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A Guide to No Claim Discount

No Claim Discount (NCD)

Running a car is expensive enough without paying more than you have to for your car insurance. That's why earning a no claims discount could make paying for a premium a little easier on your pocket. Who knows how much you could save on your car insurance premiums by aiming for a year's claim free driving.



What is a NCD?

Also called a no claim bonus, it works like a reward system for claim-free driving. In other words, it is intended for those who haven't claimed for accidents, thefts or suffered damage to their car.

How does a NCD Work?

For every claim free year, motorists could get a discount on their next year's car insurance cover. A NCD is described as one of the most important parts of a car insurance policy, [according to the Which? website](#)¹, which revealed motorists can enjoy potential savings of over 50%.

Meanwhile, the [British Insurance Brokers' Association](#)² (BIBA) confirmed that first year reductions can be around 30%.

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How many years NCD could you earn?



Get you and your family covered

Motorists can accumulate claim free years up to a maximum number of years which will vary across different insurers, with some offering discounts for up to nine years. Discount amounts don't necessarily remain the same year-on-year; they can accumulate annually for motorists who drive without making a claim.

So, five consecutive years' claim-free driving can deliver discounts of between 60% and 65%, according to the BIBA2.

How is the discount applied?

Drivers don't receive cash back for their claim-free driving. Instead, a discount is applied to the cost of their insurance premium. New drivers often aren't eligible for a NCD, but, although terms will vary across different insurers, those who have been on the road for over 12 months will usually qualify. The number of years a driver has built up their NCD is usually shown on the insurance renewal documentation.

No claim discount proof

In order to receive their discount, drivers have to prove their no claims status. One way to do this is by providing the original renewal quote document. If there are no differences between the number of years on the renewal invitation and the amount the driver has stated, then the insurance company may take this written evidence as proof.

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Can you lose your NCD?

Your NCD can be withdrawn or affected when you claim on your car insurance (unless it is protected), typically under the following scenarios:

- Accidents where it was another driver's fault: Drivers might find their discount temporarily suspended or reduced. However, if the cost of the claim is recovered by your insurance company, then your discount may be preserved.
- Accidents where no-one is to blame: Where a claim is made but a fault cannot be decided, then all parties involved can expect to lose their discount.
- Weather-related damage: If you damage your car whilst driving in snow for example, and have to claim on your car insurance, this might have an impact on your NCD.

Situations where you may not lose your NCD



Usually, situations vary between insurers, but a common example could be windscreen damage. Claiming for the cost of having a professional fill chips or cracks in your windscreen usually doesn't affect a driver's NCD. However, this provision may vary according to different insurers so it could be worth checking.

If you choose to switch insurance providers, your discount shouldn't be affected – but again it is worth checking the Terms & Conditions. To transfer your discount to your new provider, you may need to ask your previous insurer to provide proof of your NCD entitlement.

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What is NCD protection?

Drivers may be able to protect their discount, usually for an added cost, by adding no claim discount protection to their cover. Over the years a claim-free driver can build up a good amount of NCD and may choose to protect it. This could allow drivers to make certain claims without losing their NCD. Your insurance company will be able to give you any details.



Protect your no claim discount

Why shouldn't you protect your NCD?

Protection of a NCD is placed at between 10 to 15% of your policy, according to [Which?](#)¹. Motorists should weigh up whether they consider protecting their discount will help save them money long-term.

Named drivers and NCD

No claim discounts are usually reserved for the main policy holder, but some policies also extend the discount to named drivers. Young drivers, for example, who are a named driver on their parent's car insurance policy can check whether they are eligible for a no claim discount, earned while a named driver, when they come to apply for their own policy. If a named driver has built up NCD, it can't be carried across to another insurance provider.

Company Cars and NCD

You may be able to transfer your discount built up on a company car to your private vehicle. However if you drive your own car as well as a company car, then it may not be possible to build up a NCD on both vehicles at the same time. It's always worth talking to your insurer to see what options are available to you.

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- 1) <http://www.which.co.uk/money/insurance/guides/how-it-works-and-what-it-covers/no-claims-bonus-on-car-insurance/>
- 2) <http://www.biba.org.uk/InsuranceGuides.aspx?Name=Car-Insurance-Advice>

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