RAC Legal Expenses - Motor

Product Name	Motor Legal Expenses
Launch Date	2001
Is this a value measure product?	Yes
Date of Product Review	August 2024
Product review period	1 June 2023 to 31 May 2024
Review valid until	October 2025
Reviewer	RAC Legal Services
Who is manufacturing	RACIL
Distribution strategy	Motor LEI is currently sold by our business partners online, through aggregators, and via their call centres. This cover can be provided as an add-on to Motor Insurance policies, add-on to Breakdown Products, or can be purchased as a standalone product. As it is sold as part of a package, our business partners can choose to charge an individual premium for it, or to include it within a total premium charged to the customer for a product.
Insurer	RACIL
Target Market	This product is aimed at individuals who drive a vehicle to help protect them against any unexpected legal costs that may be associated with the use of their vehicle. **<u>Target market statement action</u>** During this review period the FCA conducted a thematic review of target market statements. They identified shortcomings in the target market statements produced by many firms, with these often being too high level and lacking in granularity for the product in question. Although we have confidence in our target market statement, we will review this in light of the FCA's comments. A revised target market statement will therefore be available before the end of 2024.
Who is this product not suitable for?	The product is not suitable for individuals who do not drive, and those who are not residing within the UK.
Product Cover Levels	All Motor Legal Expenses products include cover for £100,000 worth of legal costs to pursue uninsured loss recovery (ULR) claims. All additional covers are available with an indemnity limit of up to £100,000 and are arranged in conjunction with the corporate partner and their knowledge of their target market. **1. ULR Only** Our most basic product includes a simple ULR only policy. **2. Standard Motor Legal Expenses product** This will also include cover for: • Motor Prosecution Defence. • Motor Consumer Contract Dispute.

	• 24 / 7 Legal Advice line (Motor or private advice). Policies can be tailored to offer different/additional levels of cover where these are relevant to the target market as discussed and agreed with the main motor insurer. This could include cover in jurisdictions outside of the UK. **<u>Key Exclusions / Limitations</u>** • Claims must have at least a 51% chance of succeeding. • Claims must be 'proportionate,' meaning the value of the claim must be greater than the costs of pursuing the claim. • We must appoint the Legal Representative unless there is a conflict of interest, or it becomes necessary to start court proceedings. • Any incidents that happen before the start of the Legal Expenses policy.
Competitor analysis	We regularly compare our products with others available in the market to ensure what we are offering remains competitive. We found that the £100,000 indemnity limit we offered was comparative, as was the range of coverage provided, and are confident that our products are offering fair value. The average private motor legal expenses policy costs around £30 a year. This figure is verified both by our own research and by independent articles, for example; https://www.independent.co.uk/advisor/car-insurance/motor-legal-protection We believe that a retail premium of up to £35 per annum would be appropriate for our Standard Motor Legal Expenses Product, given this may also include commercial vehicle coverage which can be more expensive, is within the reasonable range and will ensure our product is still providing fair value to our customers. If any of our business partners are looking to charge more than this, we work with them to ensure we understand the reasons why.
Vulnerable Customers	**<u>Product Design</u>** When designing our products, we aim to make them as simple and straightforward as possible and therefore as accessible as possible to vulnerable customers. All changes are approved and governed by RAC's Legal Services Customer Committee to ensure that any additional potential impact on vulnerable customers is considered before implementation. No issues were identified in the review period. **<u>Claims</u>** We make it easy for customers to access our services by providing a 24-hr legal helpline, and we do not require customers to follow a complicated notification process for claims. We have a number of contact methods to allow contact via the most appropriate medium. Where a customer is identified as having a vulnerability that requires adaption, we ensure the customer is made aware that details of any adaption are recorded appropriately, and we also ensure our solicitors are informed of any requirements on referral of a claim. In June 2023 we incorporated a specific drop-down in our claims handling system to enhance how we support vulnerable customers and capture this requirement. We also embedded this in our monitoring through a specific vulnerable customer question in our quality assurance checks. Oversight of this process is carried out on a monthly basis through our Legal Services Customer Committee. **<u>Partnerships</u>** Our Due Diligence forms include questions relating to vulnerability and we ensure that the firms we partner with have in place vulnerable customer provisions. This is a requirement at implementation, reviewed annually and in the event of significant change, and checked at audit.

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<u>Colleague Training</u>
We provide detailed Vulnerable Customers training and support to all colleagues handling calls and/or claims, supplemented with a CBT module, and workshop sessions designed to ensure colleagues are able to recognise vulnerability. We also have a question as part of our quality monitoring program about whether a customer received a fair outcome to their call, where we consider any potential vulnerabilities and ensure we are adhering to our policy.
We identified no issues in our review.
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<tr><td>3rd Party Suppliers</td><td>
We have been working with our partners for many years and have in place a suite of MI and Governance procedures to ensure that they are managed effectively and performing as we would expect. Our approach to Supply Chain management is robust, and includes ongoing operational scrutiny, with scheduled Due Diligence and audit.
We are satisfied with 3rd Party Supplier conduct during the review period.
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<tr><td>Value Measures Data</td><td>
<u>Claims Frequency</u>
Our average claims frequency now very closely aligns to the FCA Average level published in their FCA Value Measures report. Our overall combined claims frequency is 0.98% versus the FCA Average of 0.95% (0.80% in 2023)[1], which shows that our products are well utilised by customers.
When we consider individual products in isolation, we do not see that any of the claims frequencies cause concern. As we observed in our previous product review European LEI behaves differently and continued to do so in this review period with only 1 claim registered, mirroring what we saw in the previous review period. These make up only a small proportion of overall motor legal expenses policies, at just under 1% of average policies in force. It is worth noting that claims generally under the European breakdown product are lower than a standard breakdown insurance. Our breakdown team completed customer research in June 2023 and concluded that this is due to the extra steps that policyholders take to maintain their vehicle, as far more of them do complete checks of the vehicle prior to travelling to Europe and they are likely to drive more cautiously when abroad, which resonates with the peace of mind value enjoyed by holders of an LEI policy. In 2023 we reviewed the terms and conditions of the policy to ensure they are clear and improve their readability, referenced LEI on the website, and amended the schedule to ensure customers are aware that they receive this cover. These changes came into effect on 1 August 2023, and although these satisfy us that we are communicating the product well, there has been no shift in usage.
<u>Claims Acceptance Rate</u>
Our overall claims acceptance rate is at 93.66%, which is only marginally lower than the FCA Average of 96.43% (96.60 in 2023)[1] and within our target states.
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<tr><th></th><th>RAC Motor LEI 1 June 2023 to 31 May 2024</th><th>FCA Averages 2023</th><th>FCA Averages 2022</th><th>FCA Averages (Jul - Dec 21)</th></tr>
<tr><td>Claims frequency</td><td>0.98%</td><td>0.80%</td><td>0.95%</td><td>1.01%</td></tr>
<tr><td>Claims acceptance rate</td><td>93.66%</td><td>96.60%</td><td>96.43%</td><td>95.00%</td></tr>
<tr><td>Claims complaints as a % of claims</td><td>0.14%</td><td>0.30%</td><td>0.23%</td><td>0.62%</td></tr>
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During our product review process, we have also worked to develop a value ratio. This is a tool to help us consider the full value that customers are receiving from the product, as looking at claims payout alone doesn’t capture this. We therefore take a holistic overview and look at the cost a customer could incur if they did not have the policy. This has supported our view that products are providing value to our customers.
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Repudiations	The most common reason for claims to be declined remains there being insufficient prospects of a successful outcome for the customer, which is unsurprising given the bulk of the claims being dealt with are motor accident claims, where liability is often disputed and not clear cut. The next reason is that the claim is not covered by the policy, and the third is where the policy holder has not experienced any losses. The remainder have no common theme. With a PIF this size we will always see a few customers believing that they have LEI when in fact they do not. The very low level of these repudiations gives us confidence that there are no issues with the policy wordings or sales which are misleading customers.
Complaints summary	Complaints volumes are low across the motor legal expenses product and we have a very low complaints rate across all our Motor LEI policies at just 0.14% of all claims against the FCA average of 0.23% (0.30% in 2023)[1] . There are a mix of upheld and not upheld cases as we would expect, and such small volumes that there is no primary reason driving complaints, and no underlying trends or root causes identified that suggest a change is required or that customers are dissatisfied with their product.
Assessment of Fair Value	Overall, the product review has shown that our Motor Legal Expenses policy is providing fair value to all our customers and generally providing good outcomes. Our products compare positively when reviewing against our competitors' Motor LEI offerings and prices are within an appropriate comparative range. They are generally performing well when reviewing the low complaints figures and low declinature rates. We also are confident we have in place suitable governance processes with third party suppliers, and processes to ensure vulnerable customers are handled appropriately.
Next Review Due	August 2025

[1] Shortly after we carried out our fair value assessment the FCA published 2023 General Insurance Value Measures data containing averages of the 2023 calendar year. 2023 averages have been included for additional context.