

# 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 at home or 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. 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

<b>Product Name</b>	RAC Insurance Partner Breakdown Products
<b>Is this a value measures product?</b>	Yes
<b>Launch Date</b>	RAC have been providing breakdown products via this distribution channel for in excess of thirty years
<b>Last Product Review</b>	April 2022 to March 2023
<b>Product Review Period</b>	April 2023 to March 2024
<b>Reviewer</b>	RAC Insurance Partners Division
<b>Product Type</b>	<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>
<b>Insurer(s)</b>	RAC Motoring Services and/or RAC Insurance Limited
<b>Distributor(s) and/or distribution grouping</b>	<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>

# 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 2023 - March 2024

Total retail premiums (written) excl. IPT	£214,246,005
Number of claims registered	623,340
Average number of policies in force	5,174,545
Claims frequency	12.0%
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 end of the reporting period)	570,342
Number of claims that have been rejected in the year	55,732
Claims acceptance rate	91.1%
Number of claim walkaways	73,126
Number of claims complaints	15,585
Claims complaints as a % of claims	2.5%

## 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. Please see section on Fees and Charges within this document for a full assessment.

### Claims acceptance rate

Claims acceptance rates are at 91.1% across all products and cover levels, this has declined since last year as a result of increased rigor in assessing customers' entitlements. We continue to work with partners to promote the benefits of At Home and Recovery cover levels to minimise declinatures and the need to offer Pay on Use services.

### Number of claim walkaways

The number of walkaways has increased since last year. Upon investigation, up to a fifth of walkaways lead to another claim within 30 days. Half of all walkaways are for non-start, no spare tyre and other battery symptoms. There is an ongoing initiative to further investigate walkaways.

### Number of claims

The number of claims has increased by 10.5% which we can attribute to a small increase in policies in force but mainly due to an increase in claims frequency from 11% to 12%. This frequency clearly demonstrates that these policies deliver value to customers and that there is no issue with customers ability to claim.

### 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 (2.5%) and this has remained static, delay is the main cause of complaints and remains a key area of operational focus.

### Competitor analysis

Detailed competitor analysis has revealed that the Insurance Partner and Broker breakdown product suite is comparable with 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.

# 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 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 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.

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.



## 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 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.