

We explain to you the common jargons used in car insurance and how it affects you.



In most cases, car owners sign up for a car insurance plan so that they can avoid taking out their hard earned money from their pockets in the event when something goes wrong. All they have to do is simply make a claim. However, there are benefits available for the car owners if they do not make any claims over a certain period of time - it's called the NCD. What is NCD? NCD stands for No-Claim Discount. This is a discount offered by car insurers for those car owners who have not made any claims within a year or more. The longer the car owners do not make any claims, the better the discount they may be eligible for. The No-Claim Discount or NCD is meant to reduce the premium that car owners will have to pay the following year with regards to their car insurance plan. This way, the insurers will be able to recognize those car owners who have been pretty careful on the roads. The table as shown below illustrates more about how the car insurers out there determine the NCD.

Private Car Plans

Commercial Motorcycle and Vehicle Plans

Insurance Period without Claim

Renewal Discount

## Explanation of NCD, Excess, Insurance

Friday, 03 June 2011 01:33 - Last Updated Wednesday, 08 July 2015 03:48

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Insurance Period without Claim

Renewal Discount

1 year

10%

1 year

10%

2 years

20%

2 years

15%

3 years

30%

3 years or more

20%

4 years

40%

5 years or more

50%

When may one lose his NCD?

At this point of time, some car owners may be asking if they will lose their NCD should they make a claim. Fortunately, they will not. It is often the case that the car insurers in Singapore count on a guide called BOLA which stands for Barometer of Liability Agreement. The insurers use this BOLA to assess how liable each party is in the event of an accident. Car owners will also need to be aware that, under BOLA, they will not experience an impact on their NCD if they experience an accident in which their liability is 20% or less in an accident involving an identified vehicle. In all other cases, their NCD may be affected. What is the revised NCD after a claim is made? The table below may well be used as a guide for car owners to know how much their NCD will be reduced by after they have made a claim.

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Current NCD

Reduced NCD

1 Claim Made

> 2 Claims Made

50%

20%

0%

40%

10%

0%

30%-10%

0%

0%

What does the NCD apply to? Another thing car owners need to know is that the NCD applies to them, not their vehicles. When they sell off their car and decide to buy a new one, they retain their NCD. Yet, if the car owners possess more than one car, they may possess different NCDs for each car. Thus, it will be necessary for them to clarify this with their particular insurer. However, the general ideas are as follow. Car owners are allowed to transfer their NCD to their other cars. Nevertheless, they are not allowed to apply that NCD to more than one car at one time. So, let's say if the car owners have successfully accumulated an NCD of 30% using a particular car, this particular NCD does not apply to their second car they may have or plan to buy a second car. Also, there is another thing car owners need to keep in mind - their NCD are non-transferrable to other parties, with an exception to their immediate family members through the approval of the insurance company. Can car owners protect their NCD? As NCD is considered valuable, it is indeed necessary for the car owners to protect it. In an event that they have successfully managed to make no claims after their insurance plan has been in effect for 5 years, the car owners will gain eligibility for an NCD of 50%. When this happens, car insurers will usually be pleased to offer them protection against their discount losses. By simply paying a small extra premium, car owners will be eligible to make a claim during the year. Yet, they will still have their discount protected in full. The protection of 50% NCD is as follows.

Claims within the Insurance Period

Renewal NCD

1

Car owners may also need to check with their particular insurer if NCD cover is applicable.



What is the role of excess? Excess, also called deductible, is to the first amount of the claim which the insured person has to bear. If the insured person has an excess of \$500 and the total repair costs \$3,000, then the insured has to pay \$500 while the insurer pays the remaining \$2,500. The insurer normally imposes some excess as this would serve as a form of deductible. With an excess, the insured would tend to be more careful because if a claim occurs, the insured also has to be out of pocket and contribute towards the claim. In general, the higher the excess, the more careful would be the insured and hence the lower risk of having a claim. It is often meant to limit the liability of the insurer while at the same time to discourage any claims. Your motor insurance policy is usually divided into sections. Section 1 normally covers own damage claim. When you buy a comprehensive motor insurance policy, you are covered for own damage. For example, if your own vehicle is damaged, you can get the insurer to pay

for the damage, whether or not you are at fault. Thus, taking your Excess to be \$500, Section 1 only means the excess applies to an own damage claim only. Take this scenario: If the insured hits another vehicle and his own vehicle's damage is \$6,000 and the third party's damage is \$8,000, the excess of \$500 shall only apply to his own damage. This implies that he pays \$500 and the insurer pays \$5,500 for his own damage of \$6,000. For the third party claim, the insurer would pay the full amount of \$8,000. However, there are other sections as well. In some cases, there are terms such as Excess: \$500 (Section 1 & Section 2 separately), where Section 2 in the policy deals with third party claims. So if there is an excess on Section 2 as well, it means if there is any third party claim payable, this excess shall apply. Using the same example above, the insured party pays \$500 and the insurer pays \$5,500 for his own damage of \$6,000. For the third party claim, the insured has to fork out another \$500 while insurer would pay \$7,500 for a claim of \$8,000. Additionally, there is another section that states All Claims. It simply means the total excess applicable for every accident. Using the same example above, the insured pays an excess \$500 while the insurer pays \$13,500 (the sum total of \$6,000 and \$8,000, less the excess of \$500



What is named driver and is it important? A named driver is someone who can drive the car with the owner's permission and be covered by car insurance with the same privileges as the owner. It is common for car owners to include other names in their car insurance plan, especially if it's their partners or family members. Nonetheless, in a scenario whereby an unnamed driver gets into an accident, the car insurance company is entitled to impose a higher excess on the claim. For example, if the insurance excess of your policy is \$500, and you allow an unnamed driver to drive your car, who subsequently gets into an accident, the car insurance company may demand you to pay more than the current \$500 excess on the claim. On the other hand, if the driver is a named driver on your policy, and he or she gets into an accident, the excess stays at \$500. However, the one drawback that multiple named drivers on a policy have is the extra cost. This is due to the fact that the more named drivers you have, the more chance there will be to have an accident. This is especially true if you include many inexperienced drivers on your policy. The fact that they are inexperienced drivers alone increases the risk for the insurance company. Thus, it is important to ensure that you include regular users of your car as named drivers in your policy. What if there is a break in the ownership of the car? Will car owners lose their NCD in case there is a break in the ownership of their car? Fortunately, most Singapore car insurers will allow the car owners to retain their NCD for as long as 24 months in such a case. However, there are also some insurers that will wait up to a maximum 12 months. Therefore, it is best for car owners to confirm this with their particular insurer.

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