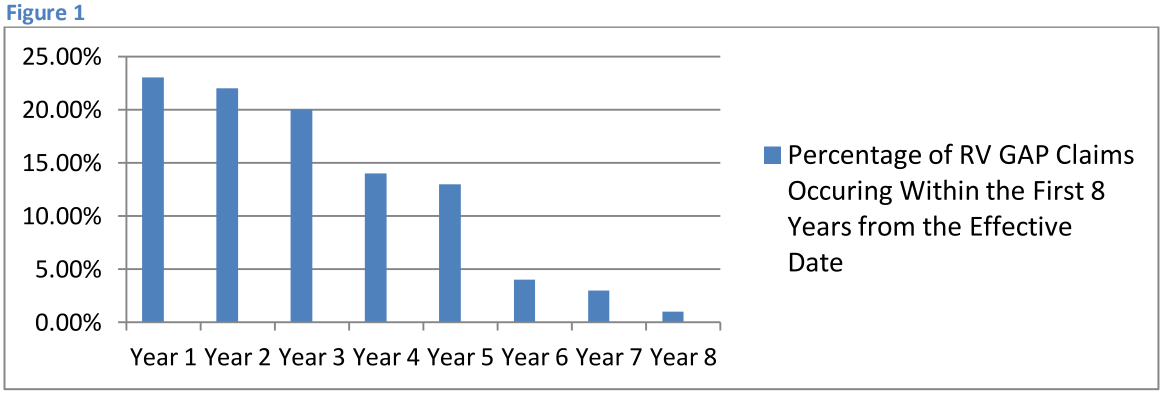
Does your present RV Gap program fit the needs of your customer demographic?

In the past several years, Gap providers have been introducing programs including longer term RV Gap. These come with a 10 year Gap term at a substantially increased rate and with added surcharges for 15 year and 20 year financing. These programs also include an underwriting provision that states the Gap term must be no less than 10 years when the finance term is 10 years or more. This eliminates the availability of the less expensive, but more than adequate, 6 and 7 year Gap for you and for your customers.

Now consider the following:

1. 87% of RV shipments to dealers are in the RV towable categories.
2. Of these, over 90% are in the retail price range of $150,000 or under.
3. A recent study of nearly 13,000 RV Gap contracts sold showed 97% were on RVs priced under $150,000.
4. A study of first time RV buyers showed that a substantial number opt to trade within 5 years of purchase and most in 1 or 2 years.
5. Although depreciation varies by brands and model, depreciation on average levels off after the first 2 years and by the 6th or 7th year of continued ownership, many customers have attained equity or are close to it.
6. Figure 1 below shows both when claims occur and the percentage of them falling in each year during the first 8 years. This demonstrates the need for RV Gap during the first 5 years with Gap claims frequency reducing thereafter.

Figure 1



With those facts in mind, do you really need to offer a 10 year Gap to your customers? Look at the pricing for a 10 year Gap on a 15 or 20 year finance term and compare the prices to a 6 or 7 year program. Are you paying your provider too much? Do these costs lead to using up too much of the funds available for service contracts, tire and wheel, appearance packages or other profitable aftermarket products?

With your Gap costs increased by the necessity of offering only a 10 year Gap, can you still add enough to the customer's cost to maintain your percentage of profit and, more importantly, your sales penetration?