

# RAC Insurance Partners

Breakdown Product Review 2022-23



# Breakdown product review



## Background

Breakdown insurance is the RAC’s core product and has been sold for over 125 years. The product is designed to provide motorists with assistance if they face an electrical or mechanical breakdown on roads in the UK and Europe.

In the event of a claim, the customer will usually be attended by an RAC patrol who will attempt to fix the vehicle at roadside or, at a minimum, tow the vehicle to a local garage. In around 20% of claims we will outsource recovery to a contractor. The AA and Green Flag are the main competitors for this product, but there are others including AXA Assistance and Call Assist.

The product is sold via a variety of channels including:

- Direct to consumers via RAC’s Consumer Roadside division
- As an add-on to motor insurance sold through insurance and broker partners
- Through UK Banks and Building Societies as part of added value current accounts
- By motor manufacturers and fleets who provide breakdown as part of vehicle leasing and warranties.

This report will review the performance of the product sold as an add-on to motor insurance or as a standalone product sold through insurance and broker partners.

## High Level Product Information

Product Name	RAC Insurance Partner Breakdown Products
Is this a value measures product?	Yes
Launch Date	RAC have been providing breakdown products via this distribution channel for in excess of thirty years
Last Product Review	July 2021 - June 2022
Product Review Period	April 2022 to March 2023*
Reviewer	RAC Insurance Partners Division
Product Type	<ul style="list-style-type: none"><li>• Vehicle-based Breakdown Add-On and Standalone Breakdown products</li><li>• Personal Breakdown Add-On and Standalone Breakdown products</li><li>• Hybrid Breakdown Add-On products</li></ul>
Insurer(s)	RAC Motoring Services and/or RAC Insurance Limited
Distributor(s) and/or distribution grouping	<p>This is the insurance partner division that includes insurers and brokers, all of whom are directly regulated by the FCA and/or the PRA. The breakdown products that the RAC have manufactured for this sector are primarily sold as an add on to a motor insurance policy at either new business, mid-term or renewal.</p> <p>They are substantively the same and perform consistently across this distribution group. Partners use a full range of sales channels within this distribution arrangement including web, mobile, contact centres and face-to-face.</p>

\* We have brought the review forward by 3 months when compared to last year in order to distribute our Product Reviews to partners earlier to allow additional time for the completion of distribution reviews.

# Breakdown product review

Overall, the review has demonstrated that customers receive fair value and good outcomes from UK and European Breakdown products. The products are well utilised amongst the policyholder base with strong claims frequencies and high acceptance rates.

## Value Measures Data

April 2022 - March 2023

Number of policy sales to UK consumers	8,412,834
Total retail premiums (written) excl. IPT	£170,807,747
Number of claims registered	563,921
Average number of policies in force	5,133,890
Claims frequency	11%
Number of claims where all or part of the claim has been accepted and a pay-out has been made (and the claim is closed at the year end)	537,547
Number of claims that have been rejected in the year	26,166
Claims acceptance rate	95.36%
Number of claim walkaways	59,806
Number of claims complaints	14,270
Claims complaints as a % of claims	2.53%

## Fair Value Assessment

Overall, the review has demonstrated that customers receive fair value and good outcomes from UK and European Breakdown products. The products are well utilised amongst the policyholder base with strong claims frequencies and high acceptance rates.

From the available data and information, the distribution arrangements for Insurance Partner and Broker breakdown products are appropriate and support the demands and needs of the target market.

### Pricing

RAC are confident that the current average breakdown retail prices and commissions charged to the end customer by our insurance partners are acceptable and represent fair value to policyholders.

### Claims Acceptance rate

Claims acceptance rates are at a very healthy level of 95.36% across all products and cover levels, which is 0.5% higher than last year.

### Number of claim walkaways

The number of walkaways is at an acceptable level and does not illustrate any unfair value. As an example a policyholder may change a tyre or purchase a battery independently and then no longer require our service.

The number of walkaways has increased since the last review and whilst not of current concern, this increase will continue to be monitored because it could be linked to longer wait times.

### Number of claims

The number of claims has increased by 6.2% which we can attribute to increased policies in force (4%) with the remaining increase due to other factors including ageing vehicle parc and weather related events. The claims acceptance rates are strong and do not indicate any concerns in terms of the product meeting customer expectations.

### Distribution

RAC is responsible for capacity, underwriting and claims with our distributors responsible for quotes, sales and issue of documentation. This distribution model for sales of breakdown insurance via web (including aggregators) and/or call centres and high street branches remains appropriate for these products.

### Complaints

Claims related complaints are at a level that does not suggest widespread dissatisfaction with the product. Across these products only a very small proportion of claims lead to a complaint 2.53%, this ratio is higher than the industry average and remains an area of focus.

### Competitor Analysis

Detailed competitor analysis has revealed that the Insurance Partner and Broker breakdown product suite comfortably exceeds what is on offer from competitors. This applies both in terms of benefits and service levels. When comparing published value measures data, claims frequencies and acceptance rates are in line with the market.



# Outcome of the review



## Challenges and areas of focus

### External Pressures:

In the period under review, April 2022 to March 2023, the industry experienced another challenging macro-economic environment with the hottest Summer and coldest December for years, a continuation of an ageing car parc, widespread automotive supply chain interruptions, recruitment shortages and the growing cost-of-living crisis all resulting in the RAC having to rescue more policyholders than ever.

Whilst the effects of the Covid pandemic have faded, the changes in working patterns and commuting have caused permanent changes to the historical patterns we base our forecasting on with significant changes in driver behaviour. Skills shortages in the industry and HGV driver shortages that were exacerbated during Covid mean that recruitment also remains a challenge.

The economic pressures on every household have contributed to a continuation in the increase of the average age of vehicles<sup>1</sup> on the road and this has resulted in a more difficult fault mix with further increases in recoveries, from 12% in the previous review period to 14% in the period under review. In addition, recent research<sup>2</sup> done by the RAC suggests that drivers are delaying servicing to save costs which is exacerbating the trend towards more complex faults that result in increased tows.

These external market factors all create challenges for our forecasting and service delivery as well as increasing recoveries for the RAC and for our subcontractors. We are addressing these challenges head on through a focus on resetting our forecasting models and our 'Fixing Recoveries' initiative.

### RAC areas of focus

#### Delay

On average, the RAC attends policyholders within 70 minutes. This means a certain number of customers are attended outside the optimum window. The small percentage of customers who experience long waits are most likely to complain and are the focus of ongoing service improvement plans.

Since the last review period, tyre faults have overtaken batteries as the number one cause of a breakdown, which may correlate with RAC research that indicates a rise in the number of potholes.<sup>3</sup> More crucially, as a direct result of the ageing vehicles we see within our policyholder base, we are experiencing an increasingly complex fault mix. The average age of vehicles on cover within the Insurance Partner sector is over 12 years old.

Patrols need longer to complete these fixes than for a battery fault and are unable to complete a roadside fix at all for some of these faults and therefore the jobs need to be placed for recovery with subcontractors.

This has a negative impact on attendance times and complaints as we typically see more complaints for long waits and long distance recoveries.

All efforts from improving forecasting to better managing contractors and long tows are focused on reducing delay for policyholders at roadside.

#### Contractors

Whilst RAC's own patrols attend around 80% of all claims we rely on contractors to support the remaining 20% of breakdowns. This has increased since the last review period as a result of the increase in recoveries and a difficult patrol recruitment environment.

As a consequence, contractors remain a key part of our service delivery and are identified again this year as an area of concern as they have come under continuing pressure for the period under review. As an example, the demand increases over Christmas 2022 into January 2023 into the network were unprecedented and contractors struggled with volume at a time when there was a concurrent lack of storage and capacity at bodyshops and a nationwide shortage of parts.

To address concerns over contractor capacity, we are currently undergoing a contractor reset to ensure that we have more than one contractor available in each territory, where there was previous exclusivity and that work is deployed to contractors based on job type to relieve pressure on the network particularly in identifiable hotspots.

### Fixing Recoveries

As well as relooking at our approach to contractors and continuing to invest in our own recovery vehicles, RAC have redesigned the way we manage recoveries so that we separate the customer from the vehicle to provide a better service for policyholders facing a long tow. This 'Fixing Recoveries' initiative focuses on assisting the policyholder to reach their destination ahead of their vehicle for tows over 100 miles. This reduces wait times and issues with long, linked recoveries and allows the RAC to better schedule the long tow.

During the period under review RAC implemented a new dedicated towing operations function of over 65 colleagues to own and oversee all our recovery assets. This initiative is ongoing after showing early signs of success.

### Forecasting

During the review period, RAC engaged consultants, Oliver Wyman to review our approach to usage and forecasting to ensure the optimisation of our models and processes and enable us to adapt to new norms. Following the review we are moving to a machine learning model that automatically detects underlying trends and patterns in the data to improve prediction accuracy and more granular climate data – avg, min, max temperature and rainfall. This will be an ongoing focus for the year ahead to mitigate against some of the volatility in demand we have been experiencing.

<sup>1</sup> Data from RAC's Report on Motoring 2022 shows 28% of people drive a vehicle that is more than 10 years old up from 23% in 2020  
<sup>2</sup> RAC research shows around 23% of drivers are now either looking to delay servicing or do it themselves. Source: March 2023 survey of RAC Driver Opinion Panel  
<sup>3</sup> RAC patrols went to the rescue of 10,076 drivers who had fallen foul of potholes in the first three months of the year, a 39% increase on the same period a year ago, RAC breakdown data shows.

# Detailed product review

The product review process demonstrates robust product governance and a commitment to continually improve the products and services the RAC offers throughout their lifecycle in order to ensure appropriate customer outcomes.

## Product Description

### Product Types

The RAC’s breakdown products are designed to meet the demands and needs of those who wish to protect themselves against the risk of vehicle breakdown. The RAC offers:

**Vehicle based cover** which covers the vehicle, no matter who is driving.

**Personal based cover** which covers the person, whether they’re driving or are a passenger in any qualifying vehicle.

**Hybrid cover** which covers both the vehicle no matter who is driving AND the motor insurance policyholder, which could include their partner, whether they’re driving or are a passenger in any qualifying vehicle.

**Standalone cover** which can be sold by the motor insurance partner without selling an existing motor policy.

The vast majority of products sold by Insurance Partners are vehicle based add-ons to motor insurance products with a fraction of legacy products offering standalone or personal and hybrid products. Cover levels and products are then presented to the policyholder by the broker or motor insurance partner based on the cover components outlined opposite.

### Cover Level Components

All breakdown products have a base cover level that is Roadside. All other cover levels can then be added solely or cumulatively to deliver the necessary cover dependent on need. e.g Roadside, Recovery, At Home and Onward Travel is the most comprehensive


product available for policyholders in the UK. Based on claim frequencies and acceptance rates all our combinations of these components offer fair value. Opposite is an Insurance Product Information Document (IPID) that demonstates the typical features, limitations, benefits and exclusions of our main cover components.

### Adaptations

The following elements have and can be adapted for insurance partners and broker products.

Cover Level-Components	Adaptations
Definitions	<ul style="list-style-type: none"><li>• Breakdown may include mis-fuel, running out of fuel or charge, or locking keys inside vehicle.</li><li>• Vehicle length may not be specified in partner policies.</li><li>• Passenger numbers are not specified but cover is for the number of passengers as per the vehicle registration.</li><li>• Most UK policies have unlimited callouts</li></ul>
Roadside	<ul style="list-style-type: none"><li>• Distance from home can be a quarter of a mile, half a mile or 1 mile (for co-manufacturer arrangements)</li><li>• Recovery to a garage can be 10 miles or up to 20 miles (for co-manufacturer arrangements)</li><li>• Taxi costs typically covered up to 20 miles to continue the journey</li></ul>
At Home	<ul style="list-style-type: none"><li>• Above adaptations apply</li><li>• 24 hour waiting period typically applies</li></ul>
Onward Travel	<ul style="list-style-type: none"><li>• Hire cars are mostly only available for 48 hours but can be increased up to seven days (for co-manufacturer arrangements). Some partners may offer like for like vehicles rather than a small hatchback as standard (for co-manufacturer arrangements).</li></ul>
Other Benefits	<ul style="list-style-type: none"><li>• For driver induced faults we provide assistance or a 10 mile tow if unable to repair at roadside.</li><li>• Urgent message relay</li><li>• European Legal Care (for co-manufacturer arrangements).</li></ul>
Exclusions and Conditions	<ul style="list-style-type: none"><li>• Business use vehicles are not excluded</li></ul>

## Cover Level Components:



### What is insured?

**Roadside**

- ✓ Help to repair the vehicle at the roadside when you’re more than a quarter of a mile from your home.
- ✓ Help to transport the vehicle, you, your passengers and horses to a destination of your choice, up to 10 miles, if RAC cannot repair the vehicle at the roadside.

**Mis-fuel Rescue**

- ✓ Help to repair the vehicle at the roadside by cleaning out the fuel system, topping the vehicle up with up to 10 litres of fuel and disposing of the contaminated fuel.

The following are additional sections which are optional, depending on the type of vehicle, and shown on your policy schedule:

**At Home**

- Help to repair the vehicle at, or within, a quarter of a mile of your home.

**Recovery**

- Help to transport the vehicle, you, your passengers and horses to a destination of your choice, within the UK up to the mileage shown on your policy schedule, if RAC cannot repair the vehicle.

**Onward Travel**

- A replacement hire vehicle for up to 2 days or £150 per non-fare paying passenger (or £25 per non-fare paying passenger if your vehicle is a minibus) and £500 in total for either alternative transport or overnight accommodation for the non-fare paying passengers while the vehicle is repaired.

**European Motoring Assistance**

**Onward travel in the UK**

- Help to repair the vehicle if it breaks down within 24 hours before the departure date and provide a hire car if it can't be repaired in time (up to 14 days).

**Roadside assistance in Europe**

- Help to repair the vehicle at the roadside or recovery to a local repairer, with a contribution towards the garage labour costs if the vehicle can be repaired on the same day – up to £175.
- If spare parts are required, RAC will organise and pay for their dispatch.

**Onward travel in Europe**

- If the vehicle can't be repaired within 12 hours, RAC will pay for the passengers to continue their journey in a replacement car or by rail, plane or taxi (up to £125 per day, or £1,500 in total) or for additional accommodation expenses of £30 per person per day – up to £500.
- RAC will provide alternative transport to get the passengers back home if the vehicle is unrepairable in Europe and will be returned home.

**Getting the vehicle home**


- RAC will return your vehicle home if it can't be repaired.
- Reimbursement for a hire car in the UK, once RAC have brought the passengers home – up to 2 days.
- RAC will arrange and pay for you to collect the vehicle if it was left abroad for repairs up to £600 for transport and £50 for accommodation.

**Vehicle break-in emergency repairs**

- RAC will cover the costs to carry out emergency repairs to make the vehicle safe again following a break-in – up to £175.


**Replacement driver**

- RAC will provide a replacement driver if a driver is medically unfit to drive.



### What is not insured?

- ✗ Any breakdown which has occurred prior to purchase.
- ✗ Anything which is not a breakdown e.g. a road traffic collision.
- ✗ The cost of any parts.
- ✗ Any breakdown resulting from a fault that has previously been attended and has not been properly repaired or the advice after a temporary repair has not been followed.
- ✗ Vehicles used for those shown as excluded as shown on your policy schedule for the vehicle under Vehicle Use Codes.



### Are there any restrictions on cover?

The vehicle must not be more than:

Type of Vehicle	Gross Vehicle Mass
Car and Light Commercial Vehicle	3,500 Kgs
Motorcycle	410 Kgs
Minibus	5,000 Kgs
Motorhome	7,500 Kgs
Horsebox and Trailer, Specialist Vehicle, Heavy Commercial Vehicle and PSV/Coach	44,000 Kgs

- ! Motorcycles under 49cc or mobility scooters are not covered.
- ! If a caravan or trailer breaks down in the UK, RAC will only attend at the roadside and attempt a repair. No other benefits of the policy are available.
- ! If the vehicle breaks down while towing a caravan or trailer and RAC provide recovery, the caravan or trailer will be recovered with the vehicle (excluding any horse trailer which is being operated under a standard or international operator's licence or requires to be towed by a vehicle more than 3.5 tonnes GVM) to a single destination.
- ! If the breakdown is as a result of a tyre fault and a spare wheel or the manufacturer's repair equipment is not being carried or a key related claim, we will only tow you 10 miles.
- ! There are limits on the amount of cover per section. Please see your terms and conditions.
- ! European Breakdown is limited to journeys up to 90 days for any one trip (with an overall limit of £2,500 per claim or £5,000 if the vehicle is a motorhome more than 3,500Kgs GVM).





## Target Market

**Product Level Statement:** The RAC's breakdown insurance products are designed for motor insurance policyholders who buy motor insurance and wish to protect themselves against the cost of vehicle breakdown and who buy breakdown within the purchasing journey.

The target market for these products are the owners and/or users of UK registered motor vehicles (within certain size and weight limits) that are at risk of mechanical or electrical faults that may cause it to breakdown. It is available to UK residents, including those living in Jersey, Guernsey and the Isle of Man.

Policyholders need to be licensed to be able to drive the vehicle and so should be at least 16 years old to drive a moped and 17 years old to drive a car. Our products are suitable for vehicles driven on public roads in the UK and Europe.

It is not suitable for insurable events that fall under a general insurance claims such as fire, theft or criminal damage (e.g. vandalism), or following a road traffic collision.

The statements that follow explain how our products are adapted to meet the demands and needs of specific target markets including:

- Car
- Motorbike
- Van
- Courier
- Motorhome
- Horsebox
- Taxi Minibus
- Taxi
- HGV
- Minibus
- Mini-fleet





# Targeted Products

All breakdown products have a base component that starts with Roadside. All other components can then be added solely or cumulatively to deliver the necessary cover dependent on need. E.g Roadside, Recovery, At Home and Onward Travel is the most comprehensive product available for policyholders in the UK. All the combinations of these cover level components offer fair value.



## Van

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their van breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their van breaks down in the UK and cannot be fixed at the roadside the van, driver and their passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their van breaks down in the UK, they will receive attendance at home or within 1/4 mile of their home.

**Onward Travel:** Policyholders who wish to ensure that if their van breaks down and cannot be fixed, they will receive either a hire vehicle, alternative transport (if the hire vehicle is not suitable) or overnight accommodation.

**European:** Policyholders who wish to ensure that if their van breaks down in Europe, they will receive assistance.



## Car

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their car breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their vehicle breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and their passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their vehicle breaks down in the UK, they will receive attendance at home or within 1/4 mile of their home.

**Onward Travel:** Policyholders who wish to ensure that if their vehicle breaks down and cannot be fixed, they will receive either a hire car, alternative transport (if the hire car is not suitable) or overnight accommodation.

**European:** Policyholders who wish to ensure that if their vehicle breaks down in Europe, they will receive assistance.



## HGV

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their HGV breaks down in the UK, they will receive attendance at the roadside. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their HGV breaks down in the UK and cannot be fixed at the roadside the HGV, driver and any passengers will be taken to a single destination up to a maximum of 200 miles.



## Motorbike

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their motorbike breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their motorbike breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their motorbike breaks down in the UK, they will receive attendance at home or within 1/4 mile of their home.

**Onward Travel:** Policyholders who wish to ensure that if their motorbike breaks down and cannot be fixed, they will receive either a hire vehicle, alternative transport (if the hire vehicle is not suitable) or overnight accommodation.

**European:** Policyholders who wish to ensure that if their motorbike breaks down in Europe, they will receive assistance.



## Motorhome

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their motorhome breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their motorhome breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and their passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their motorhome breaks down in the UK, they will receive attendance at home or within 1/4 mile of their home.

**Onward Travel:** Policyholders who wish to ensure that if their motorhome breaks down and cannot be fixed, they will receive either a hire car, alternative transport (if the hire car is not suitable) or overnight accommodation.

**European:** Policyholders who wish to ensure that if their motorhome breaks down in Europe, they will receive assistance.



# Targeted Products



## Taxi

This meets the demands and needs of:

**Roadside:** Policyholders who operate a taxi service and wish to ensure that if their Taxi breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who operate a taxi service and wish to ensure that if their taxi breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and up to 8 non-fare paying passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their taxi breaks down in the UK, they will receive attendance at the roadside, at home or their place of work.

**Onward Travel:** Policyholders who wish to ensure that if their taxi breaks down and cannot be fixed, they will receive either a hire car, alternative transport (if the hire car is not suitable) or overnight accommodation. Onward Travel for non-fare paying applies only when the vehicle is in private use.



## Horsebox

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their horsebox breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their horsebox breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and their passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their horsebox breaks down in the UK, they will receive attendance at home or within 1/4 mile of their home.

**Onward Travel:** Policyholders who wish to ensure that if their horsebox breaks down and cannot be fixed, they will receive either a hire car, alternative transport (if the hire car is not suitable) or overnight accommodation.

**European:** Policyholders who wish to ensure that if their horsebox breaks down in Europe, they will receive assistance.



## Courier

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their courier vehicle breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from at home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their courier vehicle breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and their passengers will be taken to any single destination in the UK

**At Home:** Policyholders who wish to ensure that if their courier breaks down in the UK, they will receive attendance at the roadside, at home or their place of work.

**Onward Travel:** Policyholders who wish to ensure that if their courier breaks down and cannot be fixed, they will receive either a hire vehicle, alternative transport (if the hire vehicle is not suitable) or overnight accommodation.



## Taxi Minibus

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their taxi minibus breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their taxi minibus breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and up to 16 non-fare paying passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their taxi minibus breaks down in the UK, they will receive attendance at the roadside, at home or their place of work.

**Onward Travel:** Policyholders who wish to ensure that if their taxi minibus breaks down and cannot be fixed, they will receive either a hire car, alternative transport (if the hire car is not suitable) or overnight accommodation.



## Minibus

This meets the demands and needs of:

**Roadside:** Policyholders who wish to ensure that if their minibus breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who wish to ensure that if their minibus breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and up to 16 passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who wish to ensure that if their minibus breaks down in the UK, they will receive attendance at home or within 1/4 mile of their home.

**Onward Travel:** Policyholders who wish to ensure that if their minibus breaks down and cannot be fixed, they will receive either a hire car, alternative transport (if the hire car is not suitable) or overnight accommodation.

**European:** Policyholders who wish to ensure that if their minibus breaks down in Europe, they will receive assistance.



## Mini-Fleet

This meets the demands and needs of:

**Roadside:** Policyholders who operate a fleet of 2 or more vehicles and wish to ensure that if one of their vehicles breaks down in the UK, they will receive attendance at the roadside if more than ¼ mile away from home or where the vehicle is normally kept. If the vehicle cannot be fixed, they will be entitled to a local tow.

**Recovery:** Policyholders who operate a fleet of 2 or more vehicles and wish to ensure that if their one of their vehicles breaks down in the UK and cannot be fixed at the roadside the vehicle, driver and their passengers will be taken to any single destination in the UK.

**At Home:** Policyholders who operate a fleet of 2 or more vehicles and wish to ensure that if one of their vehicles breaks down in the UK, they will receive attendance at the roadside, at home or their place of work.

**Onward Travel:** Policyholders who operate a fleet of 2 or more vehicles and wish to ensure that if their vehicle breaks down and cannot be fixed, they will receive either a hire vehicle, alternative transport (if the hire vehicle is not suitable) or overnight accommodation..

**European:** Policyholders who operate a fleet of 2 or more vehicles and wish to ensure that if their one of their vehicles breaks down in Europe, they will receive assistance.



RAC is the biggest breakdown provider in this sector supporting over 300 insurers and brokers with add-on products. Within the insurer and broking sector we insure 5.1 million policyholders for breakdown.



## Competitors

Within the Insurance Partner distribution channel RAC has several major competitors including Green Flag, Call Assist, Allianz, AXA Assistance and Equity Red Star. With the exception of the AA who only hold a very small number of accounts within the insurance market, RAC’s competitors within this sector all operate a subcontractor service model as opposed to a patrol based model.

### Service benefits of a patrol model

By purchasing an RAC product, policyholders in this sector will have a distinct benefit over and above the majority of competitor products in respect of the service delivered at roadside through a patrol based model.

By investing in our own customised patrol vehicles, training and employment of our own personnel and our continual pursuit of cutting edge digital and breakdown technology, we deliver a better roadside experience for our customers through fixing more vehicles, leading to a high level of customer satisfaction.

Within this sector, competitors rely predominantly on the subcontractor network meaning that there is less control and visibility, less consistency of service and the subcontractors do not have the technology, parts or equipment to rival the RAC. This makes our product excellent value with service on a par with our own RAC individual membership product.



### Product Features and Benefits review

The RAC breakdown proposition sold through the insurance distribution channel is overall one of the stronger products in the market, giving policyholders cover that is greater or equal to other competitors. Key elements of the enhanced cover such as unlimited UK calls outs, no labour costs nor a time limit at roadside and national recovery to a single destination of the customer’s choice all provide peace of mind in the event of a claim whilst offering flexible options to meet customers needs.

In addition, overall financial limits of the RAC product are typically greater than or equal to competitor products. A minority of elements of cover were highlighted as lower than competitor products, the majority of these are by design, such as RTA exclusions (due to cover being provided as an add-on sale with a motor insurance product), and elements offered on an optional basis (Misfuel).

The product review focused on RAC’s main competitors, benchmarking our features, benefits and limitations against equivalent products in this market sector and highlighting any key areas of difference.

The review indicates that overall the RAC product offers a greater level of cover as detailed below:

- **Unlimited call outs in the UK** – some competitors restrict to a max call out limit of 4
- **No time limit at roadside** – most competitors limit time at roadside to 1 hour
- **Higher financial limits** – across the majority of sections of cover
- **No vehicle age limits** – most competitors capped at 20 years

- **Unlimited Recovery to a single destination of the customer choice** – competitors cover ranges from recovery to nearest garage, home address, or a mileage restriction.

During the review there were some elements of cover where the RAC product differs from our competitors:

- **RTA’s & Lost/Stolen/Fire/ Theft typically not covered** – these perils can be provided on an optional basis by RAC but typically would be covered under the core motor insurance policy.
- **European overall individual claim limit of £2,500** – competitors generally provided a higher limit and often on an ‘aggregate’ claims basis. RAC believe that the £2,500 claim limit is fit for purpose for the majority of European claims and offer a higher limit of £5,000 per claim for certain vehicle types. There was an action in last year’s product review to assess the suitability of all financial limits within the policy and this review is ongoing.



# FCA value measures data vehicle breakdown (Add on)

### FCA Value Measures Data

Data published by the FCA for the period of July - December 2021 shows RAC is performing in line with competitors in terms of claims acceptance rates and claims frequencies.

For RAC’s insurance company, RAC Insurance Limited (RACIL) who underwrite and report to the FCA on our add-on European products and onward travel provision we have a higher than industry average complaint ratio. Our short-term, standalone European breakdown product sold by some partners falls within the same 5-10% complaint ratio bracket.

In Europe, towards the end of the previous review (July 2021 to June 2022), we began to see travel confidence return as we emerged from the Covid 19 pandemic and travel restrictions. Unfortunately, a number of global factors, including the effects of the pandemic and global inflation conspired to constrain the availability of services necessary to support customers after a European breakdown which all had an adverse effect upon complaint volumes throughout 2022.

For example, our European partner faced recruitment challenges, hire car providers had limited vehicles on their fleets following Covid -19 and the transport companies used to repatriate vehicles to the UK also experienced their own resourcing difficulties as their industry dealt with driver shortages.

Onward Travel also saw particularly high complaints ratios which were driven by hire car availability issues which became particularly pertinent just before the change in hire car provider in Summer 2022. There was also a spike in complaints at the end of 2022 and this was caused by an unexpected surge in claims following a weather event.

### + Conclusion:

- RAC breakdown products perform well in this sector with features and benefits that exceed competitors and a patrol based service model that offers a better customer experience.
- The review suggests that overall claims limits for all products are in line with the market except our European product and we will investigate and obtain the data necessary to confirm whether the financial limits (daily and overall) remain appropriate or need amending.

### + Action:

- Address complaints ratios because they are higher than the industry average in some areas.

Firm name	Claims acceptance rate	Claims frequency	Claims complaints as a % of claims
Acromas Insurance Company Limited	80 - 85%	15 - 20%	0 - 5%
Ageas Insurance Limited	90 - 95%	5 - 10%	0 - 5%
Alwyn Insurance Company Limited	95 - 100%	0 - 5%	0 - 5%
Amtrust Europe Limited	90 - 95%	5 - 10%	0 - 5%
ARAG Allgemeine Versicherungs-Aktiengesellschaft	95 - 100%	0 - 5%	0 - 5%
Astrenska Insurance Limited	95 - 100%	20 - 25%	0 - 5%
Atlanta Insurance Intermediaries Limited	95 - 100%	5 - 10%	0 - 5%
Automobile Association Insurance Services Limited	95 - 100%	5 - 10%	0 - 5%
AXA Insurance Designated Activity Company	80 - 85%	5 - 10%	0 - 5%
Car Care Plan Ltd	95 - 100%	55 - 60%	0 - 5%
DAS Legal Expenses Insurance Company Limited	95 - 100%	10 - 15%	0 - 5%
esure Insurance Limited	95 - 100%	5 - 10%	0 - 5%
EUI Limited	90 - 95%	10 - 15%	0 - 5%
HDI Global Specialty SE	80 - 85%	0 - 5%	5 - 10%
Inter Partner Assistance SA	90 - 95%	5 - 10%	0 - 5%
Liverpool Victoria Insurance Company Limited	90 - 95%	5 - 10%	0 - 5%
MCE Insurance Limited	65 - 70%	30 - 35%	0 - 5%
One Call Insurance Services Limited	95 - 100%	5 - 10%	0 - 5%
RAC Insurance Limited	90 - 95%	0 - 5%	5 - 10%
RAC Motoring Services	90 - 95%	5 - 10%	0 - 5%
Royal & Sun Alliance Insurance Limited	95 - 100%	10 - 15%	0 - 5%
The National Farmers’ Union Mutual Insurance Society Limited	90 - 95%	0 - 5%	0 - 5%
Trinity Lane Insurance Company Limited	95 - 100%	5 - 10%	0 - 5%
U K Insurance Limited	90 - 95%	5 - 10%	0 - 5%
Zurich Insurance PLC	90 - 95%	0 - 5%	0 - 5%
Average	93.30%	6.69%	1.83%





RAC ensure the needs of vulnerable customers are met at all stages of the customer journey. Robust processes are in place to ensure we support vulnerable customers.

# Vulnerable Customers

RAC’s procedures are designed to mitigate any negative impact for vulnerable customers and ensure that all customers have access to the same services, and where required processes are adapted to ensure that information and services are accessible to all customers. This includes identifying signs of vulnerability at point of claim and how to engage with a vulnerable customer as well as ensuring adaptations to service are in place to assist customers.

In a breakdown we assess both the situation and the individual to determine vulnerability, for example; customers on a motorway, dual carriageway or other high speed roads would be prioritised. Other factors may include health related issues, young children or elderly people in the car.

### Product Development Process

All new members of staff in the product development teams receive training on vulnerable customers and are aware of the need to consider vulnerability when dealing with customers and proposing changes to products.

RAC has a Vulnerable Customer Policy that is owned by the Chief Operations Director and approved by the Executive Team. It outlines the approach taken towards vulnerable customers throughout the lifecycle to ensure they have positive customer outcomes; and it applies groupwide.

Consideration is given to vulnerable customers throughout the following processes:

- **Product Development Process** – Ensuring new products (and product adaptations) deliver good customer outcomes. Through this process, Proposition Managers detail how changes will identify and respond to vulnerable customers.
- **Financial Promotion / Customer Documentation** – Ensures documents are clear and easy to understand so that vulnerable customers needs are addressed.
- **Sales Journeys** – where RAC are responsible for the sale.
- **Complaints** – Case Managers would consider whether a vulnerable customer had not been treated fairly throughout the claims journey.

### Claims Process

Policyholders who make a claim would be experiencing an event that to some degree could make them temporarily vulnerable. Claims handlers in the call centre receive bespoke training to identify vulnerability, and questions are asked throughout the claims reporting process to ensure sufficient information is captured to determine their level of vulnerability.

Customers are then placed in one of the following categories which will determine their level of prioritisation:

- **P0:** Red Alert
- **P2:** Emergency (life threatening situations e.g. child locked in a car)
- **P3:** Motorway or dual carriageways
- **P4:** Medical emergency (e.g., needs to take medication at a certain time)
- **P5:** Roadside priority
- **P6:** At home or in a safe location
- **P7:** Non urgent

Claims that are registered digitally via Rescue Me, are instructed to call 999 if they believe they are in an emergency situation but further to this, they currently do not have the opportunity to notify RAC of any specific vulnerabilities (e.g. needing to take medication at a specific time).

This was raised as a risk in the previous product review and work was carried out to explore the potential of allowing customers to notify RAC of vulnerabilities within the digital claims reporting journey. It was found that the only priority classification that could not be identified through the process was P4 medical emergencies.

Further work is being conducted to review vulnerable customers on a broader level throughout the business and this activity should dictate the future developments in this area.

### Sales Process

In this channel, RAC is not responsible for the sale of the products. Insurance and broker partners are regulated firms selling many types of core insurance cover including motor, home and commercial. As regulated firms they must act in accordance with the relevant regulatory requirements regarding vulnerable customers. They must also adhere to the terms of their agreement with RAC, which includes obligations to act in the best interests of the customer, to ensure that their employees possess the necessary knowledge, qualifications, understanding and skills required to compliantly sell the product to the target market.

In addition, they are required to maintain appropriate systems to ensure the proper performance of their obligations under the agreement with RAC, of which RAC have full rights to audit.





## Vulnerable Customers

### Transfer of third-party data on vulnerability

RAC considered the use of third-party data in its original vulnerable customer implementation plans. Assessments concluded that the use of third-party data would add delays, challenges, risks and it was clear that a robust assessment of vulnerability on each breakdown call was more appropriate. Breakdown situations are not like most other customer interactions. They are acute, situational, and sometimes very high-risk situations and the assessment needs to be consistent and robust.

The situational assessment is key to managing a safe incident. Someone with significant mobility issues may not consider themselves vulnerable if sat at home waiting for the RAC, with no urgent appointments. A fully fit and healthy person broken down on the side of a foggy, dark fast road would be very vulnerable.

The data previously collected for the primary policyholder, either by RAC or a third party, will not fully address current, situational vulnerability. Therefore, on each call, all these are fully assessed.

A consistent approach to the assessment of vulnerability at breakdown for all customers allows the correct prioritisation of breakdown resource to those customers in most need. RAC's approach is aimed at delivering the outcomes customers expect, especially during periods of vulnerability.

### + Conclusion:

- Robust processes are in place throughout the product development and claims processes to ensure we support vulnerable customers.

### + Action:

- RAC will monitor the outcome of the wider review into vulnerable customers and ensure digital journeys can effectively identify vulnerable customers.



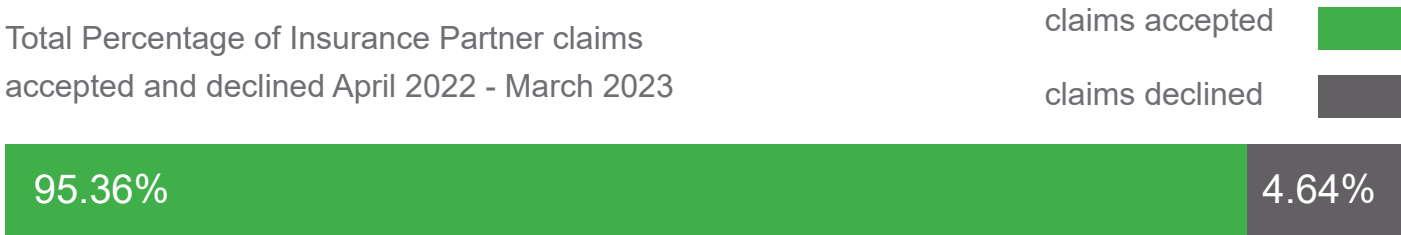




Our ethos is to never leave a policyholder at roadside. We will always offer the customer a solution - which may include pay on use services. This approach ensures low declinature rates for our products.

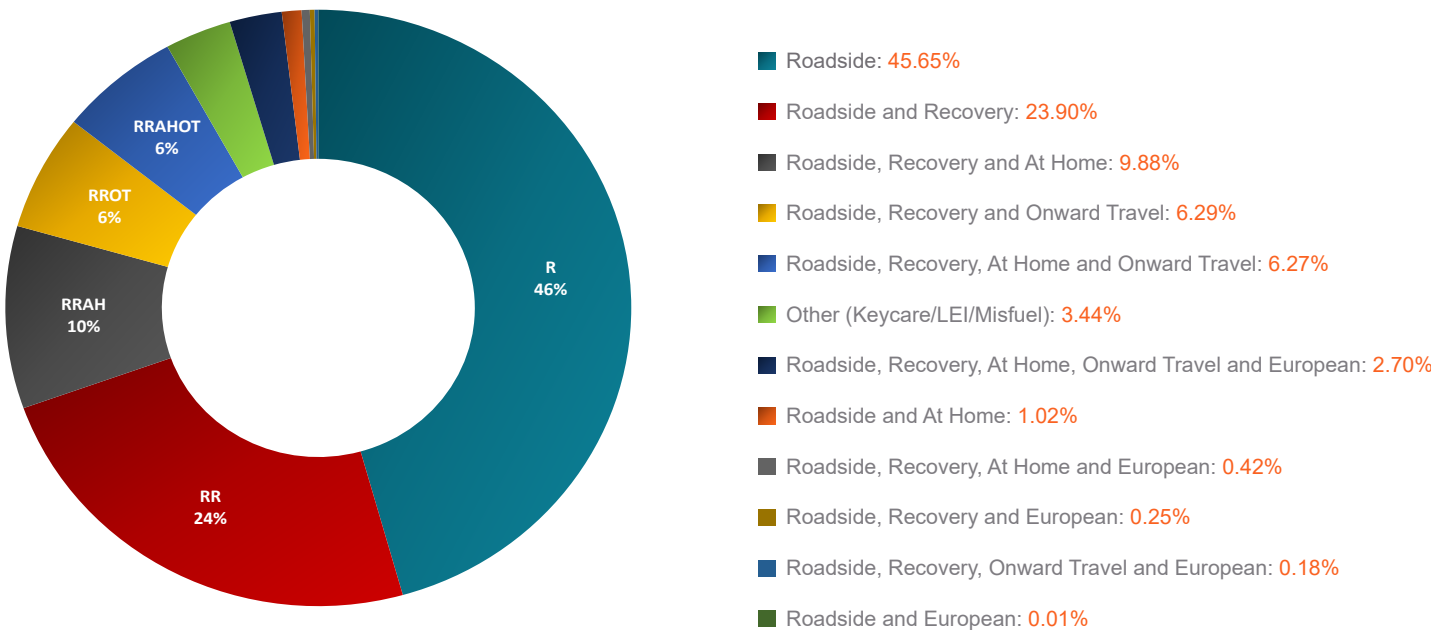
## Claims Repudiations

- ⊕ Out of a total of 563, 921 claims 95.36% of claims were accepted
- ⊕ Of those that were declined the review shows that cover level entitlement was the major cause for declinature



- ⊕ The review shows that the lower the level of cover the greater the percentage of claims declined for example roadside only cover accounts for nearly half of all declined claims and this is consistent with last year’s review.

Split of repudiations by cover level April 2022 – March 2023



In the Value Measures period (April 2022 – March 2023) for Insurance Partner accounts, a total of 4.64% of claims were declined. This equates to only 26,166 from a total of over 563,921 claims which shows the vast majority of claims were accepted.

Within the Insurance Partner sector we have non-validation procedures, such that if a vehicle cannot be validated but the customer believes they are covered we can still provide service to a level agreed by the partner. This reduces the volume of declinatures we see against our accounts and ensures we are not leaving customers stranded. Analysis shows that jobs are refused/declined for a number of reasons such as:

- Cover entitlement: for example customer not having At Home or Recovery.
- RTA not covered.
- Vehicle has no valid tax or MOT.
- Vehicle is already at a garage or had work started on it.

Going forward, for more in depth root cause analysis to be completed more specific codes should be introduced into the claims process.

An action was raised in the previous product review to allow agents to capture more accurately the reason for declining each breakdown.

This data would allow for more accurate reporting and better root cause analysis across all divisions. The need to analyse this data has been further enhanced in light of upcoming Consumer Duty regulation. This activity is ongoing and work will continue to take place to ensure it is introduced in the next reporting period.

### ⊕ Conclusion:

- Overall declinature rates are very low, in line with rest of the market and have improved since the last review from 94.8% to 95.4% of claims being accepted. This indicates cover continues to meet the demands and needs of the target market.

### ⊕ Action:

- Ensure work to introduce more specific declinature codes as raised in the previous product review is implemented.
- Remind partners to explain to customers that the lower the level of cover a policyholder chooses the greater the risk that the policyholder will break down where no cover is in place - for example, where a policyholder has selected roadside only cover any claim requiring a long recovery or that occurs at home is not covered and is offered a chargeable solution.



At 2.53% complaint to claim ratio, only a very small proportion of claims lead to a complaint so overall figures indicate satisfaction with our products. However because this figure is higher than the previous review we will continue to monitor complaint trends closely going forward.

## Complaints

## Reasons for complaints

### Claims related complaints

This review addresses all the claims related complaints reported in the review period from April 2022 to March 2023. In this period, there were 14,270 complaints related to the claims process, with a monthly average of 1,189 complaints.

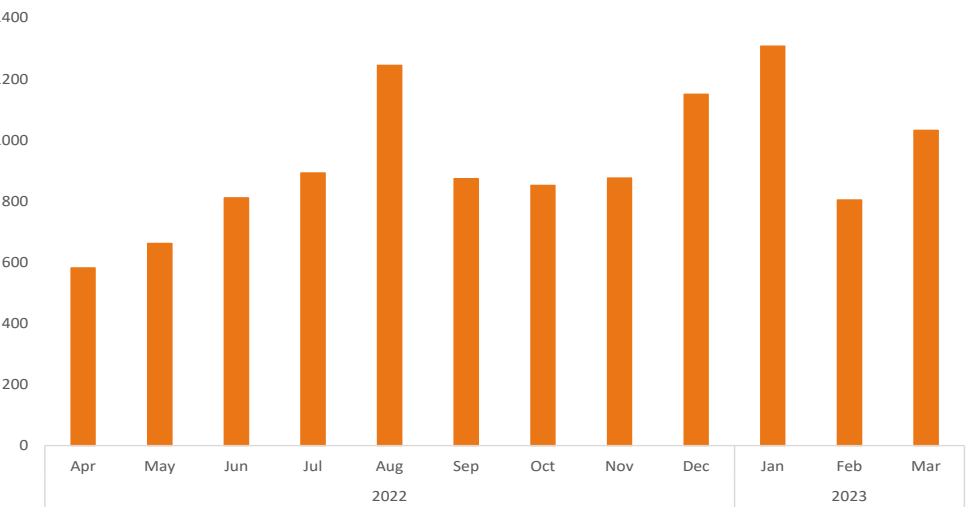
Around 67% of all complaints were upheld but this varied according to the type of complaint, with the highest upheld rates for delay at 83%.

The complaint to claims ratio between April 2022 and March 2023 was 2.53%. This shows only a small minority of customers made a complaint about the service received. As complaints have increased from 1.9% in the last review period complaint ratios are still an area we will continue to monitor closely.

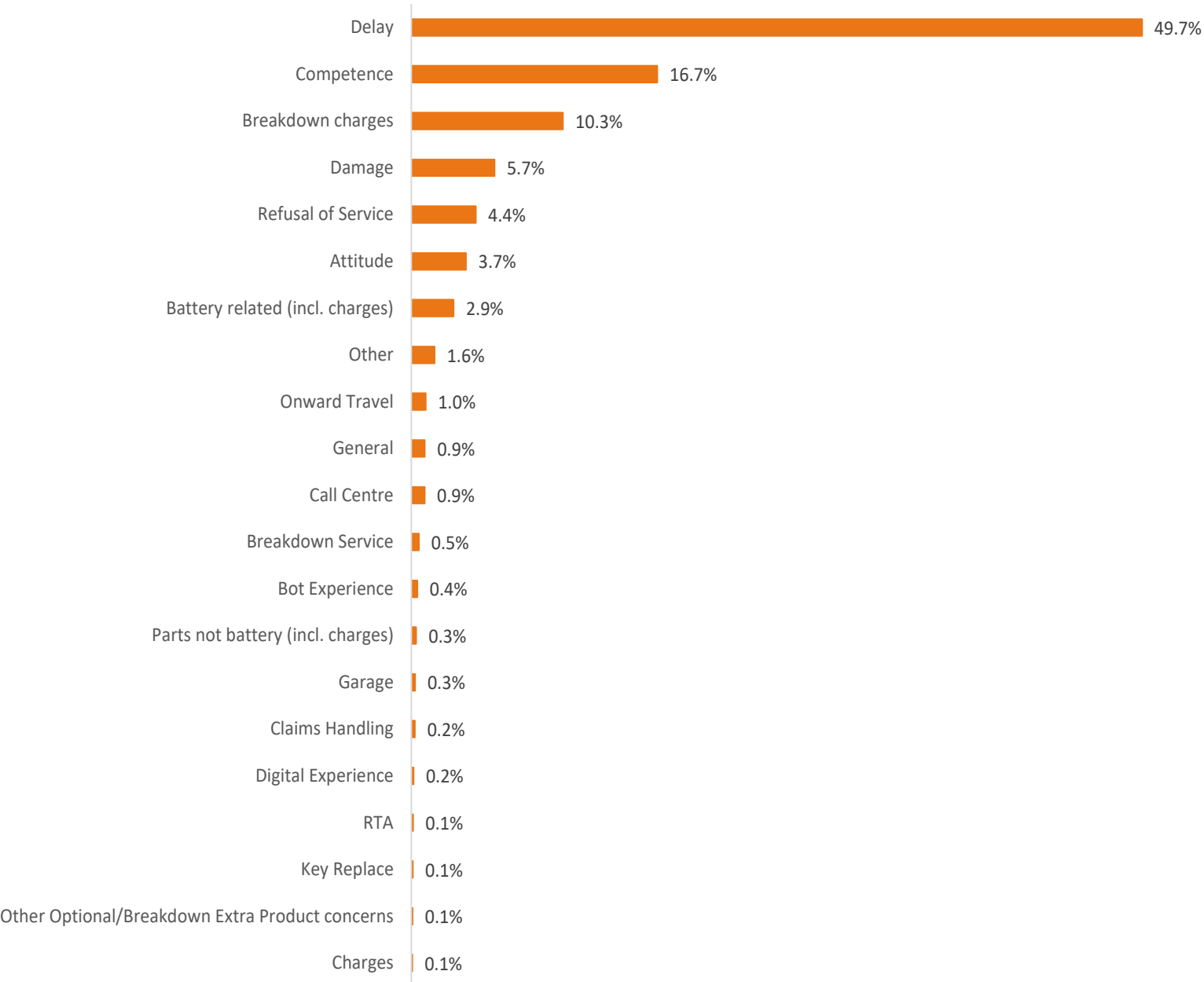
### FOS Complaints

During the review period there were 55 complaints referred to FOS. Of the decisions returned to date, 6 were upheld and 2 were partly upheld, which provides assurance over the outcomes received by customers during the complaints handling process.

Monthly complaint profile



Reasons for complaints by percentage







Whilst we always strive to attend our policyholders on time there are some instances where service does not meet policyholder expectations. Out of 563,921 claims we received a total of 14,270 complaints, roadside delays were the biggest cause of dissatisfaction totalling 7,092.

## Reasons for Complaints

### Delay – 49.7%

Almost 50% of complaints or 7,092 cases within the Insurance Partner sector were classified as delay, that is down from nearly 60% in the last review period. 44% of delay complaints were due to the initial wait and a further 15% of delay complaints were due to recovery wait time. The remainder were due to a variety of reasons such as the policyholder being unhappy with Estimated Time of Arrival (ETA) provided, the time to contact the RAC, linked recovery delays, deferred job delays and the time taken to redeliver a vehicle.

These complaints have a high upheld rate (83%). Most of the delay complaints relate to the time it took to be attended after the initial call, which was several hours for some customers.

General analysis of all RAC delay complaints suggests many of the complaints about the initial attendance mentioned issues with communication whilst waiting to be seen. Several also mention being given multiple ETAs and examples of driving home with the fault or finding alternative ways to get the vehicle home and then making a complaint asking to be refunded for their outlay.

Delay complaints were typically high in August 2022, which follows usual seasonal trends and more recent trends of customers taking more trips in the UK during the summer rather than travelling abroad. However, there was a second peak in December and January 2023 where there was a surge in claims following a severe weather event.

This increase in complaints at this time correlated with an increase in Average Time to Attend (ATA). Whilst delay complaint volumes as a percentage have declined, ATA has still been over an hour with external factors such as an increasingly complex fault mix from an ageing vehicle parc resulting in high recovery levels stretching attendance times at roadside. Several interventions have been introduced to address the issue including investment in our flatbed and recovery capability as well as investment in operational initiatives.

### Competence – 16.7%

Nearly 17% of complaints or 2,383 cases were directly related to competency with complaints ranging from call centre competence to communication, resource sent, incorrect advice at roadside, misdiagnosis, failure to repair a vehicle or being given incorrect advice. 58% of these complaints were upheld.

Perceived poor communication throughout the claims process accounted for 22% of complaints under this category.

Complaints categorised as competence increased in 2023 and this correlated with a reduction in the percentage of delay complaints. Early indications suggest that more thorough analysis of root cause has changed the way complaints are classified and there is an action to investigate this further.

### Breakdown Charges – 10.3%

10% of complaints or 1,470 cases within the Insurance Partner sector were classified as relating to charges. The majority of these are for disputing the amount of the charges. Other causes for complaints include police recovery fee charges, refunds on cancelled jobs and a belief that charges have been imposed incorrectly. 43% of these complaints were upheld during the review period.

22% of complaints under this category relate to the Pay and Claim process. This complaints category appears to be used as a mechanism for processing refunds (pay and claim) and there is an investigation ongoing to reclassify these as enquiries in future reporting periods.

### Damage – 5.7%

Nearly 6% of complaints or 813 cases within the Insurance Partner sector were classified as damage with the majority being about damage caused during the recovery process and damage to the body of the vehicle. 34% of these complaints were upheld during the review period.

### Refusal of service – 4.4%

Just under 5% of complaints or 628 cases within the Insurance Partner sector were classified as refusal of service with 68% where the policyholder did not have the correct cover level for the service required. A further 26% were refused because we were unable to validate cover at point of claim.

The remaining 6% were due to reasons such as being asked to reattend for the same fault, or attitude and behaviour of the policyholder.

During the review period 39% of all complaints relating to refusal of service were upheld.

### + Conclusion:

- RAC is confident that our low complaint to claims ratio demonstrates overall satisfaction rates with our products are high and this product continues to demonstrate fair value and good customer outcomes.

### + Actions:

- RAC will continue to analyse the effectiveness of the interventions introduced to address delays and continue to monitor the impact to customers through analysis of data; SLAs, NPS and complaints.
- Consider analysing the recent increase in competence complaints to determine whether it is a real increase or if it is due to classification changes.
- Consider changing the classification of pay and claim requests to an enquiry rather than a complaint.



# Actions since last review

### Partner Reviews

We review products with each partner on a monthly and quarterly basis via Account Management meetings and we review with partners on an annual basis via performance reviews and through annual audits. During this process any changes to T&Cs and products are mutually agreed and implemented with our partners.

### Consumer Duty Preparations

In line with the FCA's Consumer Duty regulations that are due to be introduced on 31st July 2023, an extensive product review has been undertaken to ensure the business is prepared. This project has various workstreams to reflect the different areas of the regulation including product and service, price and value, customer support and customer understanding. Customer communication and journeys will be reviewed with partners as part of these obligations.

### Previous Review Risks and Actions

#### Vulnerable Customers

RAC reviewed whether the current prioritisation system was effectively capturing the different types of vulnerabilities and in particular if digital claims routes were able to prioritise and consider vulnerable customers. During the review period investigations took place to identify the best place for prompting customers to report vulnerability if reported via Rescue Me and this action has been carried forward into this

year as we are now awaiting the outcome of the wider review into vulnerable customers.

#### Declinatures

RAC needed to ensure more specific declinature codes were introduced so that root cause analysis could be conducted and interventions made to improve claims acceptance rates. This requirement is part of an ongoing project to add additional declinature codes to better assist with analysis and product reviews going forward.

#### European Claim Limits

RAC created an action to investigate and obtain the data necessary to confirm whether the financial limits (daily and overall) for our European claims are appropriate or need amending. There is still an action to consider raising RAC overall claim limit as inflation continues to rise and limits need to remain appropriate.

#### Complaints

RAC had an action to consider investigating why some customers are not being validated at point of claim. Upon investigation we identified it was mostly caused by lack of training and confidence amongst new joiners. In the period under review, several interventions were introduced to address this including extending the training for new starters.

There was also an action for the small percentage of customers who experience long waits for RAC to improve the quality of the customer communication and provide an improved alternative solution for those policyholders.

During the review period, the ETA update customers receive was updated so customers are now sent a link to a website that updates their ETA in real time. It is too soon to measure the true impact of this change although it is expected to improve customer experience.

In addition, as delays are the primary cause for complaints, work is still ongoing to analyse the effectiveness of the interventions introduced to address delays and we will continue to monitor the impact to customers.

#### Terms and Conditions

In line with actions from the last product review and coinciding with Consumer Duty requirements, RAC are reviewing Terms and Conditions and IPIDs for our core breakdown products. Where RAC identifies any elements of cover or product literature that are not consistent with fair value or good customer outcomes, it will remain an action to notify partners and advise whether any changes can be applied from renewal.

The RAC direct to consumer division will be testing the new terms and conditions, Phase 1 of the re-write will involve presenting the information on what is and isn't covered more clearly using tables and more basic use of English. Following the release of the new terms, tests will be conducted to ensure customers have a sufficient level of understanding and the output of this research will feed into Phase 2 of the re-write which is due to be released in Q4 2023.

### Third-Party Suppliers

The position with Onward Travel suppliers has improved since the last review period when quality, accuracy and speed of data was identified as an issue and the global supply of new cars post pandemic affected hire car provision whilst staycation put pressure on taxi and accommodation provisions. During the review period, RAC recontracted with Opteven, our European breakdown claims partner, who made significant changes to their resources and practices to help ensure they meet the KPIs set out in the new contract and help improve the service provided to our customers as well as working to improve data feeds. Despite this, pressure remained on our European partner as a number of global factors, including the effects of the pandemic and global inflation conspired to constrain the availability of services necessary to support customers after a European breakdown.

We also completed the transition of hire car providers as Enterprise replaced Europcar as the preferred hire car provider and completed a successful trial with Uber who are now being on-boarded as an additional taxi provider.





## Distribution including roles and responsibilities

As RAC manufactures this product, it is responsible for the Terms and Conditions and the IPID that is shared with the customer during the sales process. Prior to release, each piece of RAC’s literature is initially reviewed by a first line reviewer to ensure they are clear, fair and not misleading, before being reviewed by compliance prior to publication.

Partners are responsible for the sale, administration, policy issue, mid term adjustments and renewal. The RAC provide clear training material and request to sign-off all marketing literature relating to RAC breakdown products.

RAC’s Insurance partners team has a dedicated Digital Account Manager who works together with our Senior Technical Manager to advise partners on all aspects of product literature that we are jointly or fully responsible for. Product literature also forms part of training packs and face-to-face training that is conducted in partner call centres.

The division of responsibility involved in product governance is shown in the tables opposite. In the majority of cases, RAC are the sole manufacturer of the breakdown product and responsibilities are reflected in table 1. Where partners are co-manufacturers (if partners choose to use elements of breakdown as part of a bundled offering) the roles and responsibilities differ slightly and are illustrated in table 2.

### Terms and Conditions

The information provided in the terms and conditions are clear and in plain English. However, customers receive the same T&Cs regardless of the combination of cover they have selected so they need to read them in conjunction with their schedule to see which elements of cover apply to them. This is common with insurance products and is an acceptable way to efficiently inform customers of cover.

Declinature rates are extremely low so there are no concerns over customers not being able to receive support at point of claim. RAC provides a comprehensive claims journey, and a potential solution can be offered in almost all the scenarios drivers may face. If it is not something they already have cover for, it is something we can support them with at a charge. This means that customers are very rarely turned away.

Complaint data does not suggest any aspect of the T&Cs are a cause for concern for our customers, whilst some customers express they were unaware of a clause / limitation, we have reviewed complaints data and literature and have not identified any areas that cause concern.

Table 1: Division of the roles and responsibilities involved in product governance where RAC is the sole product manufacturer

General Insurance Activity	Responsibility:	
	RAC	Partner
<b>Product Design and Governance:</b>		
Product Design and Approval Process (including Vulnerable Customers)	✓	
Target Market Statement (TMS)	✓	
Understanding of identified target market (including Vulnerable Customers)	✓	✓
Product Testing	✓	
Selection of distribution channels	✓	✓
Ensuring products are distributed to the identified target market	✓	✓
Product monitoring and share annual reviews to ensure product remains appropriate to target market and remains consistent with the fair value assessment	✓	✓
IPID development / design and technical/compliance approval	✓	
Provide appropriate information to distributors and clearly differentiate that information which is intended for distributors e.g. Training Material, and/or customers (IPID)	✓	
Have adequate arrangements to obtain information about the product and the product approval process.	✓	
Contract Price – clearly articulate whether the price delivered to partners is retail to customer or net to partner.	✓	
<b>Presale activities:</b>		
Drafting of marketing literature i.e., Do RAC provide information to the Partner to insert into their marketing literature?	✓	✓
Technical approval of marketing literature i.e., Does RAC need to provide approval for any element of the marketing literature produced in relation to their product?	✓	✓
Compliance approval of marketing literature i.e., Does the RAC Compliance team need to approve marketing literature in relation to their product?	✓	✓
Policy wording / T&Cs i.e., Does RAC provide the policy wording and terms and conditions for inclusion within the Partner literature?	✓	
Technical approval of Policy document i.e., Does RAC Technical team need to approve the policy document for inclusion within the Partner literature?	✓	
Compliance approval of Policy document i.e., Does RAC Compliance team need to approve the Policy document for inclusion within the Partner literature?	✓	
<b>Post-sale activities:</b>		
Written confirmation of cover		✓
Approval of post-sales correspondence	✓	✓
Issuance of Policy documents		✓
Issuance of endorsements		✓
Issuance of renewal notice		✓
Payment collection		✓
Cancellation of Policy		✓
Refund of premiums	✓	✓
<b>Claims against the breakdown product:</b>		
Claims Handling	✓	
Negotiation of Claims	✓	
Agreement of Claims	✓	
Settlement of Claims	✓	
Queries concerning product / breakdown insurer / process	✓	
<b>Complaints (in relation to the RAC product):</b>		
The sales of product		✓
Disputed Claims	✓	
Misrepresentation in respect of Marketing literature	✓	✓
About the product/cover that is offered	✓	✓
FOS claims complaints	✓	
Regulatory reporting of claims complaints	✓	
<b>Miscellaneous:</b>		
Keep proper records and accounts	✓	✓
Identification and management of any potential conflicts of interest	✓	✓

Table 2: Division of the roles and responsibilities involved in product governance where RAC is the product co manufacturer

General Insurance Activity for Co-manufactured Products	Responsibility:	
	RAC	Partner
<b>Product Design and Governance:</b>		
Product Design and Approval Process (including Vulnerable Customers)	✓	✓
Target Market Statement (TMS)	✓	
Understanding of identified target market (including Vulnerable Customers)	✓	✓
Product Testing	✓	✓
Selection of distribution channels	✓	✓
Ensuring products are distributed to the identified target market	✓	✓
Product monitoring and share annual reviews to ensure product remains appropriate to target market and remains consistent with the fair value assessment	✓	✓
IPID development / design and technical/compliance approval	✓	✓
Provide appropriate information to distributors and clearly differentiate that information which is intended for distributors e.g. Training Material, and/or customers (IPID)	✓	✓
Have adequate arrangements to obtain information about the product and the product approval process.	✓	✓
Contract Price – clearly articulate whether the price delivered to partners is retail to customer or net to partner.	✓	✓
<b>Presale activities:</b>		
Drafting of marketing literature i.e., Do RAC provide information to the Partner to insert into their marketing literature?	✓	✓
Technical approval of marketing literature i.e., Does RAC need to provide approval for any element of the marketing literature produced in relation to their product?	✓	✓
Compliance approval of marketing literature i.e., Does the RAC Compliance team need to approve marketing literature in relation to their product?	✓	✓
Policy wording / T&Cs i.e., Does RAC provide the policy wording and terms and conditions for inclusion within the Partner literature?	✓	✓
Technical approval of Policy document i.e., Does RAC Technical team need to approve the policy document for inclusion within the Partner literature?	✓	✓
Compliance approval of Policy document i.e., Does RAC Compliance team need to approve the Policy document for inclusion within the Partner literature?	✓	✓
<b>Post-sale activities:</b>		
Written confirmation of cover		✓
Approval of post-sales correspondence	✓	✓
Issuance of Policy documents		✓
Issuance of endorsements		✓
Issuance of renewal notice		✓
Payment collection		✓
Cancellation of Policy		✓
Refund of premiums	✓	✓
<b>Claims against the breakdown product:</b>		
Claims Handling	✓	
Negotiation of Claims	✓	
Agreement of Claims	✓	
Settlement of Claims	✓	
Queries concerning product / breakdown insurer / process	✓	
<b>Complaints (in relation to the RAC product):</b>		
The sales of product		✓
Disputed Claims	✓	✓
Misrepresentation in respect of Marketing literature	✓	✓
About the product/cover that is offered	✓	✓
FOS claims complaints	✓	✓
Regulatory reporting of claims complaints	✓	✓
<b>Miscellaneous:</b>		
Keep proper records and accounts	✓	✓
Identification and management of any potential conflicts of interest	✓	✓

IPIDs

RAC provide IPIDs to all insurance partners to ensure that all policyholders receive clear and consistent messages regarding RAC products regardless of whether those products are RAC or partner branded.

Where the partner produces one IPID that includes breakdown, RAC provide the necessary content.

The information clearly states that all elements of cover other than Roadside are optional and the customer needs to refer to their schedule to confirm the level of cover they have selected.

+ Conclusion:

- RAC’s Insurance partners team have our own Senior Technical Manager who owns responsibility for all policy wordings and IPIDs exclusively for our partners in this sector. RAC are comfortable that all breakdown T&Cs and IPIDs distributed by partners are consistent with fair value and good customer outcomes.

+ Action:

- In line with Consumer Duty regulation, the product is undergoing an extensive review of the terms and conditions, distribution channels and an assessment of how claims are serviced operationally. These changes are due to be implemented in the next review period and will be communicated to distributors as part of ongoing obligations.
- Where RAC identifies any elements of cover or product literature that is not consistent with fair value or good customer outcomes, it will notify the partner and advise whether this change can be applied from renewal, or whether it is required to be immediately corrected by notice of variation.





RAC are confident that the current average breakdown retail prices and commissions charged to the end customer by our insurance partners are acceptable and represent fair value to policyholders.

## Fees and Charges

RAC, as manufacturer of the breakdown product, has historically never set the retail prices or commission levels (maximum or minimum) for the breakdown products within the insurance partner space. The reason for this is every insurance partner has different marketing, sales and administration costs which can vary significantly across the online and offline sales channels.

RAC’s partners in the insurer and broker sector that distribute our products are regulated firms selling many types of core insurance cover including motor, home and commercial. As regulated firms they must act in accordance with the relevant regulatory requirements. They must also adhere to the terms of their agreement with RAC, which includes obligations to act in the best interests of the customer, to ensure that its employees possess the necessary knowledge, qualifications, understanding and skills required to compliantly sell the product to the target market. In addition, they are required to maintain appropriate systems to ensure the proper performance of their obligations under the agreement with RAC, of which RAC have full rights to audit.

As the UK motor insurance market is highly competitive across all vehicle types to a significant degree the effectiveness of the market ensures that the breakdown product sold by partners is competitively priced and continues to deliver value to policyholders.

In terms of commission, if RAC believes that the gross premium is too high after the partner has added its commission to the net premium and may not meet FCA/TCF requirements, RAC may suggest a maximum gross premium and if the partner does not accept this then RAC have the right to withdraw the product.

Our partners are obligated to disclose the extent to which they are entitled to benefit from a commission calculated by reference to the premium paid by the policyholder. Marketing materials must comply with all regulatory requirements, and specifically those which relate to financial promotions.

Complaints, cancellations and claims are monitored monthly as part of RAC’s product governance framework to ensure full oversight of our breakdown products. Regular Account Management meetings take place between RAC and our distributors.

For illustration purpose we have assessed the Retail Selling Price (excluding IPT), Commission £ and Commission % for all vehicle classes sold within the insurer and broker division. These are illustrated in the table opposite.

	Average RSP (excl. IPT) £	Average Commission £	Average Commission %
Bike	£59.55	£28.71	48.2%
Car	£51.96	£22.47	43.2%
Caravan	£64.70	£26.69	41.3%
Horsebox & Trailer	£145.25	£36.97	25.5%
LCV	£64.64	£22.57	34.9%
Minibus	£109.17	£35.12	32.2%
Motor (blended cover)	£57.67	£20.56	35.7%
Motorhome	£78.89	£22.90	29.0%
Car Taxi	£95.51	£22.98	24.1%
Van	£53.81	£20.45	38.0%
Courier	£102.30	£27.65	27.0%
Minibus Taxi	£135.58	£38.68	28.5%
Caravan Only	£8.93	£4.93	55.2%
Horse Box	£177.68	£39.82	22.4%
HGV	£133.04	£50.90	38.3%

The above RSP's are for optional policies where breakdown is an add-on to the core insurance policy

### Cancellations

In terms of cancellations, as long as the end customer has not made a claim within the policy period we provide a full refund if within the 14 day cooling off period and a pro-rata refund after the 14 day cooling off period.

### + Conclusion:

- From reviewing the current average breakdown retail prices and commissions we are comfortable that the retail prices and commissions charged to the end customer by our insurance partners are within an acceptable range and represent fair value to policyholders.





RAC’s breakdown products are wholly RAC underwritten with all elements managed and monitored in-house. For some specific levels of cover, including breakdown provision in Europe, hire car and support for our own UK service network we use 3rd party suppliers.

## Third-Party Suppliers

### Opteven

If the breakdown occurs in Europe, then customers will speak with and be handled directly by Opteven. Opteven are based in Lyon, France and they will arrange all services with local, independent service providers. Opteven remain the main point of contact for the customer to maintain consistency and ensure a good customer experience.

During the last review period, Opteven faced a combination of Brexit, Covid-19 and the impact of global inflation rates on travel plans which affected service delivery capability and Opteven’s 3rd party providers.

Since November 2022, Opteven have significantly improved and increased their staffing levels with positive effects upon their performance which have continued into Q1 2023. Changes to the Opteven call centre management and the structuring of their resources gives a renewed confidence in their ability to meet the demands of the peak summer season in 2023. Furthermore, they’ve bolstered their repatriation ability and are working with their service provision partners in countries outside of France to help ensure they too can meet demand.

RAC continually monitors the service provided by our European partner and conducts regular reviews of Opteven’s performance KPIs, staff coaching logs, and results of call listening exercises. RAC has identified no material issues with the performance of our European partner that affect good customer outcomes or deter from the fair value of this product.

### Recovery Contractors

Whilst the majority of claims are handled by Patrols, RAC relies on a number of outsourced third-party suppliers to deliver certain parts of the service. Contractors are assigned to attend around 20% of breakdowns, for example if Patrols are not available or if special resources are required.

Contractors provide additional resource which enables RAC to provide a consistent service to customers, particularly in remote areas and through surges in demand. A specialist team manage the onboarding process, performance, and relationship with 500 contractor firms, including:

- 150 territory contractors who cover specific postcodes, collectively covering every postcode in the UK
- 350 service contractors who provide a back up if no patrols or territory contractors are available

Performance is measured weekly against SLAs including average time to attend, refusals within territory, completion times and complaints. Throughout the review period the attendance time from our contractors remained higher than normal as was the case in the last review period. External factors such as Brexit, the pandemic, a challenging recruitment environment and driver shortages continue. This, coupled with increased demand seen across the business and the storage and capacity issues facing bodyshops has led to pressure on contractors in some areas of the country which has resulted in longer wait times for some customers.

### Onward Travel

Onward Travel service elements are outsourced. In the last review period, Onward Travel suppliers were significantly impacted by widely known external factors such as the pandemic, Brexit, supply chain issues and the ongoing economic crisis. The RAC closely monitored and worked with our partners to mitigate the risk this posed to RAC’s ability to service claims, particularly for hire car, taxi’s and accommodation.

The position with Onward Travel suppliers has improved since Enterprise Rent a Car replaced Europcar as the preferred hire car provider in July 2022. Europcar had been the preferred supplier for hire cars but since the pandemic, they had several operational challenges that impacted their ability to deliver on their contractual obligations.

Clarity Travel Management, our Onward Travel supplier for hotel reservations experienced isolated incidents where it failed to provide hotel accommodation due to resourcing issues experienced by the wider travel industry.

A successful trial with Uber was run in the review period and it is currently being on-boarded as an additional provider.

### + Conclusion:

- Whilst the vast majority of claims are handled by RAC patrols, RAC relies on a number of outsourced third-party suppliers to deliver service in Europe and for the provision of onward travel services and jobs patrols cannot do.
- We believe that these providers have not affected the fair value of our products but note that under the review period there continue to be knock-on effects from the pandemic and Brexit as well as external pressures that have affected the ability of our providers to consistently meet expected service levels.

### + Action:

- It is evident that we need to continue to monitor the pressures facing third parties to ensure that those services not directly delivered by RAC employees (patrol and recovery drivers) is of sufficient quality to ensure no detriment to policyholders.
- RAC are expanding our network of recovery contractors and continue to explore solutions to the increasing pressure put on the network.





# Data Security

### Customer data

Customer data is captured during the sales process which for this distribution channel is not conducted by RAC but by our partners.

For the exchange of customer policy and claims data between the RAC and our partners, we utilise a file share platform to facilitate SFTP file transfers for both in and outbound data. Data is received in agreed formats via daily delta files and incorporated into our systems.

### Sharing data with third parties

During the claims process, customer data is shared with contractors who may be appointed to attend a call out, and onward travel suppliers as well as with our European partner, Opteven for jobs in the EU.

### Contractors

Individual customer data is transferred to contractors electronically from ICAD using the Apex system. This system is an industry standard that enables the contractors to receive details of the claim.

### Onward Travel

Individual customer information is entered into a portal when arrangements are booked by RAC's Onward Travel team. Suppliers receive this information and process the data to be able to deliver the service.

The following portals are used in this process:

- Enterprise – Arms
- Taxi – Mobilio
- Taxi – CMAC
- Hotels – Clarity

### European

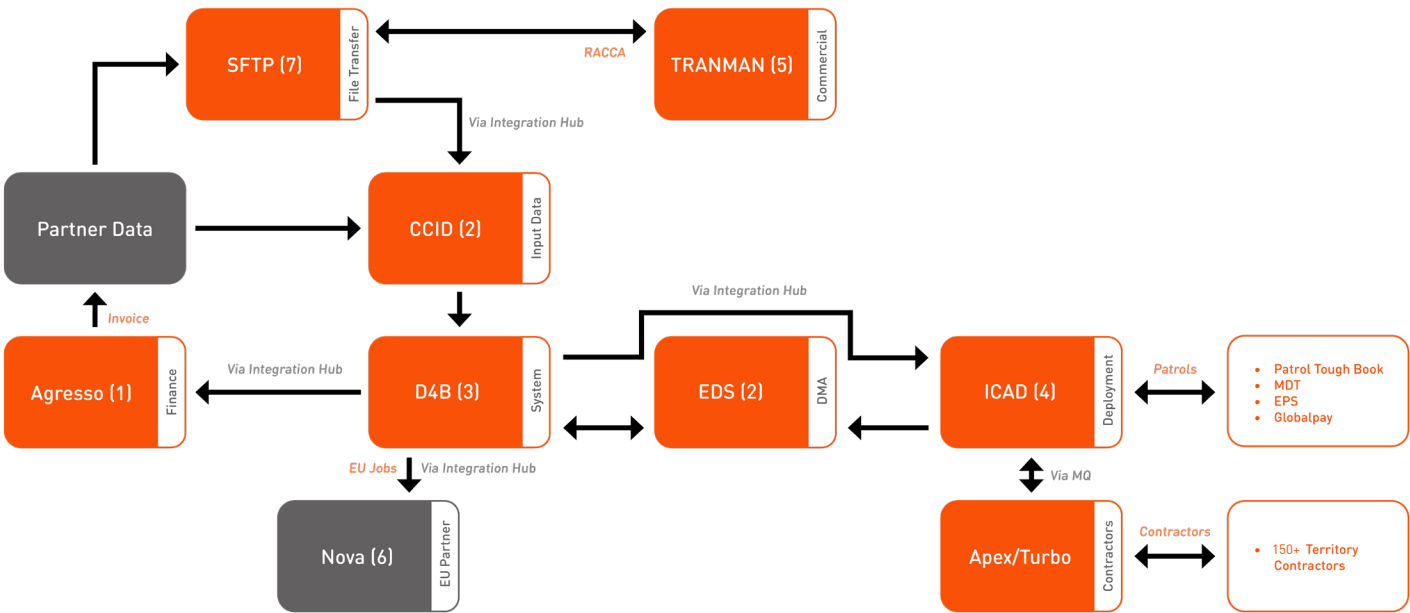
RAC customer data for European policies is shared with Opteven on a daily basis via a secure SFTP transfer. We share essential information only to allow Opteven to manage the customers' claims.

### Data Protection

We routinely undertake Data Protection Impact Assessments for our key systems and processes to ensure that they comply with data protection laws.

Our compliance with data protection laws is monitored by our Data Protection Officer and audited by our internal audit team (which acts as the third line of defence). The Data Protection department are responsible for conducting and storing DPIAs.

### RAC Data Flow for Breakdown Products







**RAC**

RAC Insurance Partners Breakdown Product Review 2022-23