



# STATE OF INDIANA

# DEPARTMENT OF FINANCIAL INSTITUTIONS



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September 15, 2008

Re: Indiana GAP programs

GAP Provider Addressed:

During the past several months, the Department has studied GAP pricing, rebating, and other factors to analyze what might be done to modernize the product in Indiana. After conducting two surveys of the currently approved GAP providers, and having the results reviewed by an actuary, the Department has made the following changes for GAP providers.

1. A new GAP maximum price to the consumer has been set, effective January 1, 2009; in order to take advantage of the higher maximum customer price, the GAP program must provide for a Pro-rata refund in the event the customer prepays in full.
2. \$460 is the new maximum GAP price to consumers, starting January 1, 2009. The DFI has decided not to implement a step-rate based on amount financed and/or loan term due to concerns expressed by several responders that this may complicate the transaction for all parties. As with existing GAP approvals, an approved GAP program can be offered to the customer at the maximum cost or less, as determined by the GAP provider and the initial auto dealer/creditor.
3. GAP providers must notify the DFI in writing by December 1, 2008 if they plan to request the new price and rebate structure.
4. The maximum GAP price to consumers may adjust every July 1 of the even numbered years based on changes in the Consumer Price Index (CPI) as published by the Bureau of Labor and Statistics, with the first potential adjustment taking place on July 1, 2010. (Certain dollar values in the Indiana Uniform Consumer Credit Code adjust in a similar fashion).
5. GAP providers may maintain their existing Indiana DFI-approved programs (including pricing and rebating) by simply notifying the Department of this determination.

**You may notify the Department of your pricing plans at any time, but you must respond before December 1, 2008. All other existing requirements of DFI for the customer GAP agreement as to standardized and required language, format, approved form, etc. will remain in force.**

GAP program renewals will continue to be required by June 1<sup>st</sup> each year. Future renewals will require the program administrator to report the number of GAP waivers (contracts, certificates) sold in Indiana in the defined 12-month reporting period. The administrator will also be asked to provide the number and amount of payments made on GAP claims processed during the same defined period. Be prepared to have this information available.

**Equal Opportunity Employer**

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Contact the Department if you have questions about this information.

Sincerely

Mark B. Tarpey  
Division Supervisor  
Consumer Credit Division