



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.

THE SPECIALISTS

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.

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.

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?



The UK Vehicle Market

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





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?

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 planned.
 - 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 £800.00 Leather Pack £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

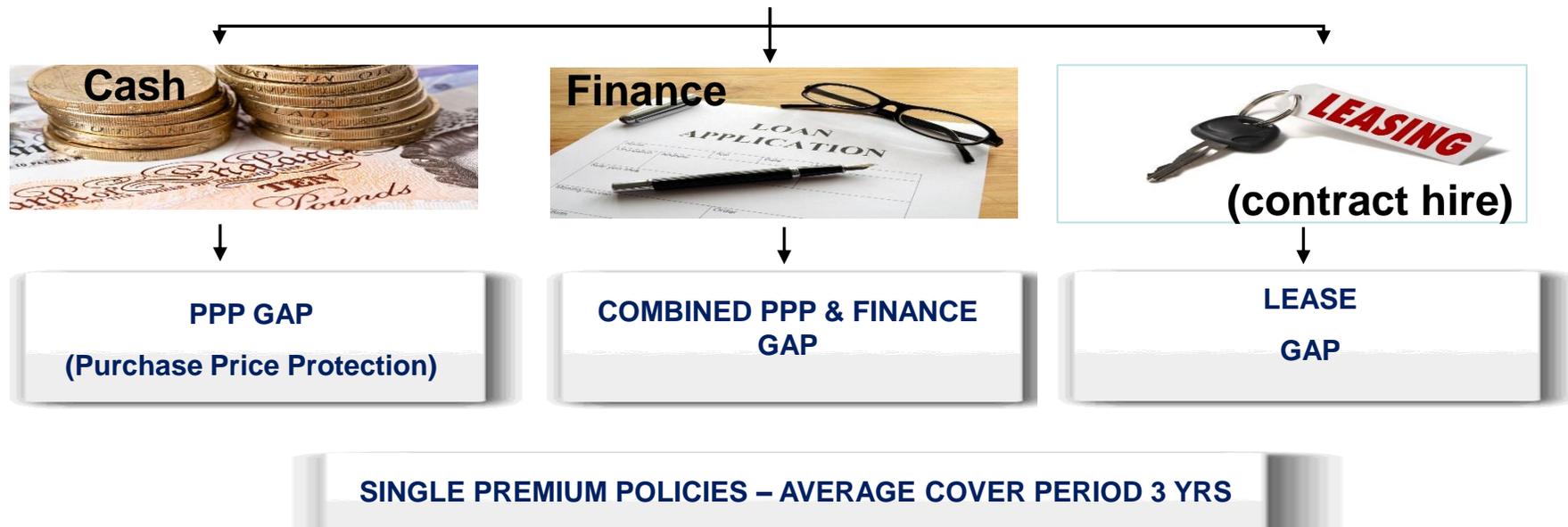
Update on Products

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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**



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%



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
 - **GAP paid £6,720**



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.

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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	£8,638.00



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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