

Date: 19.12.2019

Publication: Economic Times.com

[How to use NCB of old car insurance to reduce new car policy premium](#)

The No Claim Bonus (NCB) is given to the policy owner and not to the insured vehicle. Therefore, the NCB cannot be passed on to another name. However, you can use the retained NCB (certificate is issued) when buying a new policy for your new car.

By Navneet Dubey, ET Online | Dec 19, 2019, 10.32 AM IST

You can use the no claim bonus (NCB) earned on the comprehensive insurance policy of your existing or old car to reduce the premium payable when you buy comprehensive insurance for a new car. All it requires is some planning and it's worth it because if you have a 50 percent NCB you can get that much discount on the huge Own Damage (OD) insurance premium (Saving of approximately Rs 9, 700 on Rs 7.75 lakh of car's IDV (insured declared value)) normally payable on buying a new car. There are two scenarios in which you can make use of it.

1. If you have earned NCB on your old car which you sell and then buy a new car: In such a situation you can retain the NCB on the comprehensive motor insurance policy of your old car even after you sell your car and transfer the insurance policy to the car buyer. You can then use the retained NCB (a certificate is issued) when buying a new comprehensive motor insurance policy for your new car and take a huge discount on the premium payable.

2. If you have earned NCB on an existing car and want to buy a new car but retain the old/existing car: In such a situation, you can transfer/sell your old car to a family member who would then be the new owner of the old car. You can then retain the NCB and use it to get a discount on the insurance premium of the new car that you buy. You cannot use the NCB earned on the old car to get a discount on the premium paid for a new car policy as long as you own the old car.

What is NCB?

NCB is the benefit that accrues to the insured/policyholder if no claims are made in a vehicle insurance policy during the policy period. NCB is earned for each claim-free year, starting from 20 percent and increasing up to a maximum of 50 percent over a claim-free time period of 5 years. It is basically a discount that can be claimed on the OD portion of the premium payable on the renewal of the vehicle insurance policy by the insured.

How is the NCB claimed on new car insurance policy?

Sajja Praveen Chowdary, Head-Motor Insurance, Policybazaar.com explains, "For instance, if you purchase an insurance policy for a brand new Maruti Baleno, the authorised dealer will offer you an insurance policy (1-year OD +3-year Third Party) which is expected to be in the range of Rs 30,700 for Rs 7.75 lakh of IDV with 0 percent NCB. However, if you utilise the maximum 50 percent NCB, this premium can get reduced to Rs 21,000—a saving of Rs 9,700. The reduction is not 50 percent of the full Rs 30,700 because NCB is only applied on OD premium."

NCB is given to the car policy owner, not the car

The NCB is given to the insurance policy owner and not to the insured vehicle. Therefore, the NCB cannot be passed on to another name, that is, to the new car owner. So, if you (seller) are migrating to another country and have sold the car to some other person, you can only transfer the policy to the buyer along with the car, provided you have informed the insurer. Kapil Mehta, CEO, SecureNow.in

said, "Since the NCB cannot be transferred but the policy can be transferred to the new car owner, the NCB will be zero for the new car owner."

You would have claimed the NCB discount on the OD part of the insurance premium when renewing the car insurance policy for another year. However, when you sell the car and transfer the policy, the new owner is not entitled to the NCB which you had used to get discount. Therefore, the new car owner will have to pay the insurer the amount of NCB discount earlier obtained (on pro-rata basis) for the balance of the policy period.

According to IRDAI website, "The insurer can charge a nominal fee for the transfer of insurance policy along with pro-rata recovery of NCB from the date of transfer till policy expiry. It may be noted that transfer of ownership in a comprehensive insurance policy has to be recorded within 14 days from date of transfer failing which no claim will be payable for own damage to the vehicle."

However, Mehta said that the new car owner also has the option to buy a new insurance policy. "It is not necessary for you to get the policy transferred to the new car owner's name," he said.

For how long the first car owner can retain the NCB?

After selling your car, you can retain your NCB for maximum 3 years after the issuance of the reserving letter (also known as NCB transfer certificate) by the insurer. Chowdary said, "You must apply for an NCB transfer certificate to the insurer along with necessary documents related to the sale of existing vehicle, Form29/30, as soon as you vend the car. Also keep a copy of last insurance policy with you." He said, "The insurer will provide you with the NCB transfer certificate which can be used anytime up to next three years on purchase of another car comprehensive policy with any insurer (need not be the same insurer who gave you the NCB transfer certificate)."

Thus, the NCB transfer certificate acts as proof for carrying forward the discount on premium when buying a new comprehensive insurance policy for a new car. Along with the certificate, you also need to submit a copy of delivery note received for sale of old car and a copy of new car booking form to the insurer to avail NCB on a new insurance policy.

Can you transfer the NCB of a bike to a car?

You can transfer NCB of your old car insurance policy to a new car insurance policy when you are selling your old car or have sold your old car. However, you cannot switch vehicle types to transfer the NCB. Gurdeep Singh Batra, Head- Retail Underwriting, Bajaj Allianz General Insurance said, "Simply, you cannot transfer NCB of the bike to the car. NCB transfer is allowed on the same class of vehicle only, that is, private car to private car, taxi to taxi or two-wheeler to a two-wheeler."