



CUDL GAP Program Producer Procedure Manual

Program Administrator:

ERJ Insurance Group, Inc. d/b/a American Heritage Insurance Services (AHIS)
Telephone Number: 1-888-244-1935

Important Contact Numbers



Credit Union Direct Lending (CUDL)		
Shelley Fruchey – GAP Product Specialist	(909) 481-2363	
Kristin Smith – GAP Coordinator/Supplies	Phone: (909) 481-2357 Fax: (916) 631-4698	
American Heritage Insurance Services		
<i>Physical Address:</i> 701 Waterford Way, Suite 490, Miami, FL 33126, Phone: 800-741- 4216		
<i>Remittance Mailing Address:</i> P.O. Box 40525, Jacksonville, FL 32203-0525		
<i>For Overnights:</i> 1776 American Heritage Life Drive, Bldg B, Jacksonville, FL 32224 Attn: New Business		
Department	Phone	Fax/E-Mail
Contract Underwriting & Payment Processing	(800) 621-4871	(904) 992-2875
Cancellations	(800) 621-4871	(866) 398-9021
Claims	(800) 741-4216	(866) 378-6409
Billing and Collections	(877) 204-2132	(877) 485-6247
Dealer Support Services	(800) 686-1375	(800) 410-2398
Technical Support	(866) 549-7500	N/A

Table of Contents

Important Contact Numbers.....	2
Quick Reference Guide.....	4
Expectations.....	5
CUDL GAP Program.....	6
Program Basics.....	6
Available Programs.....	6
Program Ineligibility.....	7
Program Exclusions.....	7
Programs Available by State.....	8
Reimbursement Insurance Policy (RIP).....	9
Complete GAP Addendum.....	11
Critical Underwriting Criteria.....	13
Held Addendums.....	14
Rejected GAP Addendums.....	14
Remittance Policy.....	15
GAP Late Submission Agreement.....	16
Cancellations.....	16
Supplies.....	18
Settlement Process.....	19
MSRP Calculations.....	19
Settlement Calculation.....	20
Frequently Asked Questions.....	21

Quick Reference Guide

DEFINITIONS

E.R.J. Insurance Group, Inc. d/b/a American Heritage Insurance Services (AHIS) <i>Home Office: Jacksonville, FL</i>	The Administrator for the CUDL Guaranteed Asset Protection (GAP) Program.
First Colonial Insurance Company (FCIC) <i>Home Office: Jacksonville, FL</i> Northbrook Indemnity Company (NIC) <i>Administrative Offices: Jacksonville, FL</i>	The insurance companies providing coverage under Reimbursement Insurance Policies issued to obligors. <i>(NIC insures programs in the states of CA, CT and WY)</i>
Customer/Consumer	The borrower/lessee purchasing a Program from Producer.
Dealer/Creditor	The entity originating the Financing Contract and who may assign, sell or transfer the Financing Contract to a Lender.
Financing Contract	The financing agreement, loan agreement, retail installment contract, or lease agreement, between the Customer and the Dealer/Creditor
GAP Addendum	The GAP Addendum issued to the Customer that amends the terms and conditions of the Financing Contract and contains the terms, limitations and conditions of coverage for the applicable CUDL GAP program.
GAP Amount	The difference between the net payoff on the date of loss and the Primary Carrier settlement not to exceed \$50,000.
Lender/Financial Institution	The entity to whom the Dealer/Creditor assigns, sells or transfers the Financing Contract.
Primary Carrier	The insurance company selected by the Customer to provide auto physical damage coverage on their vehicle.
Producer Agreement	The contract executed between the Administrator and the Producer that contains the terms and conditions of the business relationship, including Program Cost per GAP Addendum.
Program Cost	The amount due from Producer per GAP Addendum issued under the applicable Program.

Roles of the Parties

Lender = Dealer	At time of original sale of the Addendum, until funded by an authorized financial institution.
Dealer = Dealer	At all times before, during and after sale and funding of the Addendum.
Lender = Lender or Financial Institution	After Addendum is funded by an authorized financial institution and Dealer has assigned to same.

Expectations

Producer Expectations

We have an unwavering commitment to integrity. It is important that we maintain standards to assure consistent, professional presentation.

Producers are expected to:

- Offer GAP Addendums only on the forms approved by CUDL's Administrator, at the time the loan is transacted and only if the producer is originating the financing
- Market the Programs only when a valid Producer Agreement is in place

Note: "Sister Stores" cannot operate under the same Producer Agreement

- Send a copy of each GAP Addendum issued and payment for the amount due as called for in the Producer Agreement within 15 days after the end of the month in which each GAP Addendum was issued
 - Maintain accurate and complete records relating to their participation in the CUDL GAP Program and make such records available for inspection by the Administrator, or its representative, at any time during normal business hours
 - Retain responsibility for the accuracy of information relating to GAP Addendums issued and assist the Administrator in resolving any errors that may occur
 - Comply with all applicable laws and regulations
-

CUDL GAP Program

Program Basics

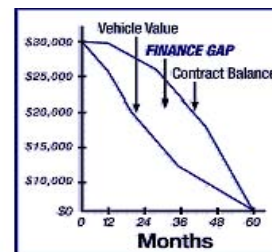
GAP Program Overview

Standard comprehensive and collision auto policies only cover a new vehicle's fair market value. The vehicle begins to lose value the minute it is driven off the lot; which could be as little as 80% of what was paid for the vehicle. If, due to an accident the vehicle is totaled or stolen and not recovered, the vehicle's owner could continue to owe on a loan on a vehicle that can no longer be driven.

Example of GAP

GAP limits the customer's financial obligation between the Customer's Primary Carrier insurance settlement and the outstanding loan balance in the event of a constructive total loss. This constructive total loss could be the result of an accident or theft.

Customers can purchase GAP **only at the time the Financing Contract is originated** and only **through the Dealer that originates the Financing Contract**. GAP is available on Financing Contracts that have uniform monthly repayment terms for the full period of the financing agreement.



For Illustration Purposes Only

Available Programs

Franchise Program

Standard

- Available on:
 - New and used vehicles sold at franchised dealerships
 - Retail installment loans
 - Passenger vehicles
- 150% of MSRP/NADA maximum eligibility*
- \$100,000 maximum eligibility limit (vehicle value or amount financed)
- \$50,000 maximum GAP Amount waived*
- 84 month maximum term

Includes the amount of the Customer's physical damage deductible on the Primary Carrier's policies up to the maximum Deductible Coverage Limit shown on the Declarations Page of the Policy issued to the Dealer, typically \$1,000

Independent Program

Non-Franchised Program (Pre-Owned Vehicle):

Similar to the 150% Standard GAP Program, except the allowable amount financed is limited to a maximum of 120% of MSRP/NADA.

Note: This program must be used in non-franchise dealerships, but may also be used in franchised dealerships

Program Ineligibility

All programs

- Vehicles with a retail value (MSRP or NADA) of more than \$100,000, or when the amount financed exceeds \$100,000
 - Financing Contracts that do not have uniform monthly repayment terms for the full period of the Financing Contract; however, balloon loans with uniform payments are excluded from this limitation
 - Financing Contracts that are self-financed
 - Purchased from a Producer that did not originate the Financing Contract
-

Program Exclusions

On all programs



Losses occurring while the covered vehicle is being used for the following:

- Being operated, used, or maintained in any race, speed contest, or other contest
- While used for commercial purposes as defined by: Any vehicle in excess of 12,500 lbs, and/or used for commercial purposes including but not limited to: transportation of persons or property for hire, compensation, profit, or in the furtherance of a commercial enterprise, including but not limited to the following: a) a business name is permanently displayed on the vehicle; b) the vehicle is used for a business purpose more than 50% of the week; c) the primary insurance for the vehicle is a business auto policy or commercial vehicle policy. Trailers, special commercial usage optional equipment, accessories, and body components are excluded from coverage. Share-the-expense car pools are not considered a commercial purpose

**Coverage for commercial vehicles/use is available under the Commercial GAP Program. Please contact your agent for further information.*



Losses under the following circumstances are not covered:

- To a covered vehicle held as security under any wholesale, floor plan, field warehouse, or any type of financing made to a dealership
 - Occurring after covered vehicle has been repossessed by the Lender/Lessor or placed in the Lender/Lessor's possession or in possession of the Lender/Lessor's employees or agents
 - The portion of the net payoff that results from the amount financed/lease cap cost exceeding the Maximum Eligibility Limit at the inception date of this addendum and will be deducted from the payable loss due
-

Note: This manual reflects the most current program terms, conditions, limitations and exclusions. Periodically revisions are necessary to address changes in program regulations or/and as needs arise.

Continued on next page

Program Exclusions, Continued

Program Exclusions (continued)

Losses under the following loss categories are not covered:

- If a Customer purchased the GAP Addendum after the effective date of Financing Agreement
 - Resulting from losses occurring prior to the effective date of the GAP Addendum
 - Resulting from confiscation of covered vehicle by a government body or public official
 - Caused by theft, unless the Customer or Lender/Lessor files a police report
-

Losses for the following supplementary costs are not covered:

- For any amounts deducted from the Primary Carrier's settlement due to wear and tear, prior damage, unpaid insurance premiums, salvage, towing and storage and other condition adjustments
 - For any loss amount attributable to other than the standard or optional equipment available from the manufacturer of the covered vehicle, including but not limited to: special carpeting, furniture, bars, audio, video, or data equipment, cooking and sleeping facilities, customized paint, or any equipment installed to overcome a physical handicap; however, factory approved conversion packages and dealer installed options usually included in used car value guidebooks are not excluded
-



The following vehicle types are not eligible for coverage:

Daewoo, Bentley, Lamborghini, Lotus, Maserati, Ferrari, Rolls Royce, Yugo, Aston Martin, RV's, boats, ATV's, snowmobiles, motorcycles, trailers and commercial vehicles*.

Vehicles with a salvage or rebuilt title at the time of sale or for which title has been changed or re-issued as salvage or rebuilt prior to the date of loss.

*Coverage for commercial vehicles/use is available under the Commercial GAP Program. Please contact your agent for further information.

Programs Available by State

Insurance vs. Addendum

Depending on the state where the Dealer conducts business, the GAP Addendum signed by the Customer is either an addendum to the Financing Contract, or an individual insurance policy or certificate of insurance. The programs differ with regard to compliance regulations, licensing and the way the revenues are treated.

Addendums

The majority of the states consider GAP a debt cancellation contract. With a debt cancellation program the GAP Addendum amends the Financing Contract. The GAP Addendum is issued to the Customer and it is an agreement between the Dealer and the Customer. The GAP Addendum is ultimately assigned to a subsequent Lender/Lessor as a part of the Financing Agreement.

Continued on next page

Programs Available by State, continued

Insurance

In insurance states, the Dealer issues the Customer an individual policy or a certificate of insurance. These policies/certificates are between the Customer and First Colonial Insurance Company (FCIC).

Product Type	Agreement is between
Addendum	Dealer ↔ Customer
Insurance	FCIC ↔ Customer

Reimbursement Insurance Policy (RIP)

How it works

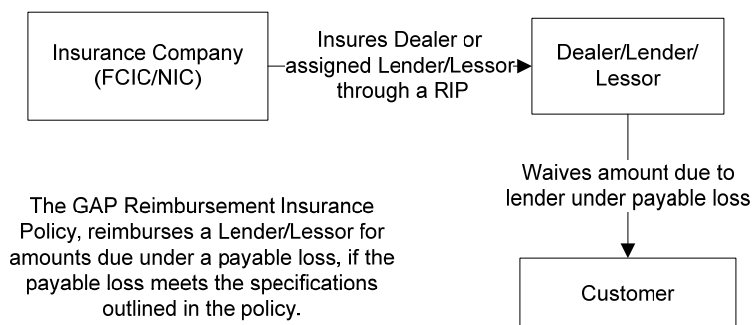
RIP insures Dealer/Lender/Lessor

When a Customer secures financing through the Dealer for the purchase of an automobile, the automobile serves as collateral for the Financing Contract. The Dealer then assigns the Financing Contract to a Lender/Lessor. If through an accident or theft this automobile is deemed a constructive total loss, the value of the collateral is no longer available to the Lender/Lessor.

Generally, the Customer's Primary Carrier will pay the claim settlement to the Lender/Lessor, for the actual cash value of the covered vehicle at time of a constructive total loss. This payment may not cover the Customer's total financial obligation remaining on the Financing Contract.

The Dealer pays a premium to the insurer to obtain coverage for the amounts the Dealer (or its assigned Lender/Lessor) agrees to waive under the GAP Addendum. This is offered through a GAP Reimbursement Insurance policy (RIP) issued by First Colonial Insurance Company or Northbrook Indemnity Company to the Dealer.

Contract Arrangements in GAP Addendum States



Dealer/Lender/ Lessor liability on Addendums

If the loss sustained does not meet the terms or conditions of the RIP, the insurance company does not provide reimbursement to the Lender/Lessor. However, through the GAP Addendum, the Lender/Lessor must contractually waive its rights against the Customer, and therefore cannot seek the amount due under a payable loss from the Customer. The Lender/Lessor remains responsible to waive these losses.

Continued on next page

Reimbursement Insurance Policy (RIP), Continued

Examples of Items Leading to Declination of Coverage under the RIP

Below is a listing of common issues that can result in a declination of coverage under the RIP*:

- Wrong Forms – the correct GAP Addendum form is listed on the Declarations Page of the RIP
- Late remittance- program cost remittance and payment is due 15 days following month end
- Ineligible collateral
- Cash Deals- marketing the program on Financing Contracts not originated by the Dealer
- Misrepresentation- intentionally concealing or misrepresenting any material fact (ex.: eligibility, Financing Contract dates, terms, vehicle make, model or year)

*Other reasons for declination may apply. Please refer to the RIP for all of the conditions, limitations and exclusions that may apply.

Note: Even if a claim for loss is not eligible for reimbursement under the RIP, the Dealer and assigned Lender/Lessor remain responsible for the obligations under the GAP Addendum.

Complete GAP Addendum

Complete the GAP Addendum

Properly completing forms is required. Improperly completed or submitted GAP Addendums may result in rejection of the GAP Addendum. Rejected GAP Addendums are not eligible for administration by AHIS nor will they be insured under the RIP.

The following information details the requirements needed to complete the GAP Addendum. Please refer to the corresponding numbers below on the sample GAP Addendum found on the following page.

1. **Sale Date:** The date you sold the GAP Addendum to the Customer/Borrower. Should be the same date as the Financing Contract..
2. **Customer/Borrower Information:** The customer/borrower's name, address, phone number, and email address.
3. **Make/Model/Year:** The manufacturer of the vehicle i.e. Toyota, Ford, Chevrolet etc.; Model e.g. Camry, Mustang, Cobalt; and the model year of the vehicle
4. **Date of Financing Contract:** The date on the Financing Contract between you and the Customer/Borrower.
5. **Email Address:** The Customer/Borrower's email address.
6. **Lender/Financial Institution Information:** The financial institution to which the Financing Contract was assigned.
7. **Type of Financing:** Check the appropriate box indicating the type of financing: Balloon, Lease or Installment Sales Contract.
8. **New or Used:** Indicate whether vehicle is new or used.
9. **Mileage:** The actual mileage on the odometer at the time of sale.
10. **Dealer/Creditor Information:** The name, address, phone number for your dealership.
11. **VIN:** The 17 digit vehicle identification number.
12. **Term of GAP:** Number of months of GAP coverage. (should be the same as the Term of Loan)
13. **Monthly Payment:** Enter the amount of the monthly payment.
14. **Term of Financing Contract:** Enter the number of months the vehicle is financed. (should be the same as the Term of GAP)
15. **Maximum Term of GAP:** The maximum term for GAP coverage is 84 months, and should always reflect this. (This is pre-printed on the form)
16. **MSRP/NADA:** Enter the value (*not the sales price*) of the vehicle at time of purchase: MSRP for New; NADA for Used.
17. **Finance Benefit Limit:** This is the maximum MSRP Limit percentage allowed for the program. The example used is the 150% program.
18. **Amount Financed:** The total amount financed indicated on the Financing Contract.
19. **Interest Rate:** The interest rate per the Financing Contract.
20. **The charge to You for this GAP Addendum:** The amount charged to the Customer/Borrower for the GAP Addendum.
21. **Customer/Borrower's Signature and Date:** Signature of the Customer/Borrower and the date signed.
Note: All copies of the GAP Addendum submitted to AHIS must be the original signed by the Customer/Borrower..
22. **Dealer/Creditor Signature and Date:** Signature of the dealer representative and date signed.

Note: Missing, incorrect or unsigned GAP Addendums may delay approval or cause rejection of the GAP Addendum.

SAMPLE CUDL GAP ADDENDUM



GAP Addendum - Standard 150 ML
FP2032 0811

This Guaranteed Asset Protection (GAP) Addendum (Addendum) dated 1 amends Your **Financing Contract**. This Addendum is between the **Customer/Borrower** (I, You, Your) and the **Dealer/Creditor** (We, Us, Our) or if assigned, with the assignee.

Customer/Borrower <u>2</u>	Dealer/Creditor <u>10</u>
Address	Address
City, State, Zip	City, State, Zip
Vehicle Make/Model/Year <u>3</u>	VIN <u>11</u>
Date of Financing Contract <u>4</u>	Term of GAP <u>12</u> Monthly Pymt. <u>13</u>
Email Address <u>5</u>	Term of Financing Contract <u>14</u> Maximum Term of GAP: 84 Mos <u>15</u>
Lender/Financial Institution <u>6</u>	MSRP/NADA <u>16</u> Finance Benefit Limit % 150% <u>17</u>
Address	Amount Financed <u>18</u> Interest Rate <u>19</u>
City	State Zip
<u>7</u> <input type="checkbox"/> Balloon <input type="checkbox"/> Lease <input type="checkbox"/> Installment Sales Contract <input type="checkbox"/> New <input type="checkbox"/> Used Mileage <u>9</u>	For Administrative Purposes CLASS: <u>8</u>

You have voluntarily elected to purchase this Addendum which amends Your **Financing Contract**. This Addendum is not considered insurance and does not take the place of insurance on the Covered Vehicle. You are responsible for insurance required by the Financing Contract or applicable state law. You are responsible for handling all notifications or insurance claims that are required to be filed with Your **Primary Carrier**.

The charge to You for this GAP Addendum is \$ 20.

In the event of a **Constructive Total Loss** to the Covered Vehicle, the GAP Amount will be Waived pursuant to all of the terms and conditions of this Addendum. You will remain responsible for payment of any items not included in the GAP Amount.

ASSIGNMENT: This Addendum will remain a part of the **Financing Contract** if the Financing Contract or lease is assigned, sold or transferred by the Dealer/Creditor.

REPORT YOUR CONSTRUCTIVE TOTAL LOSS TO THE GAP ADMINISTRATOR:
E.R.J. Insurance Group, Inc. d/b/a American Heritage Insurance Services (AHIS)
 PO BOX 260098, MIAMI, FL 33126-0098 • Phone (305) 267-4344 • Toll Free (800) 741-4216 • Fax 866-378-6409
 WEBSITE: <http://www.allstatecarcare.com>

All Benefit requests must be submitted and required documentation provided to the GAP Administrator within ninety (90) days of settlement from an insurance carrier; or if no insurance coverage is in effect on the Date of Loss within ninety (90) days of the accident, theft or discovery of loss. No GAP Amount will be Waived if the Benefit request is not submitted and required documentation provided within these stated time periods. **BENEFIT REQUEST PROCEDURES:** In the event of a **Constructive Total Loss**, You must provide a copy of all the following, if applicable, to the GAP Administrator shown above. 1. Vehicle valuation statement; 2. Estimate of damage; 3. Insurance settlement check; 4. Automobile insurance policy declaration page; 5. Original **Financing Contract** including this Addendum; 6. Payoff from the Lender as of the **Date of Loss**; 7. Loan history; 8. Accident/police report; 9. Fire report (if applicable); and/or 10. Any additional reasonable documentation requested by the Dealer/Creditor or the GAP Administrator to include, but not limited to, a sworn proof of loss, and/or examination under oath.

YOU MAY PURCHASE THIS ADDENDUM ONLY AT THE TIME THE FINANCING CONTRACT IS ORIGINALLY EXECUTED. BY YOUR SIGNATURE BELOW, YOU ACKNOWLEDGE AND AGREE THAT YOUR ACCEPTANCE OF THIS GAP ADDENDUM IS VOLUNTARY AND IS NOT REQUIRED IN ORDER FOR YOU TO OBTAIN CREDIT, DOES NOT IMPACT YOUR ABILITY TO OBTAIN ANY PARTICULAR OR MORE FAVORABLE CREDIT TERMS, AND HAS NO EFFECT ON THE TERMS OF THE RELATED SALE OF THIS COVERED VEHICLE. The GAP Amount may decrease over the term of Your Financing Contract and may not extend for the full term of Your Financing Contract. You may wish to consult an alternative source to determine whether similar Benefits may be obtained and at what cost. You acknowledge that this Addendum supersedes any other representations made. If You purchase this Addendum from this Dealer/Creditor, You understand that the Dealer/Creditor may retain all or a portion of the charge paid by You. This Addendum includes a binding arbitration clause. You acknowledge that you have read and understand the entire Addendum and its terms and conditions which may reduce or prevent you from receiving all or part of the Benefits due under this Addendum.

TERMINATION OF ADDENDUM This Addendum will terminate on the date Your **Financing Contract** is scheduled to terminate and no refund will be due. A refund may be due if the Addendum terminates for reasons including but not limited to: 1. Payment in full of the **Financing Contract**; 2. Expiration of any redemption period following the repossession or surrender of the Covered Vehicle; 3. In the event of a **Constructive Total Loss** or theft of the Covered Vehicle; or 4. The date the **Financing Contract** is refinanced. You must request a refund, in writing, except where prohibited by law, from the Dealer/Creditor for any terminating event.



Customer/Borrower 21 Dealer/Creditor 22
 PRINT NAME DATE BY DATE

TERMS AND CONDITIONS

Complete GAP Addendum, cont.

Monitor Compliance



Review GAP documents before they are submitted to AHiS to be certain that they comply with the Dealer's agreement with AHiS.

Field	Impact if not complete/submitted
Amount Financed	Prevents proper underwriting by AHiS, Dealer can be held liable
Lender/Lessor information	Claim delays and processing and commission delay (in California only)
Financing Contract date	GAP Addendum will be rejected
Term	GAP Addendum will be rejected
17 digit VIN Make/Model/Year	Possible rejection at claim time and Dealer liability
GAP Addendum Cost	Regulation Z or disclosure requirement Miscalculation of cancellation refund
Customer Signature	Regulation Z violation
<i>Note: Even if a claim for loss is not eligible for reimbursement under the RIP, the Dealer and assigned Lender/Lessor remain responsible for the obligations under the GAP Addendum.</i>	

Critical Underwriting Criteria

Cash Deals

GAP Addendums can only be sold by the Dealer when the financing is originated through the Dealer. When this occurs, the Dealer is considered the Lender. The Dealer cannot sell GAP if the vehicle is purchased with cash or the Customer brings outside financing.

Customers purchasing a vehicle using the following methods of payment do not qualify to purchase a GAP Addendum. If a GAP Addendum is sold, these GAP Addendums are invalid:

- Cash
- Outside financing
- Outside lien source or
- Substitution of collateral (if the original collateral was purchased through outside financing)

When individual GAP Addendums are submitted, AHiS may identify cash deals by:

- Terms listed as 0 or 1 month
- Monthly payment is the same as the amount financed

If a Dealer submits such GAP Addendum, the Dealer will be contacted and will be asked to fax a copy of the Financing Contract or buyer's order to our underwriting department within 48 hours. If the financing was not originated through the Dealer or if this information is not received, the GAP Addendum will be rejected and the remittance returned. Rejected GAP Addendums are not eligible for administration by AHiS nor will they be insured under the RIP.

Misrepresentation

If any material fact(s) concerning a GAP Addendum is concealed or misrepresented, or in case of fraud, attempted fraud, or the false swearing by affecting any matter relating to the coverage, whether before or after payable loss, the GAP Addendum may be voided and all charges will be returned, less the processing fee indicated in the GAP Addendum.

Please refer to the RIP for all of the conditions, limitations and exclusions that may apply.

Note: Even if a claim for loss is not eligible for reimbursement under the RIP, the Dealer or assigned Lender/Lessor remain responsible for the obligations under the GAP Addendum.

Held Addendums

Incomplete



If the following information is left off a submitted GAP Addendum:

- Term,
- Financing Contract date
- Amount financed

The GAP Addendum is held by AHiS and the Dealer is notified that it has 30 days to submit the information. Management fees on held GAP Addendums will not be paid during this time period.

If the information is not received within 30 days:

Information not received	Result
Term	<ul style="list-style-type: none"> • GAP Addendum is rejected • GAP Addendum and remittance amount is returned to the Dealer • Management fees are not paid on these GAP Addendums
Financing Contract date	<ul style="list-style-type: none"> • AHiS will not administer the GAP Addendum and the insurer will not provide coverage under the RIP
Amount financed	<ul style="list-style-type: none"> • GAP Addendum will remain on hold until information is received • Management fees are not paid until the hold is removed • If amount financed exceeds maximum eligibility limit, the GAP Addendum will be rejected
GAP Addendum cost	<ul style="list-style-type: none"> • GAP Addendum cost is defaulted in our system • Claims or cancellations will not be processed until the information is received
<p><i>Note: Even if a claim for loss is not eligible for reimbursement under the RIP, the Dealer or assigned Lender/Lessor remain responsible for the obligations under the GAP Addendum.</i></p>	

Rejected GAP Addendums

GAP Addendums are rejected if they are:

- Submitted on incorrect forms/program
- Sold with a cash deal
- Paid for with cash (GAP must be financed)
- Written for ineligible collateral
- Missing loan dates (after 30 day holding period)
- Missing terms (after 30 day holding period)
- Amount financed (after 30 day holding period)
- Sold by Dealers without a valid dealer agreement with AHiS

In the event a GAP Addendum is rejected, the GAP Addendum and remittance amount is returned to the Dealer. Rejected GAP Addendums are not eligible for administration by AHiS nor will they be insured under the RIP. Management fees are not paid on these GAP Addendums. The Dealer may be responsible for waiving any GAP Amounts if a claim is filed.

Note: Even if a GAP Amount is not eligible for reimbursement under the RIP, the Dealer or assigned Lender/Lessor remain responsible for the obligations under the GAP Addendum.

Remittance Policy

By the 15th day of the month



The Dealer agreement with AHiS states that the Dealer is responsible for submitting business to AHiS by the 15th day of the following month.

Business submitted after the 15th day of the month will be logged; however, AHiS cannot guarantee that this business will be processed by the close of the month. When business cannot be processed, compensation on this business cannot be paid.

No business will be accepted with Financing Contract dates more than 60-days from the date of business submission, unless the Dealer has remitted such late Addendums in accordance with the GAP Late Submission Agreement. GAP Addendums with Financing Contract dates more than 12 months from the date of business submission will be rejected and are not eligible for administration by AHiS or coverage under the RIP.

Remittance Forms

It is imperative the Dealer submit completed remittance forms with its business. When filled out completely, these forms include:

1. Complete Dealer contact information
 - Dealer Number
 - Name
 - Address
 - Phone
 - Fax
 2. Product type and form code
 3. Listing of each Addendum being submitted
 - Customer's name
 - GAP Addendum number
 - Term
 4. Total number of GAP Addendums being submitted in each term category
 5. Program cost by term
 6. Total Remittance Amount
 7. Name of individual completing remittance
-

Net-Remitting Not Permitted

Many times a Dealer will deduct a cancellation from the remitted to AHiS; which is called a net remit.

Why net-remitting is **not** allowed

Cancellation refunds are calculated by:

- How the program cost is earned
- Deduction of any cancellation fees

When the Dealer attempts this calculation, the refund can be miscalculated. When this happens the processing of the entire batch is delayed while the monies are properly reconciled.

Checks

Checks should be made payable to: American Heritage Insurance Services

Mail to

Send completed remittance report, check and corresponding Addendums to:



American Heritage Insurance Services

PO Box 40525
Jacksonville, FL 32203-0525
Attn: New Business
800-621-4871

GAP Late Submission Agreement

Late Report and Submission of Business

The Dealer agreement between the Dealer and American Heritage Insurance Services (AHIS) requires that all GAP Addendums and payment for the amount due for each GAP Addendum must be submitted to AHIS within 15 days after the end of the month in which the GAP Addendum was issued. Therefore, GAP Addendums received outside of this timeline must be rejected. In accordance with the terms of the Lender Agreement, AHIS, First Colonial Insurance Company and Northbrook Indemnity Company, have no further obligations for these GAP Addendums.

However, AHIS will agree to accept the late GAP Addendums if the Dealer submits the GAP Addendums under a Late Submission Agreement. This Agreement requires the Dealer to:

- Resubmit rejected GAP Addendums by an established deadline
- Enclose the proper remittance amount
- Indemnify American Heritage Insurance Services, First Colonial Insurance Company and Northbrook Indemnity Company for any losses that occur prior to the acceptance date of the GAP Addendums submitted under the Late Submission Agreement.

Note: GAP Addendums with effective dates more than 12 months from the date of business submission are not eligible for submission under a GAP Late Submission Agreement.

Cancellations

Processing of Cancellations

Cancellations are processed through the Jacksonville office. Cancellation requests should come direct from Dealers. The Dealer should contact the Jacksonville office directly for cancellation requests, status, and cancellation refund quotes. Customers that call will be directed back to their Dealers.



Cancellation Submission:

American Heritage Insurance Services
Attn: GAP Cancellations
1776 American Heritage Life Drive, Building B
Jacksonville, FL 32224
800-621-4871 (telephone)
866-398-9021 (fax)

Required Information

In order to process a cancellation, please submit:

1. Copy of the GAP Addendum (financing contract date, Program Cost and term are required for accurate cancellation calculations).
 2. Completed cancellation form.
 3. Customer signature (Not required in the case of repossession).
 4. Proof of repossession from the Lender/Lessor if the cancellation is due to repossession.
-

Continued on next page

Cancellations, Continued

Cancellation Forms

Cancellation forms are included in the original installation kit. Additional forms may be ordered by faxing your request to (916) 631-4698 or by calling (909) 481-2357.

Complete Cancellation Forms include:

- Dealership Name, Address and Telephone number
 - Name and Signature of dealership personnel requesting cancellation
 - Customer's Name
 - GAP Addendum Number
 - Reason for cancellation
 - Cancellation Date
 - Customer's Signature (Not required in the case of repossession)
-

Cancellation Calculation



- First 30 days - if the GAP Addendum is cancelled within the first 30 days the refund will be 100% of the Program Cost
- After the first 30 days - if the cancellation is requested after the first 30 days, the refund will be calculated using the pro-rata refund method described below, less a cancellation fee, where allowed by law

Method	Description
Pro-Rata (most common)	$(\text{Elapsed Term} / \text{Original Term}) - 1 = \text{Factor}$ $\text{Factor} \times \text{Cost Paid} = \text{Refund}$

Note: Refund calculation methods and policies can vary by state or program. Please see the GAP Addendum and/or policy/certificate for specifications.

Cancellation Checks

Cancellation checks are mailed directly to the dealership. Supporting documentation that outlines the GAP Addendum information, cancellation amount and amount due to the lender may be sent to the dealer under separate cover.

If there is an amount due to the lender, the dealer is responsible for submitting the appropriate amount to the lender on behalf of the Customer.

Claims Cancellations

Dealer must notify their Customers to cancel all cancellable products (e.g. vehicle service contracts, credit life products, etc.) as of the date of loss. GAP Addendums are canceled as of the date of loss and the refund amount will be deducted from the GAP Amount during the settlement process. AHiS will refund to the Dealer the unearned portion of the fee received to administrate the GAP Addendum. The dealer is responsible to pay the GAP refund to the Customer's lender along with any other refundable/cancelable items.

Supplies

Dealer Supplies

Starter Kit

The starter kit includes:

- GAP Addendums
- Cancellation Forms
- Producer Procedure Manual
- Remittance Forms
- Brochures



Additional Supplies

Additional supplies can be ordered by:

- Calling : (909) 481-2357
 - Faxing: (916) 631-4698
 - Subject: Supply request for [dealer's name]
 - Dealership Name
 - Contact Name
 - Address
 - Form number
 - Quantity
-

Settlement Process

Time Requirements



All requests to waive a GAP Amount must be reported and required documentation sent to AHIS within 90 days of:

- the Customer receiving settlement from the Primary Carrier; or
- within 90 days of the accident or theft, if no Primary Carrier coverage is in effect on the date of loss; or
- within 90 days of repossession, whichever applies.

Note: Time requirements can vary by state. Please refer to the GAP Addendum for further information.

Required Paperwork



1. Complete copy of the Primary Carrier settlement, including the valuation report and copy of insurance check
 2. Declaration Page from the Primary Carrier insurance policy
 3. Copy of the original Financing Contract and GAP Addendum
 4. Copy of the accident/police/fire report (police report required for theft)
 5. Copy of payoff from the Lender/Lessor as of the date of loss and full loan/lease history
-

MSRP Calculations

MSRP Calculations

The first step in the settlement process is to verify that the MSRP limit specified in the GAP Addendum was not exceeded.

Step	Action						
1	Multiply the MSRP/NADA retail value at the time of purchase by 150% or 120% (depends on the Addendum).						
2	Add the amounts charged for all cancellable products at time of purchase: <ul style="list-style-type: none"> • Service Contracts • Credit Life & Disability • GAP Refund 						
3	The combined total is the Adjusted MSRP. Compare the actual amount financed to the Adjusted MSRP. <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>If the actual amount financed is:</th> <th>Then</th> </tr> </thead> <tbody> <tr> <td>Greater than the Adjusted MSRP</td> <td>Continue to Step 4</td> </tr> <tr> <td>Less than the Adjusted MSRP Retail, the financing is within the required limitations</td> <td>Continue to Settlement Calculation</td> </tr> </tbody> </table>	If the actual amount financed is:	Then	Greater than the Adjusted MSRP	Continue to Step 4	Less than the Adjusted MSRP Retail, the financing is within the required limitations	Continue to Settlement Calculation
If the actual amount financed is:	Then						
Greater than the Adjusted MSRP	Continue to Step 4						
Less than the Adjusted MSRP Retail, the financing is within the required limitations	Continue to Settlement Calculation						
4	Divide the Adjusted MSRP/NADA Retail by actual amount financed.						
5	Multiply the answer from Step 4 by 100 to determine the coverable percentage. The answer is the portion of the net payoff that is covered.						

MSRP Calculations, Continued

Sample 150% MSRP Calculations	MSRP retail Value @ Time of Purchase	\$35,200.00
	x MSRP/NADA Limit 150%	<u>X \$52,800.00</u>
	Plus Service Agreement	+ \$1,200.00
	Plus Credit Life / Disability	+ \$999.00
	Plus GAP	+ \$495.00
	= Adjusted MSRP Retail (B)	= \$55,494.00
	-----	-----
	Allowable amount to finance (B)	\$55,494.00 (B)
	Actual Amount financed (A)	\$48,500.00 (A)
	-----	-----
If (A) exceeds (B) compute B/A x 100 = C C = (the % portion of payoff that is covered)		
<i>Note: Since A is lower than B, the vehicle was not over financed (does not exceed the MSRP limit).</i>		

Settlement Calculation

Settlement The below steps are used to determine the GAP Amount to waive.

Loan is amortized to find out the contractual payoff amount	Gross Amortized Loan Payoff	\$25,365.76
Subtract refunds for any cancellable products such as Credit Life/Disability, Service Contracts or GAP	- Credit Life Refund	\$0.00
Subtract the excess finance amount (if applicable)	- Warranty Refund	\$600.00
Subtract the Primary Insurance Settlement	Net Amortized Loan Payoff	\$25,365.76
Subtract any Miscellaneous Adjustments such as Prior Damage, Condition Adjustments and Salvage, Towing, Storage	Insurable Net Payoff	\$24,765.76
Subtract Maximum Benefit Deduction (anything over \$50,000)	Excess Amt. Financed	\$0.00
GAP covers up to a \$1,000 for the insurance deductible, anything over \$1,000 will be deducted from the claim	<input checked="" type="radio"/> Primary Ins. Settlement	\$16,792.75
	<input type="radio"/> ACV (Actual Cash Value / NADA)	\$0.00
	Settlement Amount	\$16,792.75
	- Misc Adjustment A	\$0.00
	- Misc Adjustment B	\$0.00
	- Misc Adjustment C	\$0.00
	Sub Total	\$7,973.01
	- Maximum Benefit Deduction	\$0.00
	Calculated Settlement	\$7,973.01
	Amount to Waive	\$7,973.01

Note: Once all the figures are entered, the settlement has been determined. Provided all figures were entered correctly and were not prorated, the amount is considered the GAP Amount to waive. If any amounts were prorated, the settlement amount can change.

Frequently Asked Questions

Q:	When can a GAP Addendum be sold?																				
A:	Dealerships can only sell a GAP Addendum on the date the vehicle is purchased.																				
Q:	Can GAP coverage be written on commercial vehicles?																				
A:	Yes, but only if the dealer is signed up to write the Commercial GAP Program and uses the Commercial GAP Addendum. Commercial vehicles and commercial use are not covered under the standard GAP programs. Contact your agent for further information.																				
Q:	If the Customer refinances, does the GAP Addendum transfer to the new Financing Contract?																				
A:	No, please refer to termination definition on the front of the Addendum. When we are notified of original loan prepayment the GAP Addendum will be terminated and no coverage will be in effect in the event of a constructive total loss. In order to purchase GAP coverage on the new Financing Contract, the Lender/Lessor who is providing the refinancing will have to sell a new GAP Addendum to the Customer. The Customer cannot return to the Dealer who sold the original GAP Addendum to purchase a GAP Addendum on the new Financing Contract. The Dealer must notify AHIS as soon as it is made aware of a refinanced loan.																				
Q:	Is the GAP Amount waived in the event that there is no Primary Carrier insurance coverage in place?																				
A:	Yes, the GAP Amount will still be waived in the event that there is no Primary Carrier insurance in effect on the date of loss. If there is no Primary Carrier insurance coverage in effect, the GAP Amount will be calculated using the NADA retail value of the covered vehicle as of the date of loss, in lieu of a Primary Carrier settlement amount.																				
Q:	Can a GAP Addendum be sold on vehicles financed in excess of the Maximum Eligibility Limit (150% of MSRP/NADA or 120% MSRP/NADA) stated on the GAP Addendum?																				
A:	Yes it can; however, the portion of the net payoff that exceeds the Maximum Eligibility Limit stated on the front of the GAP Addendum at time of sale will be deducted from the GAP Amount. Below is an example of how this is determined at claim time.																				
	<table border="1"> <tr> <td>MSRP/NADA Retail Value @ time of purchase</td> <td>\$ 35,200.00</td> </tr> <tr> <td>x's MSRP/NADA limit of 150%</td> <td>\$ 52,800.00</td> </tr> <tr> <td>Plus Service Agreement</td> <td>\$ 1,200.00</td> </tr> <tr> <td>Plus Credit Life/Disability</td> <td>\$ 999.00</td> </tr> <tr> <td>Plus GAP</td> <td>\$ 495.00</td> </tr> <tr> <td>= Adjusted MSRP Retail</td> <td>\$ 55,494.00</td> </tr> <tr> <td>Allowable Amount to Finance (B)</td> <td>\$ 55,494.00</td> </tr> <tr> <td>Amount Financed (A)</td> <td>\$ 56,700.00</td> </tr> <tr> <td>If (A) exceeds (B) compute B/A</td> <td>0.98</td> </tr> <tr> <td>x's 100 = % Proportion of Net Payoff that is covered</td> <td>98%</td> </tr> </table>	MSRP/NADA Retail Value @ time of purchase	\$ 35,200.00	x's MSRP/NADA limit of 150%	\$ 52,800.00	Plus Service Agreement	\$ 1,200.00	Plus Credit Life/Disability	\$ 999.00	Plus GAP	\$ 495.00	= Adjusted MSRP Retail	\$ 55,494.00	Allowable Amount to Finance (B)	\$ 55,494.00	Amount Financed (A)	\$ 56,700.00	If (A) exceeds (B) compute B/A	0.98	x's 100 = % Proportion of Net Payoff that is covered	98%
MSRP/NADA Retail Value @ time of purchase	\$ 35,200.00																				
x's MSRP/NADA limit of 150%	\$ 52,800.00																				
Plus Service Agreement	\$ 1,200.00																				
Plus Credit Life/Disability	\$ 999.00																				
Plus GAP	\$ 495.00																				
= Adjusted MSRP Retail	\$ 55,494.00																				
Allowable Amount to Finance (B)	\$ 55,494.00																				
Amount Financed (A)	\$ 56,700.00																				
If (A) exceeds (B) compute B/A	0.98																				
x's 100 = % Proportion of Net Payoff that is covered	98%																				
	<p>Although there is an MSRP limit, the Customer is not penalized for purchasing additional items such as GAP, service contracts, and/or credit life/disability. As shown above, financed items are added on top of the MSRP limit. Most GAP program providers only take the MSRP/NADA value and multiply by the MSRP percentage, without allowing for these additional items, and that is the allowable finance amount.</p> <p>Additionally, if the amount financed exceeds the MSRP limit, the over-financed amount at the time of purchase is deducted at the time of claim. Our calculation takes into consideration that the over-financed amount at the time of purchase is reduced as payments are made.</p> <p>In the above example the Customer was over-financed by \$1,206. AHIS' calculations gives the Customer credit for paying on the over-financed amount as payments are made and does not deduct the full over-financed amount of \$1,206 unless a payable loss occurred before any payments were made.</p>																				

Continued on next page

Frequently Asked Questions, Continued

Q:	What is the maximum selling price for GAP?
A:	The maximum selling price is \$795.00, except in the states of IN, NV, OR and PA, please contact CUDL for maximum selling price.
Q:	Within how many days does a Customer have to report a loss to request the GAP Amount to be waived?
A:	The Customer has 90 days from the Primary Carrier's settlement date to report the loss and supply all required documentation to have their GAP Amount waived. After 90 days, the GAP Amount will not be waived.
Q:	Is a police/fire report required?
A:	Yes, in the event of a(n): <ul style="list-style-type: none"> • Theft, a police report is required • Accident, without a police report, a Customer statement is required • Fire, a fire report is required
Q:	How long does it take to process a request for a GAP Amount to be waived?
A:	Once all the documents are received by AHIS, requests are processed within 5-7 business days, unless otherwise required by law.
Q:	Is the GAP Addendum canceled in the event of a constructive total loss?
A:	Yes, the GAP Addendum will be canceled as of the loss date. Any unearned charges will be returned to the Dealer. The Dealer is then responsible for forwarding the entire amount of the unearned charges to the Lender/Lessor.

