

REST INSURED



by **JEFF GELINEAU**
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 The Club's Auto and Home Insurance Partner



Your Coverage: Is There a Gap?

The moment you drive your brand new car off the dealer lot, its value plummets—as much as 30 percent! The used auto market in Los Angeles is at an all-time low, and car values are not what they used to be. With a few exceptions, a car that you paid \$30,000 for six months ago might easily be worth less than \$20,000. If you have a loan or a lease on your car, then you are probably “upside down” for the first few years of the term.

What happens if you get in an accident? The insurance company is obligated only to pay you for the “current value” of the vehicle. While that sounds reasonable, the bank still wants the full value of what is left on the loan.

A recent example in our office looked like this:

Our customer had purchased a Honda Civic a little more than a year ago. As she had put “\$0 down” on the car, her loan balance remained \$16,000. The car was totaled in an accident, and the insurance company determined that it was worth only \$13,000. Our customer was “short” \$3,000 on the difference between her loan and the value of her car.

Enter gap insurance!

As the name implies, gap insurance covers what traditional car insurance doesn't. In other words, it closes the gap between what your auto insurance company pays if your car is stolen or totaled and what you owe the finance company. Gap coverage is a very inexpensive endorsement that can be added to most automobile policies to provide this valuable coverage.

“Even though gap insurance is important for people who buy cars, it is essential for those who lease,” says Mary Butler, senior editor of cars.com. “Gap insurance basically originated with leasing.” The upside-down nature of a typical lease is even more common than a purchase situation because the lessee usually has no trade-in and usually puts little or nothing down. Similar to a purchase, if the car is a total loss, you owe the difference between what you have paid and what you owe on the balance of the lease.

That's why gap insurance is a must for many drivers. In fact, gap insurance is usually mandated by lease contracts or included within them. If a gap policy is required but not included in your contract, you should make sure you add it to your auto insurance coverage. If gap coverage is included in the car lease, check to see how much is offered and how much you're going to be paying for it. (In some cases, lease contracts may include what

is known as a gap waiver, which protects you from gap charges in the event that the leased vehicle is declared a total loss — eliminating the need for a gap policy.)

A few things to keep in mind when buying gap insurance:

- Although most people purchase it when a lease is initiated, some car insurance companies will sell you a gap policy any time during the lease term.
- You must be in compliance with all terms of the lease.
- Your gap insurance policy may not be honored if you don't have collision and comprehensive insurance coverage. Further, you may not be able to get the coverage if you are financing a used vehicle.

Feel free to call our agency if you have any questions about gap coverage, or would like an auto insurance quote. Call us if you would like to get a quote for your home or boat through us also, or would like a question answered on any type of insurance.

United Agencies is the Club's Partner in helping members with their home and auto insurance and related products. We specialize in creating personal relationships with our customers, and serving their needs in a prompt, efficient and friendly manner.

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This Website lists the upcoming visits we'll be making to City Department meetings where you can ask us any question in person, and get an instant quote!

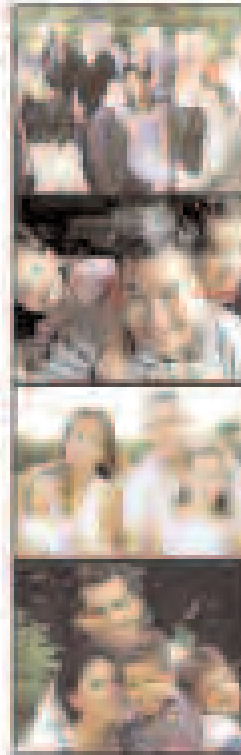
Have a question? Is there something about insurance that you've always wanted to know, but were too ashamed to ask? Maybe something that you've just always been curious about? Feel free to send me an email at jgelineau@unitedagencies.com, and I will try to answer your question in one of our monthly columns.

Be Safe and Have Fun!

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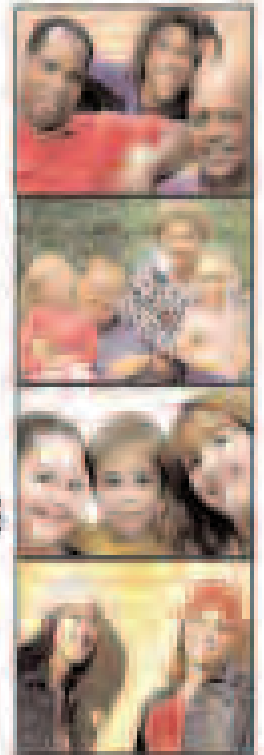
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