290 (for both vehicles!)**

# Are customers aware of the pitfalls

- New for old replacement
  - Contract Hire – customer not the registered keeper.
  - Does it always apply?
  - Effect of aggregator model



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# Update on Products

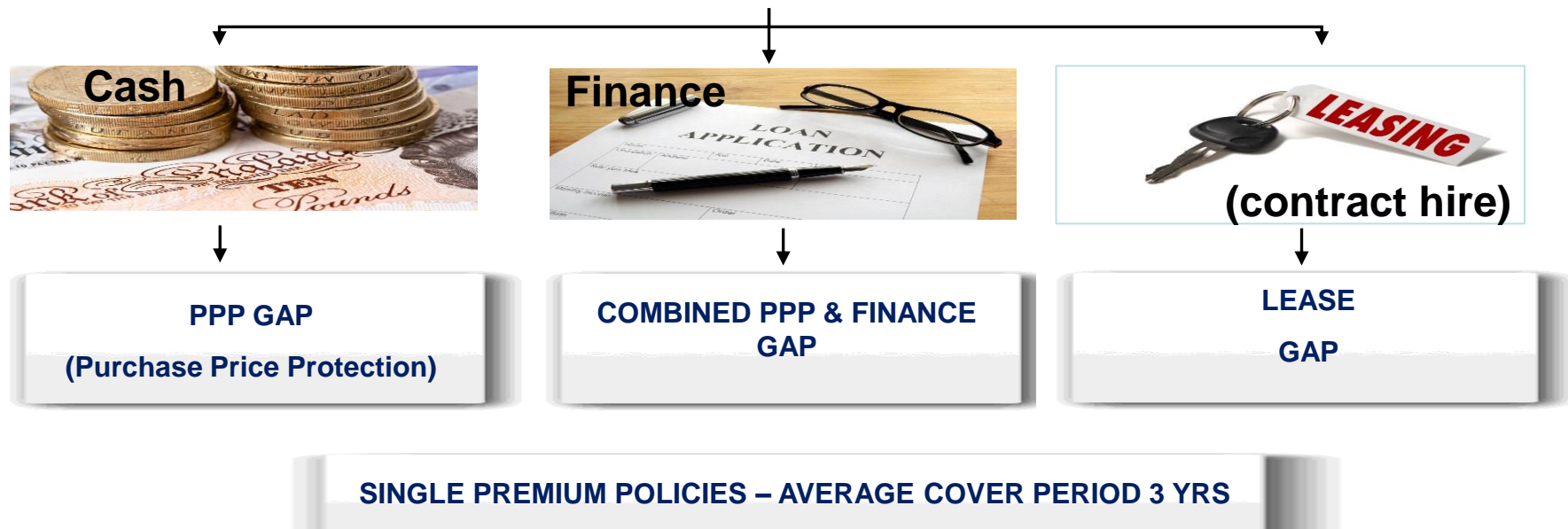
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# Traditional GAP – Competing with Dealers

*Customer contacts you as they have been offered GAP from their dealer*



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# GAP Claims....

## *Combined Purchase Price Protection & Finance GAP*

- VW Jetta
  - Bought for: £19,968
  - Write off
  - MI settlement £13,300
  - O/S Finance £15,772
  - **GAP paid £6,668.00**



## GAP Claims.... *Purchase Price Protection*

- Used Range Rover Evoque

- Bought for: £24,048.00
- Write off
- MI settlement £20,500
- **GAP paid** **£3,548**



# The Benefits....

- Structured to allow you to compete exactly with a dealer offering.
- Saving your client 30% - 50% on the dealer premium
- Saving your client 10% IPT
- As BIBA members you also get:
  - Access to exclusive products
  - 40% Commission
  - Your clients excess covered up to £250
  - No minimum support level



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# Total Loss Top Up



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## GAP Claims.... *Total Loss Top Up*

- **BMW 3 Series**

- MI settlement £17,100
- Top up paid £4,275



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# The Benefits....

- For brokers who require a simple extension/enhancement to the motor insurance policy.
- An annual based product that allows for changes of vehicle.
- Covers all cars and light vans up to 10 years old.
- No restrictions on when or how vehicle has been purchased.
- British car auctions – 600,000 cars sold annually. 10% go to private buyers.
- Autotrader/ebay Motors, local publications.
- Improves customer journey and any dissatisfaction over the insurer's settlement.
- Simply increases the motor insurers settlement by 25%



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# UNIVERSAL GAP



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## GAP Claims.... *Universal GAP*

- **BMW 6 Series – Contract Hire**

|                           |               |
|---------------------------|---------------|
| ■ MI settlement           | £62,380       |
| ■ Termination Charge      | £61,504       |
| ■ 6 month rentals deposit | £6,720        |
| ■ <b>GAP paid</b>         | <b>£6,720</b> |



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# The Benefits....

- 1 GAP product that provides cover for all the GAP products shown.
- Designed to be broker specific.
- Greater flexibility for the customer.
- Annually renewable that allows for changes of vehicle.
- No maximum claim limit on vehicles up to £75,000.
- Enhanced cover for vehicles on contract hire.
- Contract certainty, Treating Customers Fairly.

**UNIVERSAL GAP**



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# Fleet GAP



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## Vehicle on a Contract Hire Agreement:

| VEHICLE             | 9 month old Scania Truck               |
|---------------------|----------------------------------------|
| Circumstances       | TPV pulled out of layby into the truck |
| Termination charge  | £31,288.00                             |
| Motor Insurers paid | £22,650.00                             |
| GAP policy paid     | <b>£8,638.00</b>                       |



# The Benefits....

- Covers cars, vans, trucks and agricultural vehicles (wheeled)
- Annually renewable
- Allows for movements on / off the fleet
- Provides a benefit for vehicles owned, financed or leased
- Minimum of 3 vehicles



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# Broker support

- Contact us below if you are interested in:
  - Product training (face to face or via webinar)
  - Marketing Material
  - Assistance with sales strategy
  - Reviewing your add-on product range.
  - Optional Quote and Buy system.
  - Online administration systems
  - Wizard
  - How volume can be transacted via bordereau.

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