

Do You Need Gap Insurance For Your New Car?

If you have just purchased a new car you have probably already obtained car insurance, but is your current coverage enough? New cars are a considerable financial investment, and in most cases your car insurance will not cover the full replacement cost of your vehicle should you be involved in an auto accident. Gap Insurance can make the difference in ensuring that your car is protected and will be replaced if involved in an accident, but is it right for you? Here are some facts about Gap Insurance and whether it is an option that you should be considering.

What Is Gap Insurance?

Gap Insurance is auto insurance that covers the costs that are not covered by your regular auto insurance policy; namely, it covers the difference between the market value of your car and the outstanding loan amount on your new vehicle. The moment you drive your car off the lot it loses value, and if you are concerned that you are not able to cover the difference between the amount your insurance company will give you and the amount you owe, Gap Insurance may be right for you.

When Should I Get Gap Insurance?

Gap Insurance is always a good idea if you purchase a luxury or very costly vehicle. Most cars depreciate in value up to 20% the moment you drive them, so the more your car is worth and the more you owe on your vehicle, the more sense it makes to get Gap Insurance.

Finding The Gap Insurance Policy That Is Right For You

Like all insurance policies, not all Gap Insurance is created equal. Before purchasing a Gap policy it is important to know what to look for and how it compares to your existing policy. Most car dealerships offer Gap Insurance as part of their up-sell package, but in most cases this policy will cost you considerably more than if you were to get it from an insurance company or broker. Also, be sure that your existing policy does not already offer Gap Insurance. Another important consideration is making sure that your Gap coverage covers not only the difference between your car's value and loan amount in the case of an accident, but covers theft and damages due to vandalism and natural disaster as well.

For most car owners, Gap Insurance is not necessary. But if you own an expensive car or are concerned about paying an outstanding loan amount should the worst happen, Gap Insurance is probably right for you.