



***GAP***  
***Procedure Manual***

***CNA NATIONAL***<sup>®</sup>

Effective January 2004

# GAP Procedure Manual

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## CNA National Warranty Corporation

**Mailing Address: P. O. Box 2840 • Scottsdale, AZ 85252-2840**

**Street Address: 4150 North Drinkwater Blvd. • Suite 400 • Scottsdale, AZ 85251**

**800-345-0191 or 480-941-1626**

# Introduction

This manual was prepared to help your dealership implement the GAP program administered by CNA National Warranty Corporation.

Effective and efficient administration of the GAP program can be achieved through careful attention and use of these guidelines. Please read this manual carefully and use it as a reference guide.

# Underwriting Guidelines

## Purchased or Leased Vehicles

1. Only those vehicles sold under a retail installment sales contract or leased under a lease agreement by you (dealer) to the borrower/lessee of the covered vehicle are eligible for GAP coverage.
2. GAP coverage may be purchased only at the time the vehicle finance or lease contract is executed.
3. **Covered vehicle:** any private passenger car, pickup, sport utility or van that is used for personal use; does not exceed a one-ton rating or a Gross Vehicle Weight of more than 11,500 pounds\*; is primarily garaged and used in the United States and Canada; is not used for commercial purposes; is 10 model years (current plus nine prior model years) or less on date of sale; does not have an MSRP or NADA retail value of more than \$100,000.

### Eligibility Chart

Current Calendar Year	Eligible GAP Model Year
2007	1998 and newer
2008	1999 and newer
2009	2000 and newer

4. **Finance/lease limits:** The maximum amount financed/leased shall not exceed 150% of the Manufacturer's Suggested Retail Price "MSRP" for new vehicles or 150% of the NADA retail value for used vehicles. The maximum finance/lease term for new or used vehicles shall not exceed 84 months.
5. **GAP issue date (effective date):** The sale date of GAP to the borrower or lessee. Coverage begins on this date.
6. **Financing contract term:** The GAP term is the same as the term of the retail installment sales contract or the lease agreement.
7. **Primary insurance:** Each GAP holder must maintain automobile physical damage insurance throughout the contract term.
8. **Coverages\*:** GAP Advantage Program<sup>SM</sup> (blue typeface on Part I); GAP Preferred Program<sup>SM</sup> (black typeface on Part I). Each listed coverage has a separate addendum/policy.

\*State/lender restrictions may apply.

# Underwriting Guidelines

8. **Ineligible vehicles, usages and equipment:** See pages four through six of this manual.

## **Ineligible Financing**

Financing with “balloon” payments is not eligible. Loan/lease must originate at selling dealership; cash deals are not eligible.

Non-conventional loans such as farm loans and FMCC’s “flex-buy” are eligible; however, in the event of a claim, these types of loans will be converted to a conventional loan of equal monthly installments. After conversion, the loan will be amortized to arrive at what the outstanding balance on the date of loss would have been had payments been made based on a conventional loan schedule. The claim adjustment will be based on that amount.

For questions regarding eligible financing, contact:

CNA National’s Underwriting Department  
800-345-0191, ext. 402

\* State/lender restrictions may apply.

# Underwriting Guidelines

## Examples of Ineligible Vehicles

Acura NSX  
Aston Martin  
Bentley  
BMW “8” Series  
Calloway Corvette  
Centurion Trucks  
Chevrolet Kodiak  
Corvette ZR1 (or any modified version)  
Crosslander  
Daewoo  
Daihatsu  
Dodge Sprinter  
Dodge Viper  
Excaliber

Ferrari  
Ford (2004 GT40)  
Fuqui  
Hummer (H1)  
GMC Topkick  
Lamborghini  
Lotus  
Maserati  
Mercedes “600” Series  
Porsche Turbo  
Prowler  
Rolls Royce  
Saleen Mustang

# Underwriting Guidelines

## Ineligible Vehicles

- A. Any vehicle with a Gross Vehicle Weight exceeding 11,500\* pounds.
- B. Any vehicle with chassis over one ton.
- C. Any vehicle not primarily garaged and used in the United States and Canada.
- D. Any vehicle that has been mechanically modified from the original factory specifications, e.g., turbo, lift kits, high-performance powertrains, snowplows.
- E. Any vehicle with a van conversion not made by the manufacturer or a conversion not approved by the manufacturer.
- F. Any vehicle with an MSRP or NADA retail value exceeding \$100,000.
- G. Any vehicle older than 10 model years (current plus nine prior model years) on date of sale.
- H. Any vehicle not listed in an approved market guide.
- I. Any vehicle excluded by borrower's/lessee's primary automobile insurance company.
- J. Any vehicle that is a motorhome.
- K. Any gray-market vehicle.
- L. Any vehicle sold by other dealers, lessors or private parties.
- M. Any vehicle with an inoperative odometer at time of sale or where the actual mileage on the vehicle cannot be determined.
- N. Any vehicle on which the manufacturer has voided or rescinded the factory warranty.
- O. Any vehicle that is a kit car, replicar or is predominantly handmade.
- P. Any vehicle with a branded or salvaged title.

\*Lender restrictions may apply. Refer to GAP Addendum for specific guidelines.

# Underwriting Guidelines

## **Ineligible Vehicle by Use:**

Any vehicle used for commercial purposes; any vehicle used to carry goods or passengers for compensation which includes but is not limited to, using a vehicle as a taxi, shuttle, rental or limousine; any vehicle used for livery or delivery services where compensation is provided for those services. Any vehicle used for competitive driving, racing or contests of speed. Any vehicle used for emergency services; police or other law enforcement services or security services. Any vehicle used for plowing snow; cable or line installation or removal; hauling or hauling for hire. Any vehicle used to tow a trailer or boat unless the vehicle is equipped with a tow package that meets or exceeds manufacturer's towing package specifications.

## **Ineligible Vehicles by Design/Equipment:**

Any vehicle that has been modified for commercial purposes. Step vans, high-cube vans or box bodies; cabs and chassis or other incomplete vehicles. Vehicles equipped with right-hand steering; snowplows or snowplow connections; flat beds, dump beds, commercial towing equipment, cherry pickers, lifting or hoisting equipment.

*NOTE: All vehicles over 1-ton are ineligible.*



# Completing the GAP Addendum

## Completing the GAP Debt Waiver Addendum

General Instructions: All copies should be legibly printed or typewritten. Strikeovers should be corrected on all copies and initialed by the customer. Incomplete contracts may be returned. If you have questions, please call the Underwriting Department at 800-345-0191, extension 402.

### How to Complete the GAP Debt Waiver Addendum

1. **Dealer/Lender/Lessor:** Include name, phone number (with area code) and mailing address.
2. **Borrower or Lessee:** Include name, phone number (with area code) and mailing address.
3. **Financial Institution (lienholder):** Include name, phone number (with area code) and mailing address.
4. **Contract Term (months):** The number of retail installments or lease payments. GAP coverage will expire at the end of the term indicated. Contract term cannot be in excess of 84 months.
5. **Purchase or Lease:** Check the appropriate box.
6. **GAP Issue Date (effective date):** The date (month/day/year) that dealer/lender/lessor sold GAP coverage to the borrower(s) or lessee(s).
7. **Sale Mileage:** Actual mileage on the vehicle's odometer on the GAP issue date.
8. **GAP Addendum Purchase Price:** The total dollar amount charged the borrower/lessee for GAP coverage.
9. **Year:** Model year of the vehicle. Vehicles that are older than ten model years (current model year plus nine prior) are ineligible; see page two of this manual.
10. **Make:** Manufacturer of the vehicle, e.g., Chrysler, Ford, Honda, etc.

## Completing the GAP Addendum

11. **Model:** Model name of the vehicle, e.g., Sebring, Mustang, Accord, etc.
12. **Vehicle Identification Number “VIN”:** The complete 17-digit vehicle identification number (VIN) of the vehicle.
13. **MSRP/NADA Retail Value:** This is the true Manufacturer’s Suggested Retail Price. For new vehicles, this is the price listed on the Monroni Sticker attached to vehicle’s window. For used vehicles, it is the dealership’s “best estimate” based on the NADA retail value. No additional dollar amounts for dealer add-ons or customer-added accessories should be listed as part of the retail value.
14. **Monthly Payment:** The amount of the payments.
15. **Financed Amount or Lease Net Capitalized Cost:** This is the amount of credit extended to, or on behalf of, the borrower/lessee that is listed in the Truth-In-Lending section of the retail sales agreement or the leasing disclosure section of the lease agreement. It represents the sum of figures listed in the itemization of amount financed or gross capitalized costs section of either the retail sales agreement or lease agreement.

*Note: The total amount financed/leased cannot exceed 150% of MSRP for new vehicles or NADA retail value for used vehicles.*

16. **Alternate Financing:** Farm loans, FMCC’s “flex-buy,” etc.
17. **Residual Value:** For leases, the value of the vehicle at the end of the lease term that is determined at the beginning of the lease.
18. **Dealer/Lender/Lessor; Borrower or Lessee; Co-borrower/Co-lessee:** Sign and date in the appropriate boxes.

*Note: See sample GAP Addendum on following page.*

# Sample GAP Addendum



## Guaranteed Auto Protection GAP Advantage Program Debt Waiver Addendum ENROLLMENT

GAP NUMBER: **GPR-13998846**

This Guaranteed Auto Protection (GAP) Debt Waiver Addendum ("Addendum") amends Your retail installment sales/loan/lease contract ("Finance Contract").

DEALER/LENDER/LESSOR			BORROWER OR LESSEE		
PHONE NO. ( ) <b>1</b>			PHONE NO. ( ) <b>2</b>		
MAILING ADDRESS			MAILING ADDRESS		
CITY	STATE	ZIP	CITY	STATE	ZIP

FINANCIAL INSTITUTION <b>3</b>	PHONE NO. ( )
MAILING ADDRESS	CITY STATE ZIP

AGREEMENT TYPE AND COVERAGE PERIOD	CONTRACT TERM (MONTHS) <b>4</b>	PURCHASE <b>5</b> LEASE	GAP ISSUE DATE MONTH/YEAR <b>6</b>	SALE MILEAGE <b>7</b>	GAP ADDENDUM PURCHASE PRICE \$ <b>8</b>
COVERED VEHICLE DESCRIPTION	YEAR <b>9</b>	MAKE <b>10</b>	MODEL <b>11</b>	VEHICLE IDENTIFICATION NUMBER "VIN" <b>12</b>	
VALUE OF COLLATERAL	MSRP/NADA RETAIL VALUE \$ <b>13</b>	MONTHLY PAYMENT \$ <b>14</b>	FINANCED AMOUNT OR LEASE NET CAPITALIZED COST \$ <b>15</b>		
ALTERNATE FINANCING <input type="checkbox"/> <b>16</b>		RESIDUAL VALUE \$ <b>17</b>			

\*Maximum Contract Term cannot exceed 84 months and value of collateral cannot exceed \$100,000.

By signing below You acknowledge that You have read and understand the provisions contained in this Addendum including State Provisions on the back and that You are not relying on any other writings or any other representations or promises other than those within this Addendum. If any of the information shown in the registration section is in error, You must contact the GAP Program Administrator immediately. The GAP Program Administrator will make any appropriate changes by endorsement to this Addendum and will immediately forward a copy of the endorsement to You via first-class mail. In the event of a Total Loss, You are responsible for notifying Your Primary Automobile Insurance Company and the GAP Program Administrator. See "How to Submit a Claim" for additional information. By signing below, You accept this contract.

The information shown above is true to the best of our knowledge			
DEALER/LENDER/LESSOR	DATE <b>18</b>	BORROWER OR LESSEE	DATE
		CO-BORROWER/CO-LESSEE	DATE

**ELIGIBILITY LIMITS:** You may purchase this Addendum only at the time the Finance Contract is executed. This Addendum may not be attached to a Finance Contract under which: (a) the financed amount or lease capitalized cost exceeds \$100,000 or 150% of the Manufacturer's Suggested Retail Price ("MSRP") for a new vehicle or 150% of the National Automobile Dealers Association ("NADA") Used Car Guide retail value for a used vehicle, (b) the purchase price or lease capitalized cost or the MSRP for a new vehicle or the NADA retail value for a used vehicle exceeds \$100,000, or (c) the Finance Contract term exceeds 84 months.

**ELECTION:** You have elected to purchase this Addendum for a separately stated charge. Your purchase of this Addendum is strictly voluntary and is not a requirement to obtain credit or favorable credit terms. You may, at Your option, purchase GAP protection from the Lender or another source that is acceptable to the Lender. This Addendum is not automobile insurance, nor does this Addendum fulfill any requirements of any financial responsibility laws. You understand that GAP benefits under this Addendum decrease over the term of the Finance Contract and that some provisions within this Addendum may restrict or limit these benefits. You agree to maintain automobile physical damage and collision coverage through Your Primary Automobile Insurance Company for the full term of this Addendum, as required by the terms of the Finance Contract.

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**DEALER**

Instructions for completing the above form begin on page 7.

## Endorsement (Correction Notice)

As the dealer, lender, or lessor, you are responsible for the proper issuance of GAP addenda within the underwriting guidelines established by CNA National Warranty Corporation.

If you improperly issue GAP, we will endorse the coverage. An endorsement (correction notice) will be mailed to you and a copy will be sent directly to the GAP holder.

In the event that GAP is issued on an ineligible vehicle, CNA National may void the coverage and send a notice to all parties via first-class mail notifying them that the coverage has been voided.

*Note: GAP coverage may be changed only  
by an endorsement issued by CNA National.  
Contact our Underwriting Department  
for additional information,  
800-345-0191, ext. 402.*

# GAP Register and Remittance Report

Please follow the guidelines listed below for submitting GAP addenda.

1. All GAP addenda are issued to you in numerical order. You should, therefore, issue them to your customers and list them on the GAP Register and Remittance Report in the same numerical order.
2. If an error is made while preparing the addendum that necessitates it being voided, be sure to include it on the register in its proper numerical sequence and submit it along with the newly issued addendum.
3. Complete the GAP Register and Remittance Report with the following information (see sample report on the following page):
  - A. The name of the dealership/lender/lessor, along with address and phone number.
  - B. Your dealership's number (assigned to you by CNA National).
  - C. Effective date of GAP.
  - D. Surname or business name of borrower or lessee.
  - E. GAP number (as shown on the enrollment form).
  - F. Contract or finance term, which is the number of retail installments or lease payments.
  - G. The GAP fee is your cost for each GAP issued.
  - H. The total of all GAP fees as listed; your check should be written for the "total of all pages" and made payable to CNA National Warranty Corporation.
4. Submit the following to CNA National Warranty Corporation:
  - A. Original (white copy) Register and Remittance Report.
  - B. "Administrator's" copy (pink) of addendum, even if voided.
  - C. Your check for the total remittance, made payable to CNA National Warranty Corporation.

***Note: Do not list or deduct cancellations on GAP Register and Remittance Report.***

# Sample GAP Register and Remittance Report



Today's Date \_\_\_\_\_ Page \_\_\_\_\_ of \_\_\_\_\_ pages

Register for Month \_\_\_\_\_ Year \_\_\_\_\_

## Monthly Register and Remittance Report

Dealer/Lender/Lessor **A** \_\_\_\_\_ Dealership No. **B** \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone No. \_\_\_\_\_

Effective Date	Name	GAP Number	Contract Term	GAP Fee	Service Center Use Only
1	C	D	E	F	G
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

**IMPORTANT**

CNA National Warranty Corporation — Accounting Department  
 P.O. Box 2840—Scottsdale, Arizona 85252-2840  
 800-345-0191 — 480-941-1626

**TOTAL THIS COLUMN**

**TOTAL ALL PAGES**

(Your check should be for this amount)

<b>H</b>
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\_\_\_\_\_  
 PREPARER'S SIGNATURE

**REMEMBER TO ENCLOSE:**

- Copies of each GAP addendum
- Your check for total amount (do not deduct for cancellations)
- White copies of Monthly Register and Remittance Report

White - CNA National Warranty Corporation

Yellow - Issuing Dealer

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*Instructions for completing the above form are on page 11.*

# Transfers and Cancellations

## Transfers

GAP addenda are not transferable.

## Cancellations

GAP coverage is cancelable. Refer to the appropriate GAP addendum “Cancellation” and “State Provisions” sections for specific details. This information can be found on the reverse side of the Purchaser’s copy of the GAP addendum.

All cancellation requests must be processed through you (see sample Cancellation Request and Release form on page 15).

Cancellation of GAP coverage is subject to:

- State law specifically addressing GAP cancellation.
- Lender/financial institution rules regarding cancellation.
- Terms of the cancellation as stated in the GAP addendum.

### 1. **GAP Holder Request for Cancellation**

GAP holder(s) may cancel their addendum at any time by doing the following:

- Surrender the addendum to you.
- Mail a written notice to you requesting cancellation.
- Complete and sign a Cancellation Request and Release form.

### 2. **Lienholder Cancellation**

If GAP is financed either in conjunction with the purchase of the vehicle or separately, CNA National will name the lienholder as an additional payee for any refund due.

# Transfers and Cancellations

## 3. **Your Cancellation Responsibilities**

You, as the dealer/lessor/lender, are responsible for returning all cancellation refunds, including your portion, to the financial institution and/or the GAP holder as their interest may appear.

- All cancellation requests must be processed through you.
- The cancellation is effective the date requested, provided CNA National receives the cancellation request and appropriate documentation within 30 days of that date.

## 4. **Cancellation Refunds**

Cancellation refunds will be made according to the provisions stated in the GAP addendum or as required by mandatory state endorsement to the coverage.

## 5. **Flat Cancellations**

A cancellation request must be made within 60 days of GAP effective date.

## 6. **Cancellation Quotes**

A cancellation quote may be obtained by calling the CNA National Underwriting Department at 800-345-0191, extension 412, or by faxing a completed cancellation request form to 800-345-1169.



# Transfers and Cancellations

## Sample Cancellation Request

<b>CNA NATIONAL</b> <b>GAP</b>		<b>Cancellation Request and Release Form</b>							
Completed by: Dealer/Lender/Lessor		Dealership Code #: _____							
		Today's Date: _____							
_____ Selling Dealer/Lender/Lessor		_____ GAP No.							
_____ Address		_____ Customer Name							
_____ City, State, Zip		<table border="1"><tr><td colspan="3" style="text-align: center;"><b>CANCELLATION DATE†</b></td></tr><tr><td style="text-align: center;">_____ Month</td><td style="text-align: center;">_____ Day</td><td style="text-align: center;">_____ Year</td></tr></table>		<b>CANCELLATION DATE†</b>			_____ Month	_____ Day	_____ Year
<b>CANCELLATION DATE†</b>									
_____ Month	_____ Day	_____ Year							
_____ Dealer Signature									
<input type="checkbox"/> <b>Customer Request*</b>	<input type="checkbox"/> <b>Flat Cancel*</b> (Request must be made within 60 days of GAP effective date)	<input type="checkbox"/> <b>Repossession</b> (Attach proof of repossession from lienholder)							
*All flat cancellations and customer requests require signature of GAP holder(s)									
<b>CANCELLATION DISCLOSURE</b>									
<p>1. If your GAP purchase price was included in your vehicle financing, any refunds will be returned to the lienholder.</p> <p>2. If your GAP purchase price was included in your vehicle financing, the refund to the lienholder will be deducted from the principal of your loan and capitalized cost for lease and may not lower your monthly payment.</p> <p>3. Your GAP addendum refund will be calculated according to the provisions stated in the GAP addendum or as specified by state endorsement.</p> <p>4. Once your GAP coverage has been canceled, you will be responsible, in the event of a total loss, for the difference between the payoff of the finance/lease outstanding balance and your automobile physical damage insurance settlement.</p> <p>5. If you selected GAP Preferred<sup>SM</sup> and cancel your coverage, no coverage will be provided for a \$1,000 discount allowance from selling dealership on a replacement vehicle in the event of a total loss.</p> <p>Refer to your GAP addendum and any applicable state mandatory endorsement for cancellation provisions that may apply.</p> <p>I/we (GAP holder[s]) have read the above cancellation disclosure statements, and fully understand that the cancellation will be processed as outlined above and my GAP coverage will no longer provide any benefits from this date forward. I/we further understand that the Dealer/Lender/Lessor and CNA National Warranty Corporation are released from any and all claims made under the GAP addendum. (Please allow 30 days from today's date to process cancellation.)</p>									
† This form MUST be received by CNA Service Center within 30 days of cancellation date indicated above.									
_____ Borrower/Lessee Signature		_____ Date							
_____ Co-Borrower/Co-Lessee Signature		_____ Date							
<b>CNA Service Center</b> P.O. Box 2840 • Scottsdale, Arizona 85252-2840 Toll-Free 800-345-0191 • 480-941-1626 White/CNA Service Center    Yellow/Dealer/Lessor/Lender									
6908 (03/07)									

*See pages 13 and 14  
for information on cancellation procedures.*

# Borrower/Lessee Duties in the Event of a Claim

## How to Submit a Claim

In the event of a total loss, the borrower or lessee must provide the following documents to us, as the GAP program administrator, within ninety (90) days of the primary automobile insurance company settlement:

1. A complete copy of the primary automobile insurance company policy and settlement statement including the method for determining the actual cash value of the vehicle at the date of loss.
2. A copy of the original finance contract including the purchase order or buyers agreement.
3. A copy of the accident/theft police report.
4. A statement from the lender showing the net finance contract payoff amount as of the date of loss.
5. Complete payment history, statements regarding any late payments or any other charges, if any.

The borrower or lessee is responsible for requesting and completing all cancellations on all cancelable items and must provide reasonable documentation requested by us as the GAP program administrator. All documents must be sent to the address shown at the bottom of this page.

In addition, the borrower/lessee must:

- promptly send us any legal papers or notices received concerning the claim;
- cooperate with us in the investigation, adjustment and settlement of the claim;
- not make a settlement of any claim or statement that will assume any obligation or admit any liability for any loss for which we may be liable under the insurance provisions provided by GAP without our written consent.

## Send documents to:

CNA National  
Attn: GAP Program Administrator  
4150 N. Drinkwater Boulevard, Suite 400  
Scottsdale, AZ 85251