

RAC Insurance Partners Breakdown Product Review



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 be attended by either 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 10% 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 channels, as an add-on to motor insurance sold through insurance and broker partners through RAC's Business Roadside division as well as RAC's internal broker model, via UK Banks and Building Societies as part of added value current accounts and via motor manufacturers and fleets who provide breakdown as part of vehicle 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.

This is the first review since value measures reporting was introduced, which provides a different dataset than that which has been available previously.

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 |
| Reviewer | RAC Insurance Partners Division |
| Product Type | <ul style="list-style-type: none">Vehicle-based Breakdown Add-On and Standalone Breakdown productsPersonal Breakdown Add-On and Standalone Breakdown productsHybrid Breakdown Add-On products |
| 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> |

Outcome of 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

| | Value | July 21 – Jun 22 |
|--|--------|------------------|
| Number of policy sales to UK consumers | Number | 8,070,779 |
| Total retail premiums (written) excl. IPT | £ | £154,953,613 |
| Number of claims registered | Number | 531,184 |
| Average number of policies in force | Number | 5,094,187 |
| Claims frequency | % | 10.43% |
| 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 yearend) | Number | 503,708 |
| Number of claims that have been rejected in the year | Number | 27,512 |
| Claims acceptance rate | % | 94.82% |
| Number of claim walkaways | Number | 49,452 |
| Number of claims complaints | Number | 10,089 |
| Claims complaints as a % of claims | % | 1.90% |

Executive Summary/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.

This is the first review that has been conducted since value measures reporting was introduced.

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 94.82% across all products and cover levels.

Number of claim walkaways

The number of walkaways is 8.5%, which is 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.

Number of claims

The number of claims and claims frequency has been steady over the period. The claims acceptance rates are strong and do not indicate any concerns in terms of the product meeting customer expectations. As the UK was in the latter end of the lockdown restrictions following the pandemic, claims were lower than normal levels, although driving patterns have started to return to normal.

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 low and 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 (1.9%).

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.

Outcome of Review



Executive Summary/ Fair Value Assessment

External Market Factors:

In the period under review, July 2021 to June 2022, the RAC faced a number of ongoing external challenges. The effect of Covid on the population and the transport industry led to higher staff absence, driver shortages, more long tows and increased onward travel provision combined with a more difficult fault mix due to 2021 being the busiest and most volatile holiday season on record.

The pandemic caused changes in consumer and driver behaviour that are yet to be fully understood with the long term effects of hybrid working creating a shifting dynamic of driver behaviour and commuting patterns. In addition, global supply chain issues including computer chip shortages have led to an ageing vehicle profile. As a result we have seen Average Time to Attend (ATA) extending particularly for breakdowns in rural areas and later into the evening.

This, coupled with the war in Ukraine has caused economic ramifications which are continuing. The UK is experiencing high rates of inflation and the Bank of England has raised interest rates. Concurrently fuel prices have reached record levels in recent months. These external market factors all create challenges for our forecasting and service delivery as well as increasing overheads for the RAC and for our subcontractors.

RAC areas of focus

Contractors:

Whilst RAC's own patrols attend around 90% of all claims, we rely on contractors to support the remaining 10% of breakdowns. Contractors remain a key part of our service delivery and are identified in this review as an area of concern as they have come under increasing pressure for the period under review. RAC continue to invest in our own recovery vehicles and are supporting the contractor network with fuel escalator payments to lessen the strain on the network.

Delay

On average, the RAC attends policyholders within 65 minutes across the Insurance Partner division. This means a certain number of customers are attended outside the optimum window. The small percentage of customers who experience long waits particularly in rural areas or late at night represent the customers that are most likely to complain.

As a direct result of the ageing vehicles we see within our policyholder base we are experiencing a more complex fault mix. 60% of all IP service breakdowns are for vehicles 10 years +, a trend that has been increasing YOY. Patrols are unable to complete a roadside fix for some of these breakdowns and therefore the jobs need to be placed for recovery with subcontractors. This has a negative impact on ATAs and complaints as we typically see more complaints for long waits and long distance recoveries.

The number of claims requiring recovery is currently at the highest it has been in the last 5 years.

Onward Travel:

Hire Car: The new car shortage which is affecting global supply has also had an impact on hire car provision with demand outstripping supply across UK and Europe after many hire car companies that reduced their fleets during Covid are now unable to replace them. The RAC has already taken action in the UK and has appointed a new primary hire car provider in Enterprise Rent-A-Car.

Taxi: As a result of the Covid health and safety guidelines implemented by the RAC it was necessary during this period to continue to separate drivers and passengers from the vehicles in order to recover non repairable vehicles from the roadside. Whilst out of our control, this added complexity to the claims process and a move from our desired approach of ensuring a seamless recovery for customers.

Although these issues created difficulty during the period under review, the RAC found alternative solutions and product value was maintained.

Hotels and Public Transport: Similarly, the ability to provide onward mobility and overnight accommodation to impacted policyholders was also compromised. This was apparent during the staycation summer of 2021 where hotels were at capacity.

European

During the review period the UK and Europe were emerging from the pandemic with travel restrictions or Covid guidelines still in place and so metrics do not reflect normal volumes. Minimal UK to Europe consumer traffic for the last two years has resulted in a rationalisation of services supporting UK drivers in Europe from hire car providers to garages and recovery contractors. Staycation within Europe also increased pressure on onward travel and alternative accommodation provision.

Going into this summer, pent up demand from UK policyholders is a challenge as the post covid and post brexit EU environment has fundamentally changed. RAC has put additional oversight into the management of our European service partner with daily calls to monitor this and to ensure minimal risk to policyholders.

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 (circa 90%) 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. We believe that all our combinations of these components offer fair value. Opposite is an Insurance Product Information Document (IPID) that demonstrates 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 Components | Adaptations |
|---------------------------|---|
| Definitions | <ul style="list-style-type: none">• Breakdown may include mis-fuel, running out of fuel or charge, or locking keys inside vehicle.• Vehicle length may not be specified in partner policies.• Passenger numbers are not specified but cover is for the number of passengers as per the vehicle registration.• Most UK policies have unlimited callouts |
| Roadside | <ul style="list-style-type: none">• Distance from home can be a quarter of a mile, half a mile or 1 mile (for co-manufacturer arrangements)• Recovery to a garage can be 10 miles or up to 20 miles (for co-manufacturer arrangements)• Taxi costs typically covered up to 20 miles to continue the journey |
| At Home | <ul style="list-style-type: none">• Above adaptations apply• 24 hour waiting period typically applies |
| Onward Travel | <ul style="list-style-type: none">• 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). |
| Other Benefits | <ul style="list-style-type: none">• For driver induced faults we provide assistance or a 10 mile tow if unable to repair at roadside.• Urgent message relay• European Legal Care (for co-manufacturer arrangements). |
| Exclusions and Conditions | <ul style="list-style-type: none">• Business use vehicles are not excluded |

Cover Components:

|  What is insured? <p>Roadside</p> <ul style="list-style-type: none">✓ 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. <p>Mis-fuel Rescue</p> <ul style="list-style-type: none">✓ 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. <p>The following are additional sections which are optional, depending on the type of vehicle, and shown on your policy schedule:</p> <p>At Home</p> <ul style="list-style-type: none">• Help to repair the vehicle at, or within, a quarter of a mile of your home. <p>Recovery</p> <ul style="list-style-type: none">• 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. <p>Onward Travel</p> <ul style="list-style-type: none">• 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. <p>European Motoring Assistance</p> <p>Onward travel in the UK</p> <ul style="list-style-type: none">• 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). <p>Roadside assistance in Europe</p> <ul style="list-style-type: none">• 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. <p>Onward travel in Europe</p> <ul style="list-style-type: none">• 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. <p>Getting the vehicle home</p> <ul style="list-style-type: none">• 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. <p>Vehicle break-in emergency repairs</p> <ul style="list-style-type: none">• RAC will cover the costs to carry out emergency repairs to make the vehicle safe again following a break-in – up to £175. <p>Replacement driver</p> <ul style="list-style-type: none">• RAC will provide a replacement driver if a driver is medically unfit to drive. |  What is not insured? <ul style="list-style-type: none">✗ 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? <p>The vehicle must not be more than:</p> <table><tr><th>Type of Vehicle</th><th>Gross Vehicle Mass</th></tr><tr><td>Car and Light Commercial Vehicle</td><td>3,500 Kgs</td></tr><tr><td>Motorcycle</td><td>410 Kgs</td></tr><tr><td>Minibus</td><td>5,000 Kgs</td></tr><tr><td>Motorhome</td><td>7,500 Kgs</td></tr><tr><td>Horsebox and Trailer, Specialist Vehicle, Heavy Commercial Vehicle and PSV/Coach</td><td>44,000 Kgs</td></tr></table> <ul style="list-style-type: none">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 GVW) 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 GVW). | | 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 |
| 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 | | | | | | | | | | | | |



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 and Trailer
- Taxi Minibus
- Taxi
- HGV
- Minibus
- Mini-fleet



Targeted Products

Car

Cover Components

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.



All car 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. We believe that all our combinations of these components offer fair value.



Van

Cover Components

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.



All van 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. We believe that all our combinations of these components offer fair value.



Motorbike

Cover Components

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.



All motorbike 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. We believe that all our combinations of these components offer fair value.



Courier

Cover Components

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

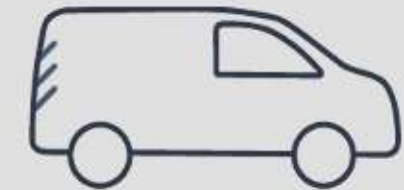
Policyholders who wish to ensure that if their courier breaks down in the UK, they will receive attendance at the roadside, at home or their place of work.

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.

European

N/A.



All courier 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. We believe that all our combinations of these components offer fair value.



Targeted Products

Motorhome

Cover Components

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.



All motorhome 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. We believe that all our combinations of these components offer fair value.



Minibus

Cover Components

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.



All minibus 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. We believe that all our combinations of these components offer fair value.



Horsebox & Trailer

Cover Components

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 and horses 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

N/A



All horsebox 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. We believe that all our combinations of these components offer fair value.



Taxi Minibus

Cover Components

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.

European

N/A.



All taxi minibus 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. We believe that all our combinations of these components offer fair value.



Targeted Products

Mini-Fleet

Cover Components

This meets the demands and needs of:

Roadside

Policyholders who operate a fleet of 2 to 15 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 to 15 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

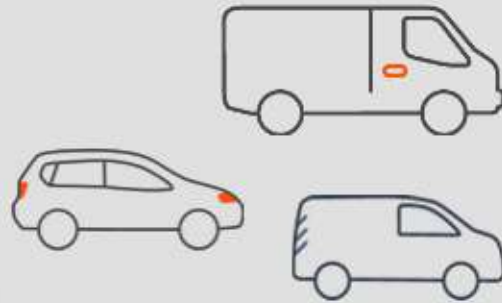
Policyholders who operate a fleet of 2 to 15 vehicles and wish to ensure that if one of their vehicles breaks down in the UK, they will receive attendance at the roadside, at home or their place of work.

Onward Travel

Policyholders who operate a fleet of 2 to 15 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 to 15 vehicles and wish to ensure that if their one of their vehicles breaks down in Europe, they will receive assistance.



All mini-fleet 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. We believe that all our combinations of these components offer fair value.



HGV

Cover Components

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 van breaks down in the UK and cannot be fixed at the roadside the HGV, driver and their passengers will be taken to any single destination in the UK.



All HGV 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 and Recovery is the most comprehensive product available for policyholders. We believe that all our combinations of these components offer fair value.



Taxi

Cover Components

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.

European

N/A.



All taxi 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. We believe that all our combinations of these components offer fair value.





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 higher 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 is an action from this product review to assess the suitability of all financial limits within the policy.

+ Conclusion:

- RAC 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.

+ Action:

- 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) are appropriate or need amending.



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 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 classed as vulnerable. Other situations include health related issues, small 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 across the whole business.

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 would 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

During the review period, RAC has developed a digital customer journey that allows policyholders to register a breakdown online, digital capability is being further developed to enable digital voice recognition. Vulnerable customers are being considered within these journeys and there is an action to ensure these initiatives do not pose a risk to vulnerable customers.

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.

+ Conclusion:

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

+ Action:

- RAC will continue to review and ensure that the current prioritisation system is effectively capturing the different types of vulnerabilities and that any new initiatives to support the claims process have vulnerable customers at the forefront of mind.



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

In the Value Measures period (July 2021 – June 2022) for Insurance Partner accounts, a total of 5.2% of claims were rejected. This equates to only 27,512 from a total of over 503,708 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 Declined Service/Refuse Service jobs 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 reporting to be completed more specific codes should be introduced into the claims process.

+ Conclusion:

- Overall declinature rates are very low, indicating cover continues to meet the demands and needs of the target market.



+ Action:

- Consider introducing more specific declinature codes so that root cause analysis can be conducted, and interventions can be created to improve claims acceptance rates.
- 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 at home where no At Home cover was selected.

+ Out of a total of 503,708 claims 94.8% of claims were accepted

+ Of those that were declined the review shows that cover level entitlement was the major cause for declinature

Total Percentage of Insurance Partner claims accepted and declined July 2021-June 2022

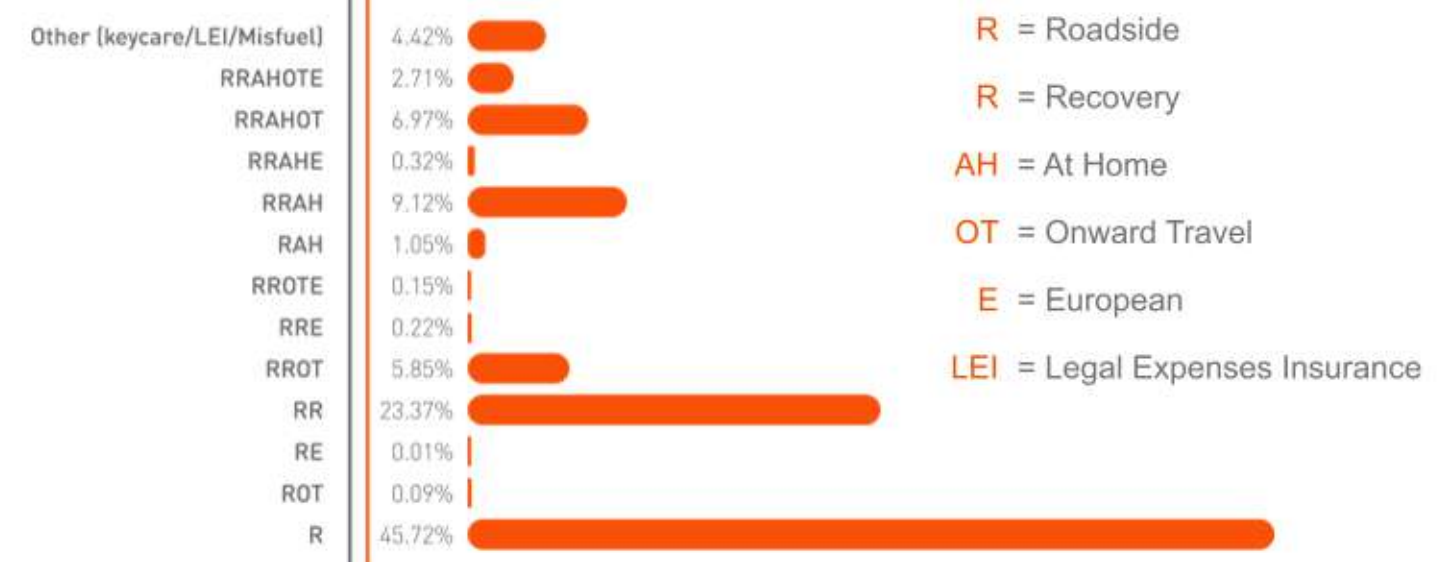
claims accepted 
claims declined 

94.8%

5.2%

+ Of those that were declined 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

Split of repudiations by cover level July 2021-June 2022





At 1.9% complaint to claim ratio, only a very small proportion of claims lead to a complaint so overall figures are low indicating satisfaction levels with our products are high.

Complaints

Claims related complaints - Insurance Partner division

This review addresses all the claims related complaints reported in the review period from July 2021 to June 2022.

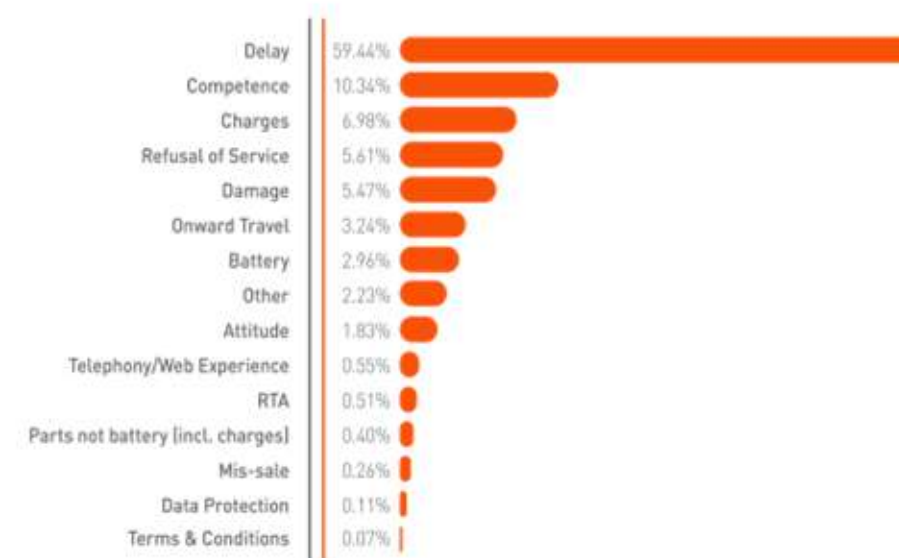
In this period, there were 10,089 complaints related to the claims process, with a monthly average of 841 complaints.

Around 67% of all complaints were upheld but this varied according to the type of complaint. There were a total of 40 complaints the customer referred to the FOS (please see below for further details).

The complaint to claims ratio between July 2021 and June 2022 was 1.9%. This shows only a small minority of customers made a complaint about the service received, which indicates customers receive a good service but overall complaint rates are still an area we will continue to monitor closely.

Trends

Reasons for complaints and complaint volumes



Monthly complaint profile





Whilst we always strive to attend our policyholders on time there are some instances where service does not meet policyholder expectations. Roadside delays are the biggest cause of dissatisfaction.

Reasons for Complaints

Delay – 59.4%

Almost 60% of complaints or 6,723 cases within the Insurance Partner sector were classified as delay, with several reasons for the delay:

- 57% of delay complaints were due to the initial wait
- 21% 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 (86%). Most of the delay complaints relate to the time it took to be reached 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 particularly inflated in Summer 2021. During this period, UK driving behaviour changed as many people stayed in the UK rather than going abroad for a holiday due to the pandemic's impact on overseas travel. This increase in complaints correlated with an increase in Average Time to Attend (ATA).

Whilst delay complaint volumes have mostly been falling since September 2021, the ATA has still been over an hour with external factors such as an ageing vehicle parc and increasingly complex fault mix resulting in record recovery levels compounding the 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 – 10.3%

The second most common reason for complaint was related to RAC's competency and the issues caused as a result of errors and mistakes by patrols and call centre staff. Just over 10% or 1,170 cases of complaints were directly related to competency with complaints ranging from call centre competence to misdiagnosis, failure to repair a vehicle or being given incorrect advice.

Only 40% of these complaints were upheld.

Charges – 7%

Almost 7% or 790 cases of complaints within the Insurance Partner sector were classified as charges, with 26% of these where the policyholder has disputed the charges. Other causes for complaints include police recovery fee charges, refunds on cancelled jobs and a belief that charges have been imposed incorrectly. 47% of these complaints were upheld during the review period.

Refusal of service – 5.6%

Just over 5.6% or 634 cases of complaints within the Insurance Partner sector were classified as refusal of service with 55% where cover could not be validated and 35% of these being due to the claim not meeting T&C's. The remainder were due to reasons such as same fault, attitude and behaviour of the policyholder or dissatisfaction of refusal due to vehicles having no valid Road Tax or MOT. 39% of these complaints were upheld during the review period.

Damage – 5.5%

Just under 5.5% or 619 cases of complaints 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. 27% of these complaints were upheld during the review period.

FOS Complaints

During the review period there were 40 complaints referred to FOS. Of the decisions returned to date, 6 were upheld and 1 was partly upheld, which provides assurance over the outcomes received by customers during the complaints handling process.

+ 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.

+ Action:

- RAC will consider investigating why some customers are not being validated at point of claim. We will investigate whether there are call centre competency issues or whether there are data flow issues with particular Insurance Partners.
- For the small percentage of customers who experience long waits RAC need to improve the quality of the customer communication and provide an improved alternative solution for those policyholders.
- RAC will 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.



Actions since last review

This is the first review in line with new regulations.

Partner Reviews

We review products with each partner on a monthly and quarterly basis via Account Manager and Director 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.

Historical Market Reviews and Product Development

RAC have historically distributed personal lines breakdown products (car/van/motorbike) into the insurance broker market. In 2018, we identified an opportunity to expand the product range available to brokers via the RAC Broker Portal and launched taxi, minibus, taxi minibus, motorhome and courier breakdown products.

Given the success these additional products had, we identified further opportunity to expand our suite of products via this channel as brokers had limited access to breakdown products for additional vehicle types and in particular very limited markets for fleet breakdown.

In August 2020, we developed a new RAC Broker Portal with the functionality to launch a new proposition into the broker channel covering all vehicle types on a single vehicle and fleet policy basis all under one policy wording.

We included several features previously not available to brokers including mixed fleet policies, allowing customers to purchase breakdown mid-term and risk rated products allowing for competitive premiums. Distribution of the product was expanded in January 2021 by launching the proposition onto Acturis, a leading broker software house, enabling easy access to the RAC proposition and operational efficiencies for brokers.

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 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 Ts&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 product manufacturer

| General Insurance Activity | Responsibility: | |
|---|-----------------|---------|
| | RAC | Partner |
| Product Design and Governance: | | |
| 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. | ✓ | |
| Presale activities: | | |
| 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? | ✓ | |
| Post-sale activities: | | |
| 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 | ✓ | ✓ |
| Claims against the breakdown product: | | |
| Claims Handling | ✓ | |
| Negotiation of Claims | ✓ | |
| Agreement of Claims | ✓ | |
| Settlement of Claims | ✓ | |
| Queries concerning product / breakdown insurer / process | ✓ | |
| Complaints (in relation to the RAC product): | | |
| 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 | ✓ | |
| Miscellaneous: | | |
| 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 |
| Product Design and Governance: | | |
| 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. | ✓ | ✓ |
| Presale activities: | | |
| 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? | ✓ | ✓ |
| Post-sale activities: | | |
| 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 | ✓ | ✓ |
| Claims against the breakdown product: | | |
| Claims Handling | ✓ | |
| Negotiation of Claims | ✓ | |
| Agreement of Claims | ✓ | |
| Settlement of Claims | ✓ | |
| Queries concerning product / breakdown insurer / process | ✓ | |
| Complaints (in relation to the RAC product): | | |
| 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 | ✓ | ✓ |
| Miscellaneous: | | |
| 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:

- RAC are working towards uniformity where possible with regards to the T&Cs offered to policyholders. However, there are multiple versions in circulation due to the specific adaptations required by partners. Any changes to T&Cs or IPIDs invariably take a minimum of 12 months to implement.
- 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 | 60.51 | 30.11 | 49.8% |
| Car | 73.05 | 48.65 | 66.6% |
| Car Classic | 79.46 | 27.46 | 34.6% |
| Caravan | 67.26 | 27.82 | 41.4% |
| Caravan Only | 8.93 | 4.93 | 55.2% |
| Horsebox & Trailer | 120.86 | 30.99 | 25.6% |
| LCV | 83.67 | 36.31 | 43.4% |
| Minibus | 84.85 | 15.35 | 18.1% |
| Motorhome | 158.77 | 47.37 | 29.8% |
| Mini Fleet | 59.33 | 20.55 | 34.6% |
| Car Taxi | 77.70 | 10.48 | 13.5% |
| Car/Bike/LCV | 54.77 | 19.52 | 35.6% |

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.

3rd 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 if the breakdown occurs in Europe, 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. Opteven adhere to a set of contracted KPIs and have generally performed well through a very challenging period. 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

Contractors are assigned to attend around 10% 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 300 contractor firms:

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

Performance is measured weekly against certain SLAs including average time to attend, refusals within territory, completion times and complaints. Throughout the review period the attendance time from our contractors was higher than normal. External factors such as Brexit, the pandemic and changing shopping habits (e.g. more e-commerce) caused there to be a shortage of drivers.

This resulted in some parts of the industry increasing salaries to attract drivers which made the market more competitive. This coupled with rising inflation led to a few smaller firms leaving the market. RAC has now increased its call out rates for contractors to support their business and it is in our best interest that these firms remain commercially viable.

Onward Travel

Onward Travel service elements are outsourced. Onward Travel suppliers have been significantly impacted by widely known external factors such as the pandemic, Brexit, supply chain issues and the ongoing economic crisis. The RAC is closely monitoring and working with our partners to mitigate the risk this poses to RAC's ability to service claims, particularly for hire cars and accommodation.

Europcar has been the preferred supplier for hire cars but since the pandemic, they have had several operational challenges that have impacted their ability to deliver on contractual obligations. This has resulted in several complaints as 50% of all hire car complaints were relating to delays and availability of required vehicles, three quarters of which were upheld or partly upheld. RAC have now changed primary hire car supplier to Enterprise Rent-A-Car.

In addition, RAC's hotel reservation provider has been experiencing isolated incidents where it has failed to provide hotel accommodation, but this was due to resourcing issues in the wider travel industry because of Brexit and the pandemic.

+ 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 have been unprecedented world events that have affected the ability of our providers to consistently meet expected service levels.

+ Action:

- It is evident that we need to improve the quality, accuracy and speed of the data that we receive from these 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 continue to invest in our own recovery fleet and support the contractor network with fuel escalator payments to lessen the strain 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:

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

European

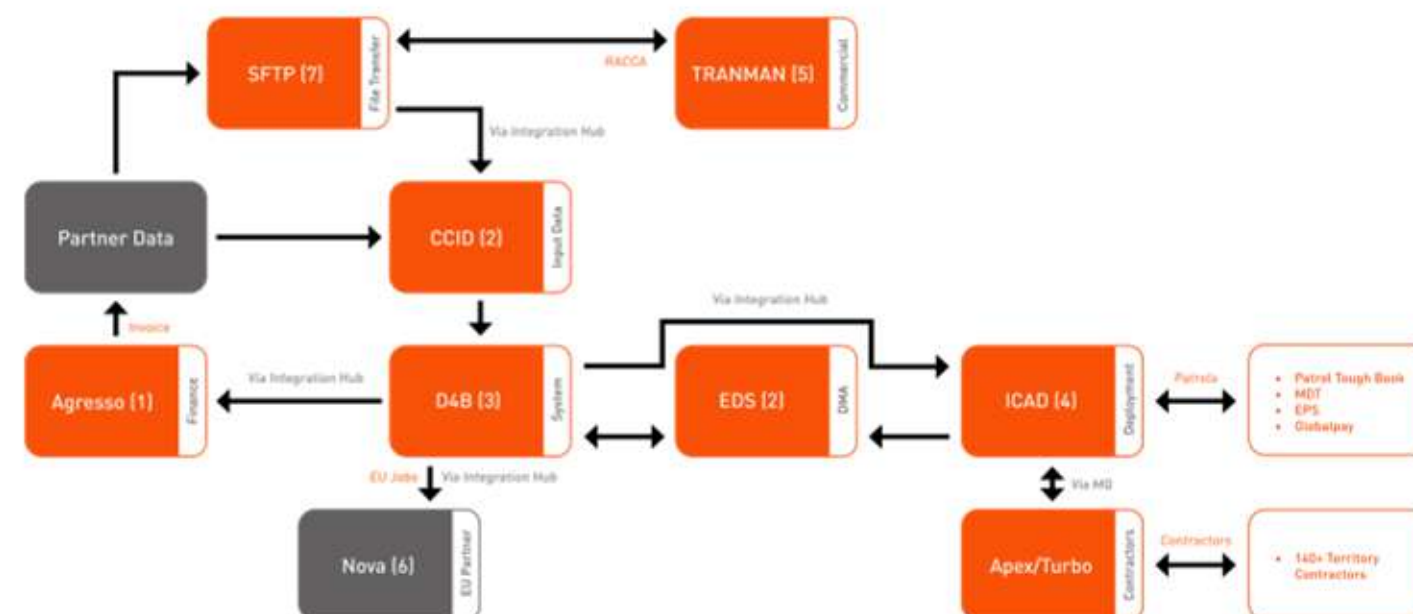
RAC customer data for European policies is shared with Opteven on a daily basis via a secure SFTP transfer. We share essential information only to allow Opteven to manage the customers' claims.

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 v1.5