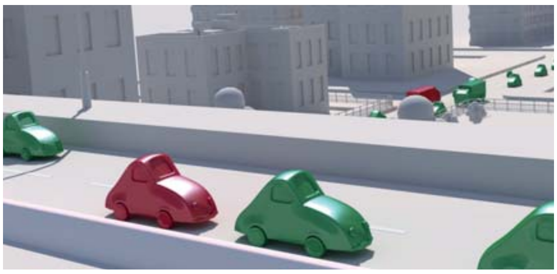
Motor Insurers' Bureau

Annual Report & Accounts 2013



MIB strategic objectives

Compensate victims of uninsured and untraced drivers **fairly and promptly**

Significantly reduce the **level and impact of uninsured driving** in the UK

Provide **first class data asset management** and specialist claims services

To provide efficient motor third party claims handling service in accordance with the Uninsured and Untraced Drivers' Agreements and the MIB Customer Charter

To maintain appropriate controls to minimise the impact of fraud

To support the Police, DVLA, DfT and the motor insurance industry through the Motor Insurance Database and contact centre services in order to reduce the use of uninsured vehicles on the road

To provide efficient and effective outsourced managed services to client companies in accordance with contractual requirements in order to support the attainment of their business objectives

To help defray the MIB levy costs

To operate as a centre of excellence

To demonstrate a fervent commitment to people development within a culture of encouragement to learn, fostering talent and professional excellence

Motor Insurers' Bureau

Contents

Chairman's statement

The net 2013 payments were at a record low of £228.2 million resulting in an additional repayment of £20 million to members in December.

Keith Morris stood down from the Motor Insurers' Bureau (MIB) Chairmanship earlier this year. Having worked with Keith on the Board for a number of years I know the time and effort he has committed to his role as Chairman and the significant contribution he has made to the success of the organisation in recent years. I would like to thank him for all he has done to transform MIB into the organisation it is today.

Looking back over the year it is encouraging to note that there has been another significant reduction in the number of incoming Guarantee Fund claims in the year - down 12.1% to 21,250. This has largely been achieved through a combination of the direct identification of uninsured drivers through Continuous Insurance Enforcement (CIE), activity with the Police and by engaging key audiences. Overall, there has been a reduction of 47% in the number of claims since MIB started working with the Police on vehicle seizures in 2005.

After nearly three years of operation, CIE in conjunction with the Driver and Vehicle Licensing Agency (DVLA) and the on-road enforcement activity, is systematically driving down the number of Guarantee Fund claims resulting in a levy of £255.0 million, the lowest for over a decade. The net 2013 payments were also at a record low of £228.2 million resulting in an additional repayment of £20.0 million to members in December. This reduction is a result of a combination of factors including the reduction in incoming claim volumes and in part, the use of Periodic Payment Orders to settle claims where this is in the best interest of the claimant.

With the fight against motor insurance fraud continuing to be of paramount importance to the industry, one major step forward in addressing the wider issue of application fraud is the development of the MyLicence hub. This will be delivered in 2014 with MIB managing the technology build on behalf of the industry.

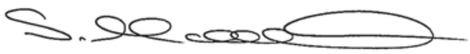
MyLicence will deliver a process that enables insurers to obtain up-to-date and accurate driving licence data at the point of quote, supporting more accurate pricing of risk. This is another joint public and private sector initiative being developed by DVLA, MIB and the Association of British Insurers (ABI). It will ultimately bring benefit to the motoring public and will support the Government's drive towards greater use of digital services. This change will become increasingly important for insurers given the intention to remove the paper counterpart to the driving licence in the near future.

2013 saw some significant changes in the law connected with damages and importantly, recoverable legal costs in low value road traffic claims. The changes were all part of the Government's drive to try and reduce the cost of motor insurance for the consumer. Like insurers, MIB has implemented the necessary process changes and continues to monitor the impact.

Allied to this is the work that continues in relation to claims for whiplash. Whilst the Government has so far failed to increase the level of damages that triggers an entitlement to legal costs, it has set out some proposals for reform around the quality and independence of medical reports. The work to define the detail and put these proposals into practice will continue in 2014. MIB will continue to engage with policymakers where appropriate to strive for an effective outcome.

With MyLicence to be implemented and CIE now fully embedded, we should see further reductions in the impact of uninsured driving and fraud on the insurance industry. This will benefit the honest motorist. MIB is at the forefront of these initiatives and will continue to support the industry, the Government and the Police in reducing uninsured driving whilst continuing to deliver excellent service across all areas of activity.

Once again, the staff at MIB have demonstrated the commitment, engagement and positive attitude that has enabled MIB to perform well. I would like to thank them on behalf of the Board for their efforts over the past year and look forward to working closely with them during 2014.



Steve Maddock
Chairman
2 May 2014

Chief Executive's statement

Uninsured driving in the UK is now estimated to be down to

1.0 million

(from an estimated 1.9 million in 2005)

It would be inappropriate to start this statement without acknowledging the very significant role played by Keith Morris since he took on the role of Chairman of the MIB 7 years ago.

During his tenure as Chairman, MIB has continued to develop and support the insurance industry, particularly helping to reduce the level of uninsured driving in the UK and providing cost benefits to the motoring public. Keith stepped down as Chairman in March and Steve Maddock was appointed by the Board as the new Chairman. Everyone at MIB welcomes Steve and we look forward to working with him in the months ahead.

Undoubtedly the most significant achievement during the year was the very large drop in the number of new claims reported to the Guarantee Fund. By the end of the year, the decrease in claims reported in 2013 compared to 2012 was 12.1% and this brought the overall reduction to around 47% since MIB started working closely with the enforcement authorities in 2005. This achievement is something of which the insurance industry can be proud.

Even though the levy in the year of £255.0 million was the lowest since 2004, £20.0 million was returned to members in December as overall expenditure in the year was held to £228.2 million.

Operating closely with the Driver and Vehicle Licensing Agency (DVLA), Continuous Insurance Enforcement (CIE) is now embedded as a business as usual process within MIB with a monthly target of 60,000 Insurance Advisory Letters (IAL) issued to registered keepers with a continued reduction in the time from identification to notification. DVLA maintains a high guilty verdict rate which is further evidence of the success and accuracy of CIE.

Since they were granted powers in 2005, the Police have seized 1.2 million uninsured vehicles and the level of uninsured driving in the UK is now estimated to be down to 1.0 million (from an estimated 1.9 million in 2005). As part of our on-going endeavours to provide the Police with an ever improving Motor Insurance Database (MID) based telephone helpline service, a pilot was run to evaluate the feasibility and benefits of extended hours working in the Contact Centre and consequently we will be rolling out this service on a permanent basis in 2014.

From a consumer perspective, the introduction of the new askMID.com website, optimised for mobile utilisation, was a significant step forward. Anyone involved in an accident can now easily access askMID with a smart phone to ascertain the identity of the insurer of the other vehicle involved in the accident.

Fighting fraud continues to be an important area for MIB with an increase in the claims being reviewed by the Special Claims Unit (SCU) for anti-fraud purposes. The team is one year into its three year development programme and the benefits are evident as fraud savings are ahead of schedule.

MIB continues to be a key player supporting the MyLicence project which is being driven by the Association of British Insurers (ABI) in partnership with the DVLA and supported by the Department for Transport (DfT). With the supplier (CGI) having been selected after a rigorous tender process, the remainder of the year was spent developing and building the hub in addition to supporting the ABI on stakeholder awareness. The hub, when delivered in 2014, will enable insurers, brokers and online aggregators to acquire a policyholder's licence history from the DVLA driver records at the point of quote.

Highlights in 2013

I am pleased to report that there have been a number of highlights in 2013. These include:

Strategic outcomes

A levy surplus of **£26.8m** and a return of £20m to members in December

Reduction of **12.1%** in new reported Guarantee Fund claims compared to 2012

Reduction in taxed vehicles not on MID to **710,000**

MID Services

Assisted the police in removing over **134,000** uninsured vehicles from the road

Successful delivery of the **askMID Roadside** service

682,270 CIE IALs sent in the year

Increased revenue stream from MID Services to **£1,007,000** (2012: £990,000)

In excess of **42,000** uninsured vehicles removed from the road with the assistance of the MIB Police Helpline

Customer services and efficiency

Quality audit scores reached an all time high of **96.6%** (2012: 96.1%)

Improved performance against the Customer Charter **95.6%** (2012: 95.0%)

Identified **£19.6m** of fraud savings (2012: £16.0m)

£9.1m recovered from uninsured drivers - 13% above target (2012: £8.2m)

48,327 claims settled during the year

Customer complaints **reduced**

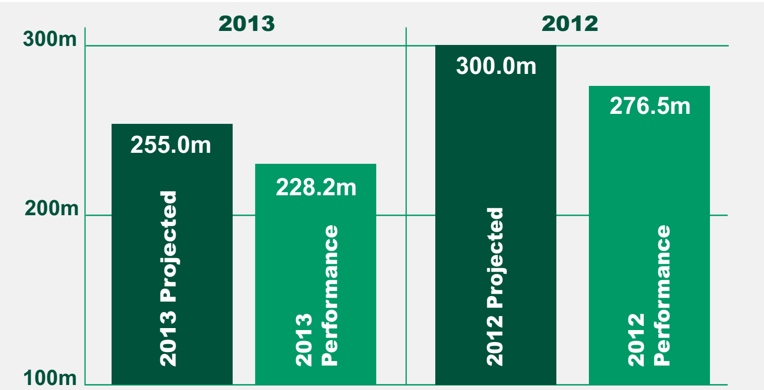
Review of 2013

Strategic outcomes

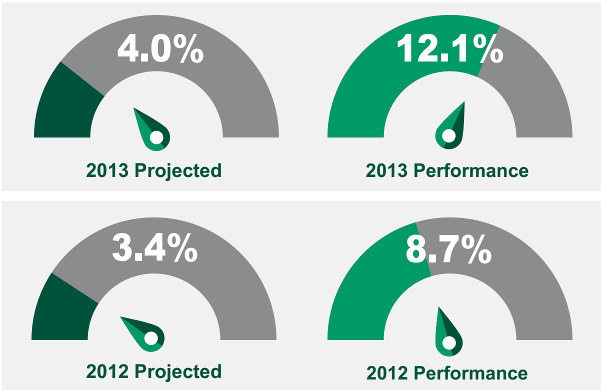
The actual 2013 levy expenditure was £228.2 million against a levy call of £255.0 million resulting in a surplus for the year of £26.8 million. The 12.1% reduction of reported Guarantee Fund claims numbers compared with 2012 was greater than anticipated and helped contain the expenditure in the year.

	Projected 2013	Performance 2013	Projected 2012	Performance 2012
Levy performance	£255.0m	**£228.2m**	£300.0m	**£276.5m**
Reduction in MIB Guarantee Fund (GF) claims	(4.0%)	**(12.1%)**	(3.4%)	**(8.7%)**
Taxed vehicles not on MID	780,000	**710,000**	880,000	**809,000**

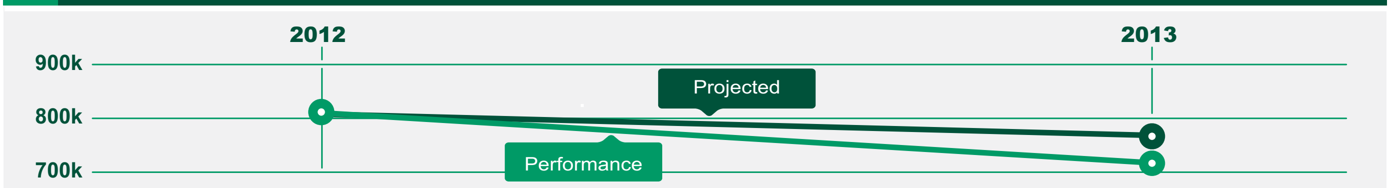
Levy performance



Reduction in MIB GF claims



Taxed vehicles not on MID



MID Services

The MID data supply continued to show improvements over 2012's performance. It was particularly pleasing to see the improvement in the MID2 vehicles target where performance has been substantially less volatile than in the past, permitting compliance each month of the year for the first time.

Despite continued pressure on Police resources and their operational priorities in the year, the seizure of a similar number of vehicles to 2012 (136,000) was a good result, especially given the reducing pool of uninsured drivers. The Police Helpline remains a key tool in supporting these efforts and was only marginally behind target for 'seizures resulting from a call to the Contact Centre'. There is clearly a continuing demand from the Police to increase the Helpline availability beyond its current operating hours and following a month long pilot in late 2013 this is something that we will progress with insurers during 2014.

	Target 2013	Performance 2013	Target 2012	Performance 2012
MID Integrity Index	99.9%	**99.8%**	99.9%	**99.8%**
MID1 Time to supply (TTS) Year to date (YTD)	95.0%	**98.8%**	95.0%	**98.8%**
MID2 policy TTS (YTD)	95.0%	**98.4%**	95.0%	**98.1%**
MID2 vehicle TTS (YTD)	95.0%	**96.0%**	95.0%	**95.3%**
Number of Police seizures	140,000	**134,766**	140,000	**136,747**
Police Helpline seizures	43,700	**42,350**	39,000	**42,420**

Customer services and efficiency

The claims handling operation is our core business activity with the aim being to continuously improve the overall customer experience. 2013 was no exception towards our drive for improvement and further efficiency, as measured through our Key Performance Indicators (KPIs). Both our performance against the Customer Charter and the customer engagement index were the highest ever recorded whilst the number of complaints received were the lowest in any year. Within our Customer Charter, 95.6% of all incoming post was responded to within 10 days whilst our customer engagement index achieved a net satisfaction score of 78.1% against a target of 71.5%.

Claims settled in the year were within target which is a notable achievement given that the target is driven, to an extent, by the number of claims received in the year. Our profiling shows that 45% of Guarantee Fund claims received are settled within the calendar year so having seen a 12.1% reduction in incoming claims against a target of 4% would naturally take away the opportunity to settle more claims.

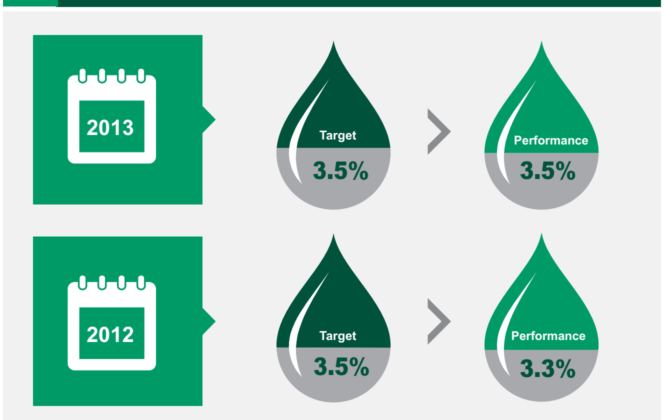
	Target 2013	Performance 2013	Target 2012	Performance 2012
Uninsured lifecycle	263	**275**	285	**270**
Untraced lifecycle	272	**322**	261	**311**
Green Card	277	**282**	277	**286**
Total average lifecycle	269	**303**	272	**295**

Having settled more claims than were received in 2013, the overall portfolio reduced by 9.7% compared to 2012. A contributing factor to the reduction was the drive to settle older cases particularly those from the untraced portfolio. As a result of settling a high proportion of older cases, the overall lifecycle did not meet its target .The untraced lifecycle increased slightly during the year whilst the uninsured and Green Card lifecycle remained comparatively static.

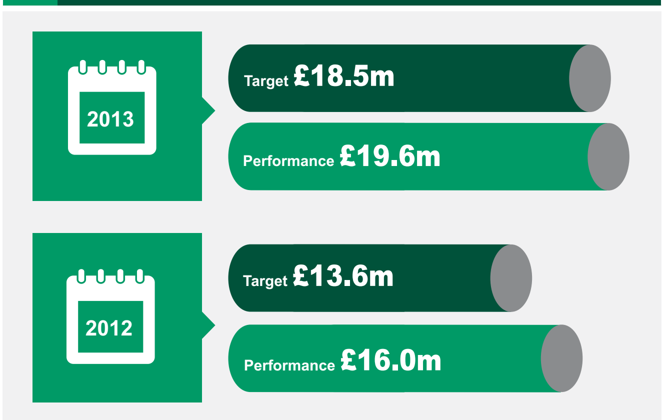
Both the quality audit scores and leakage achieved their targets. Quality audit scores were further improved in 2013, achieving another all-time high of 96.6%.

	Target 2013	Performance 2013	Target 2012	Performance 2012
Quality audit scores	94.5%	**96.6%**	94.5%	**96.1%**
Settlements (volume)	48,300	**48,327**	53,000	**51,199**
Leakage	3.5%	**3.5%**	3.5%	**3.3%**
Budget performance	100.0%	**97.8%**	100.0%	**99.3%**
Fraud savings	£18.5m	**£19.6m**	£13.6m	**£16.0m**
Recovery performance	£8.1m	**£9.1m**	£7.6m	**£8.2m**

Leakage



Fraud savings



Review of 2013

Fraudulent claims continue to rise within the market with the bill for this being met by honest motorists through their insurance premiums. Therefore, the identification of fraud has become an intrinsic part of the overall claims process and an area where we have invested significantly through enhanced technology and increased dedicated resource to focus on intelligence gathering, risk profiling and working on developing and investigating fraud networks.

The emphasis placed on tackling fraudulent claims has been largely successful as we have seen a year on year incremental increase in identifying fraud savings. Overall fraud savings for the year were £19.6 million which exceeded the target by 5.9% and was £3.6 million more than 2012 savings.

MIB has an obligation to not only compensate innocent victims of uninsured and untraced drivers, but to also do what it can within its power to seek reimbursement from those drivers who cause such accidents. It is imperative that those people who choose to drive without insurance realise that there are consequences to their actions and that MIB will seek recovery from them. In 2013, £9.1 million was recovered against a target of £8.1 million, which was an increase of £1 million against 2012 recoveries.

Communications

The challenge for MIB in generating awareness about uninsured driving is to retain the public spotlight on an ever-increasing positive position where the levels are now edging to below 1 million. For the first time in recent years, the level of traditional media coverage achieved in 2013 was lower than anticipated.

The Continuous Insurance Enforcement (CIE) scheme has performed well; acting as an efficient direct marketing campaign to target individuals keeping a vehicle without insurance. Awareness through social media also played its part in generating public interest with police operations to seize vehicles supported through a series of live tweeting events.

While the indicators are that good progress is being made in terms of behaviour change, there are uninsured hotspots where communities still need to be engaged and informed about the consequences of uninsured driving. The engagement programme, which was carried out for the first time in 2012, was repeated in 2013.

Learning and development

A commitment to excellence coupled with ethical conduct is the foundation of the MIB drive to increase professional qualifications within the organisation, ultimately leading to better customer outcomes and benefitting stakeholders.

The main focus for 2013 was professional excellence. The MIB Qualification Framework (MQF) was launched in March 2013, linking roles to specific levels of academic or vocational qualifications to ensure our employees are appropriately qualified for the work that they do. This supports MIB's Chartered Insurer status and demonstrates our commitment to the CII Aldermanbury Declaration.

Opportunities are provided for employees to become professionally qualified through accredited in-house training programmes linked to the Chartered Insurance Institute and the Institute of Leadership and Management.

In addition, our existing Investor in People (IiP) and CII Chartered Insurer accreditations were successfully renewed in 2013.

Risk management

A robust risk management framework is central to the efficient and successful management of MIB. It provides a positive method to help manage key business issues, such as information security. The Risk and Compliance team oversees all MIB's risk management controls, in adherence to the principles and guidelines of ISO 31000. The team is responsible for helping to ensure that appropriate risk management behaviours are embedded into the business culture of the Bureau.

In addition, all areas of the business are certified to the ISO 27001 information security management system standard. This demonstrates our commitment to protecting the confidentiality, integrity and availability of the data for which we are responsible.

Following completion of a comprehensive compliance programme that commenced during 2013, MIB successfully achieved ISO 22301 certification in March 2014. This means that all areas of the business are now certified to the ISO 22301 business continuity standard.

Our ISO 22301 certification signals to all of our customers, suppliers and other interested parties our determination to protect all the assets under our control. Our business continuity management system will help ensure that MIB continues to function in the event of a business continuity incident and supports our mission to operate as a centre of excellence.

Other developments

MIB's data asset management activities on behalf of the industry continued in 2013 during which MIB Management Services Ltd (MIB MSL) actively supported the operational delivery of the expansion of the Claims Portal, formerly known as the Road Traffic Accidents (RTA) Portal to include Employers' Liability and Public Liability claims as well as increased financial limits.

2013 has seen many of the building blocks required to support the three year strategy be put in place. The revised corporate structure, resources and finances are all embedded together with delivery of initiatives like the Insurance Fraud Register (IFR) and completion of the Data Sharing Agreements.

Management and operational support to Insurance Database Services Limited (IDSL) has also been very active during 2013. For both the CUE (Claims and Underwriting Exchange) and MIAFTR (Motor Insurance Anti-Fraud & Theft Register) databases we end the year having completed a supplier tender exercise for the replacement MIAFTR database, revised charging structures covering the data supplied to third parties and a clearer view of how the increased revenues will be allocated to develop the revised CUE database.

Management and operational support services have also been supplied to the Employers' Liability Tracing Office (ELTO) through the subsidiary Tracing Services Limited (TSL).

MIB remains a key supplier in the MyLicence project, driven by the Association of British Insurers (ABI) in partnership with the DVLA and supported by the DfT. 2013 saw this project fully implemented with the initiation of the physical build of MIB's data hub which, once delivered in Q2 2014, will enable the industry to check a policyholder's licence history at the point of quote.

And finally

The foundation of the successful delivery of these and future initiatives is our ongoing commitment to operate as a centre of excellence, a strong desire to continually identify and implement improvements whilst consistently demonstrating professional excellence.

All of this can only be achieved through the constant effort, support and enthusiasm of the people who work here. I would like thank everyone who has contributed to these successes for their endeavours and continued support during 2014 which almost certainly will be equally interesting and challenging.

Ashton West
Chief Executive
2 May 2014

Strategic report

The Board present their report and the Audited Financial Statements of the Motor Insurers' Bureau for the year ended 31 December 2013.

Group status

The Directors confirm that the Bureau remains a group limited by guarantee, without a share capital.

Principal activities

The activities of the Group are: -

1) In pursuance of agreements with the Secretary of State for Transport:

a) To satisfy judgements in respect of any liability required to be covered by contracts of insurance or security under the Road Traffic Acts 1972 and 1988.

b) To investigate, and where appropriate, make awards to persons suffering damage to property or injury or dependants/relatives of persons killed as a result of the use of a motor vehicle on a road, in cases where the driver of the vehicle cannot be traced.

2) In accordance with the provisions of the Internal Regulations of the Council of Bureaux to act as:

a) A Paying Bureau to guarantee the payment of relevant liability claims arising from accidents in other countries caused by holders of International Certificates of Motor Insurance (Green Cards) issued under the authority of the Bureau, or by users of motor vehicles registered in the United Kingdom.

b) A Handling Bureau to deal with Road Traffic Act liability claims arising from accidents in the United Kingdom caused by drivers of foreign registered vehicles on a temporary visit to the United Kingdom, in possession of valid Green Cards and/or vehicles registered in a signatory country of Section III of the Internal Regulations.

3) As required by the Motor Vehicles (Compulsory Insurance) (Information Centre and Compensation Body) Regulations 2003 (S.I. 2003 No.37) and the Agreement between Compensation Bodies and Guarantee Funds, approved under Commission Decision 2004/20/EC, to act as the Compensation Body to:

a) Handle claims made by UK resident victims arising from accidents abroad, where there are no foreign insurers' representatives, or where those representatives fail to act, or where an insurer or the responsible driver cannot be identified.

b) Act as the UK Information Centre and reimburse peer Compensation Bodies who have paid foreign victims of accidents in the UK, in accordance with the equivalent legal provisions implementing the Fourth Directive 2000/26/EC (now encompassed within 2009/103/EC).

c) Maintain the Motor Insurance Database (MID) ensuring:

i) A fit for purpose database supporting the detection, enforcement and prevention of uninsured driving in the UK.

ii) Compliance with current Road Traffic Act legislation (Road Traffic Act 1988 and The Motor Vehicles Third Party Risks Regulations 2001, S.I. No.2266).

Financial position and future prospects

The Directors confirm that total expenditure of MIB continues to be reimbursed by contributions received and sums receivable from its members. Further information is available within the Chairman's and Chief Executive's statements. The Directors are satisfied with the position of the Group and its performance during this financial year. The performance review of the Group is set within the Chief Executive's statement on pages 6 to 11.

The consolidated statement of comprehensive income on page 30 shows that the Group has neither made a profit nor incurred a loss in the year to 31 December 2013. MIB continues to have the support of its members.

The income included within the consolidated statement of comprehensive income of £137.9 million comprises the cash levy called of £255.0 million less the movement in uncalled levy of £95.0 million which represents the movement in claims provisions, see note 3 for detail.

Board of Directors

The following were Directors during the year and held office throughout the year, unless shown otherwise:

Chairman

S Maddock

Direct Line Group
Chairman - 04.03.2014*
Non-Executive Director
09.06.2011*

Executive Directors

A West

Chief Executive
Motor Insurers' Bureau
14.04.2003*

A Sherman

Finance Director
Motor Insurers' Bureau
09.02.2009*

Non-Executive Directors

T Moss

Allianz
12.02.2009*

D Clayden

QBE Insurance (Europe) Ltd
11.09.2009*

A Clarke

Ageas
10.09.2010*

I Currie

RSA
10.09.2010*

M Bacon

Equity Red Star
31.03.2011*

T Holliday

Zurich Insurance
23.03.2012*

D Slater

Acromas
27.03.2013*

S Baker

AXA Insurance
03.04.2013*

S Treloar

Aviva
04.03.2014*

*Date of appointment

Resignations

Directors resigning from the Group during and after the year were as follows:

Name	Company	Date of appointment	Date of resignation
K Morris	Sabre Insurance	29.09.2005	04.03.2014
D Neave	CIS Insurance	21.11.2007	07.03.2013
L Matras	Groupama Insurance	03.07.2008	28.02.2013

New Non-Executive Directors

S Treloar	Aviva	04.03.2014

Board attendance

The Directors of the Group attended the following Board and Audit Committee meetings during the year:

	Board meetings					Audit Committee	
Name	**07/03/13**	**30/05/13**	**30/08/13**	**12/09/13**	**14/11/13**	**18/04/13**	**21/11/13**
K Morris	Present	Present	Present	Present	Present	Present	Present
A West	Present	Present	Present	Present	Present	Present	Present
A Sherman	Present	Present	Present	Present	Present	Present	Absent
T Moss	Present	Present	Present	Present	Present	Present	Present
D Neave	Present	N/A	N/A	N/A	N/A	N/A	N/A
D Clayden	Present	Absent	Present	Present	Absent	N/A	N/A
A Clarke	Present	Present	Present	Absent	Present	N/A	N/A
I Currie	Present	Present	Present	Present	Present	N/A	N/A
S Maddock	Present	Absent	Absent	Present	Present	Absent	Absent
M Bacon	Present	Absent	Present	Absent	Present	N/A	N/A
T Holliday	Present	Present	Absent	Present	Absent	N/A	N/A
D Slater	N/A	Present	Present	Present	Present	N/A	N/A
S Baker	N/A	Present	Present	Present	Present	N/A	N/A

= Present = Absent = N/A

Membership details

During the year the following companies were accepted as members of the Bureau:

Name	Date of joining
Nelson Insurance Company Limited	11.02.2013
Irish Public Bodies Mutual Insurances Limited	06.06.2013
Canopius Managing Agents Ltd – Syndicate 4444	11.09.2013
Pinnacle Insurance plc	25.09.2013
Greenval Insurance Company Ltd	04.11.2013
MCE Insurance Company Limited	28.11.2013

The following companies ceased being members:

Name	Membership ceased
Arriva Insurance Gibraltar	01.01.2013
Sagicor @ Lloyds Limited	08.01.2013
Berliner Verischerung AG	28.10.2013

The following companies ceased being members due to merger:

Name	Continuing name	Membership ceased	Date of merger
Aviva Insurance Europe SE	Aviva Insurance Limited	30.06.2013	01.07.2013
Aviva Insurance Limited	Aviva Insurance Limited	30.06.2013	01.07.2013

Statement of disclosure of information to auditors

Each of the persons who are Directors at the time when this report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

Employee policy

The Group continues to be committed to supporting our employees to develop their skills and knowledge thus enabling them to deliver high levels of performance to achieve our strategic objectives and meet the challenges that the organisation faces.

The Group is committed to being an equal opportunities employer. It has in place a number of processes to ensure that employees are engaged in the business and understand the activities within the Group. Employees are kept up to date through formal and informal meetings, regular briefings, updates on the Group intranet and the publication of the Group newsletter. An employee liaison group is in place to provide an additional forum for communicating with employees.

During 2013 MIB was re-accredited as an Investor in People and the assessors report stated: 'MIB has a clear strategic mission, a set of values that govern the way it operates, a strong commitment to continuous improvement and a passionate, motivated and loyal workforce. As a result, the organisation has a fantastic culture, within which honesty and transparency is evident at all levels'.

This reinforces MIB's on-going commitment to learning and development.

The MIB values are at the heart of the organisation and support the vision of making the Bureau a centre of excellence. Employee engagement remains a priority and this is measured through bi-annual surveys. Attention is given to recognising achievement and rewarding employees when their level of contribution is over and above what is expected of them.

Charitable donations

Details of charitable donations are highlighted in the Corporate Social Responsibility note within the corporate governance statement.

Supplier terms

Supplier terms are standard and dependant on the supplier. They range from 30 to 60 days on average.

Directors' report

Statement of Directors’ responsibility

The Directors are responsible for preparing the the Strategic and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Group; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law Directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group’s website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Board approved the Strategic and Directors’ Report and these were signed on their behalf by:

Matthew Jones
Company Secretary
2 May 2014

Registered office
Linford Wood House, 6-12 Capital Drive, Linford Wood,
Milton Keynes, MK14 6XT

Corporate governance statement

MIB's corporate governance framework helps ensure that all of our people, processes and behaviours are ethical and that we have clear lines of accountability and responsibility throughout the business. It essentially underpins the effective and efficient performance of MIB.

The Board

Ensuring that MIB's long-term strategy promotes the interests of our members, customers, employees and the business community in which we operate is the responsibility of the Board. In addition, the Board provides direction to MIB, supervising MIB management and maintaining control over MIB's assets. They ensure MIB operates ethically and with robust corporate governance practices.

No sole member of the Board has unrestricted powers of decision; the Board as a whole will consider matters referred to them for approval. Affairs that require specific Board approval are documented along with relevant controls: This framework also provides a reference for decisions that can be delegated to committees.

The Board comprises ten Non-Executive Directors and two Executive Directors. The Non-Executive Directors do not receive any form of remuneration in their capacity as Board members. The Executive Directors receive a salary, an annual bonus and benefits in kind. The remuneration is determined by the Board on consideration of the degree of individual responsibility, individual performance and market data.

The committees who assist the Board in fulfilling its obligations to its stakeholders are the:

- Audit Committee
- Human Resources Group
- Investment Committee
- Levy Group

Audit Comittee

The Audit Committee is comprised of three Non-Executive Directors. Both the Audit Manager and Head of Risk and Compliance have reporting lines to the Audit Committee.

The Committee's functions include:

- Appointment of and removal of external auditors
- Helping the Board oversee the risk management framework
- Overseeing internal and external audit reports
- Review of management letters to monitor management's remedies of deficiencies
- Review of MIB's published financial statements
- Supervision of corporate governance policies and issues with respect to legal and regulatory compliance bodies

Human Resources (HR) Group

The Human Resources Group is made up of a minimum of one Non-Executive Director, one Executive Director, the Head of HR and one member expert. The Group provides guidance to MIB in its exercise of its HR strategies and ensures that MIB's practices and procedures are in line with those operated by members.

The Group oversees MIB's performance in respect of issues including equal pay, turnover of staff and sickness levels.

Investment Committee

The Investment Committee comprises a minimum of one Non-Executive Director, one Executive Director and one member expert. The role of the Committee is to provide investment strategy recommendations and monitor the investment policies and procedures of the Bureau.

Levy Group

The Levy Group is comprised of a minimum of one Non-Executive Director, one Executive Director and four representatives from member companies. The role of the group is to assess the levy requirements, including the amount of the annual levy and the method of apportioning this across the levy members.

Executive Management Team (EMT)

The EMT is comprised of the Executive Directors (Chief Executive and Finance Director) and the heads of department (Head of Risk and Compliance, Head of Database Services, Head of Customer Services, Head of Information Services, Head of Communications, Head of Technical and Head of Human Resources). The EMT provides corporate leadership to the organisation and oversees the day to day business of MIB.

Internal audit

MIB's in-house audit team is responsible for performing insurance and business-related audits including: claims handling quality and business leakage, ISO compliance audits and tracing audits on behalf of the Employers' Liability Tracing Office (ELTO).

For specialist areas including Finance and IT, MIB engages the services of independent business auditors, currently KPMG. The claims handling area of the business is also audited by a member company, on an annual basis. In 2013 the member audit was conducted by Aviva.

MIB uses a risk-based approach to help identify, prioritise and agree the areas to be audited by internal audit service providers. All audit providers present their findings and recommendations to the Audit Committee for consideration. The Audit Committee reports to the Board on any key issues that arise.

Risk management

MIB's dedicated risk and compliance department has developed a risk management framework in line with the principles of the ISO 31000 standard to manage risk within the business. MIB actively identifies opportunities and threats in order to allocate resource appropriately. Risk management behaviours are embedded within the culture of MIB and risk management is integrated into its key business activities. The department has reporting lines to the Chief Executive, Audit Committee and the Board.

Compliance

MIB's continued certification against the ISO 27001 information security standard demonstrates our commitment to protecting the confidentiality, integrity and availability of the data for which we are responsible. The Risk and Compliance team ensure that MIB's business activities are fully compliant with applicable laws and regulations as well as internal rules, policies and procedures. The day-to-day management of this compliance sits with the Risk and Compliance team and Audit department. This compliance is overseen by the MIB Board.

Following completion of a comprehensive compliance programme that commenced during 2013, MIB successfully achieved ISO 22301 certification in March 2014. This means that all areas of the business are now certified to the ISO 22301 business continuity standard.

Health and safety

MIB recognises the vital importance of health and safety within the organisation. MIB operates, as far as is reasonably practical, in a manner which poses no risk to the health and safety of employees, contractors, visitors and the general public. The Facilities team carries out required risk assessments and ensures that appropriate mitigating actions are taken.

Corporate Social Responsibilty (CSR)

MIB is passionate about its commitment to Corporate Social Responsibility (CSR) and remains determined to fully embed CSR principles into its day-to-day operations and core values. MIB's CSR strategy remains focused on four key areas: Community, Workplace, Marketplace and Environment. The strategy is supported by explicit targets and driven by a team of impassioned volunteers from across MIB - the CSR team.

Workplace

Learning and development initiatives in 2013 have strengthened MIB's reputation as an employer of choice, retaining our Investor in People accreditation. Our people's hard work is recognised through award schemes.

Marketplace

MIB's stakeholders are crucial to our success and we are committed to strengthening and building relationships to improve trust and communication.

Community

MIB strives to have a positive impact on the community in which we operate. Engaging with the community is an essential part of our business.

Environment

As an environmentally responsible employer, MIB implements and maintains initiatives to reduce the impact the business and its people have on the environment.

MIB employees are encouraged to take part in CSR events throughout the year and to raise money for the Bureau's nominated charity: The Children's Trust.

CSR highlights of 2013 include:

- Donating over £16,000 to The Children's Trust
- Achieving a 50% staff uptake in MIB's 'Give as you earn' scheme
- Achieving a staff engagement satisfaction score of 70%
- Achieving a customer engagement score of 78.1% and reducing the number of complaints from 0.48 to 0.39 per 1,000 claims

Our professional qualifications

Our people are actively encouraged to undertake learning and development in a number of different ways. The individual and business benefits are far reaching. In 2013 we launched the MIB Qualification Framework (MQF) which enables new and existing staff to take up a range of opportunities to acquire the skills, knowledge and competencies required for their roles. Since the initiative was launched in March 2013, 16 employees have successfully attained a professional qualification with a further 174 employees (43% of the workforce) in active studies.

The MQF underpins our mission to operate as a 'Centre of Excellence'. This is aimed at ensuring that high standards of professional practice and continuous improvement lie at the heart of delivering the services we provide to claimants and their representatives, the insurance industry and our enforcement partners.

The MQF has provided a consistent and comprehensive approach to the attainment of vocational and academic standards to support the aspirations and progression of all our people.

Learning and development opportunities are available via in-house workshops, external courses and online. Our Claims Academy has been accredited by the Chartered Insurance Institute (CII) for commitment to Continuous Professional Development (CPD). We are also an approved Institute of Leadership & Management (ILM) centre, delivering a wide range of management, leadership and coaching qualifications.

We are proud to have been recognised as fulfilling the standards of the Investors in People (IiP) accreditation again in 2013 and remain committed to developing and maintaining the knowledge and capability of our employees that our 'Chartered Insurers' title signifies.

Claire Walker - Customer Services Manager
Completed her ILM6 Diploma in Management within 11 months of starting, passing every assignment at first submission stage.

"I took the ILM to get some more management theory to support me in my role as a new manager within MIB. The course covered both soft skills such as coaching and leadership, and also business skills including project management and using MI to support business decisions. The tutorials were very interactive and involved practical exercises as well as theory.

Overall, completing the ILM has given me a useful toolkit that I can use in the future when different situations arise. It has also been an opportunity to study with people from other areas of the business and learn more about MIB."

Heidi Poppy – Claims Handler
Heidi has achieved her Cert CII in 6 months and is looking to progress towards her Dip CII.

"In order to achieve my CII Certificate in insurance I first completed the relevant MIB claims academy work books. This was a great way to start my qualification journey as I was new into the insurance industry. The workbooks provided a good insight into claims handling which was very relevant in my day to day job. They also provided 35 credits which could be put towards achieving my CII Certificate in insurance.

After completing the work books, I enrolled on the IF1 Insurance, legal and regulatory course; the compulsory course you are required to complete in order to secure the CII Certificate qualification. I am now very proud to say that I have gained the CII Certificate in insurance. I have a good understanding of the basic principles of insurance and a broader appreciation of the insurance industry and also feel the courses have left me with firm foundations to build upon."

Patrick O'Shea - Contact Centre Representative
Used the support of colleagues to achieve his Cert CII

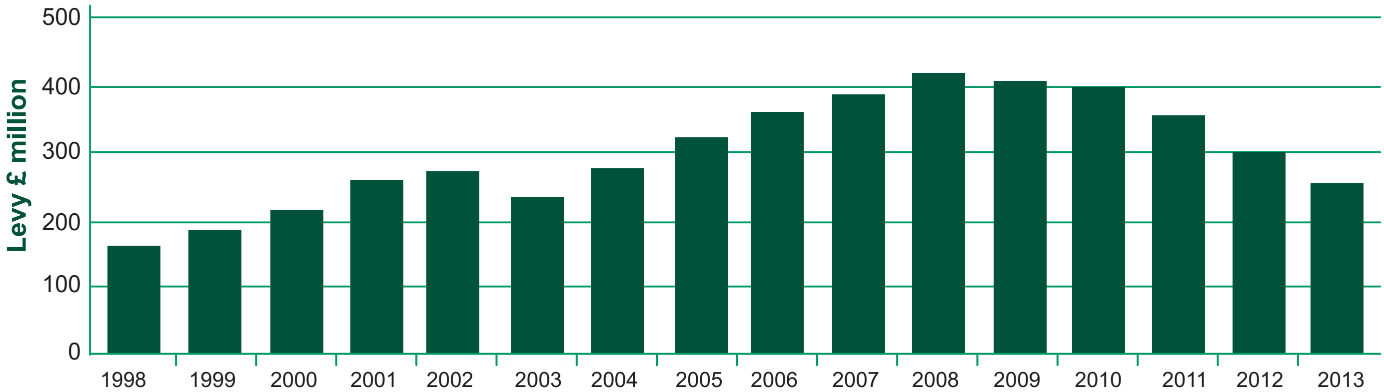
"To be one of the 112,000 members of the world's largest professional body dedicated to insurance is a great feeling. It took me several months of studying to pass three courses and achieve the Certificate in Insurance, a CII qualification that is universally recognised as a global standard.

Throughout my studies I was supported by management and my peers who ensured I was given the support and knowledge I needed to succeed. I am using the knowledge I have gained to enhance my understanding of the industry and our business."

Reducing the levy

One of MIB's three strategic objectives is to reduce the level and impact of uninsured driving in the UK. The reduction in the levy over the last five years is an illustration of the success MIB and industry stakeholders have achieved in tackling uninsured driving.

In 2013 the MIB levy was set at £255 million, the lowest level since 2003. Of this total, £20 million was returned to members in December. Between 2008 and 2010 the yearly levy was circa £400 million, with a high of £417 million in 2008. Since 2008, members have seen a 39% reduction in the levy.



The 2014 levy has reduced further to £247 million. These reductions are more gratifying against the backdrop of personal injury inflation which is generally thought to have increased by 7% per annum over this period.

Arguably, the leading factors in the consistent reduction of the levy have been the continued application by the Police of their seizure powers and the introduction of the Continuous Insurance Enforcement (CIE) scheme.

In 2005 the Police were granted enhanced powers to seize uninsured vehicles in order to remove them from use on the road. To December 2013, a total of 1.2 million vehicles had been seized and the level of uninsured motoring in the UK had been almost halved. In 2013 alone, police removed more than 134,000 uninsured vehicles, 42,000 of which were as a direct result of support from the MIB Police Helpline.

The MIB Contact Centre was established in April 2011 to combine the existing Police Helpline (PHL) with the then new CIE service to manage calls from members of the public who had received an Insurance Advisory Letter (IAL).

The majority of calls received by the Contact Centre are from police officers at the roadside who have stopped vehicles that appear to have no insurance. The Contact Centre staff work with police officers and companies in the insurance supply chain to determine whether valid insurance is in place. This helps to ensure that only uninsured vehicles are seized by police, minimising any inconvenience to innocent motorists.

CIE legislation came into force in February 2011 and made it an offence to keep a vehicle without having a valid UK insurance policy or declaring the vehicle to be 'off the road' with a Statutory Off Road Notification (SORN). This was probably the single biggest change to compulsory third party insurance requirements in the UK since the 1930s.

The CIE process identifies owners of uninsured vehicles by comparing the Motor Insurance Database (MID) with the Driver and Vehicle Licensing Agency's (DVLA) database of registered keepers. Once an uninsured vehicle has been identified an IAL is sent to the registered keeper.

In 2013, 682,270 IALs were issued and from the launch of CIE to December 2013 over £8.4 million worth of Fixed Penalty and court cost fines had been collected by the DVLA.

Whilst progress has already been made, resulting in a huge reduction in the levy, utilising available technology will bring further improvements in the future.

2014 will see the delivery of MyLicence by the DVLA, Department for Transport, the insurance industry and MIB. MyLicence will be a collaboration of all industry databases to provide accurate driver data at policy inception. This will result in improved pricing of premiums for motorists and will help to further MIB's aim to alleviate the problems of insurance fraud and uninsured driving.


MIB
Motor Insurers' Bureau
METROPOLITAN
POLICE
Working together for a safer Lon

Business Continuity

> Our Business Continuity Management System (BCMS) signals to all of our customers,suppliers and other interested parties our determination to protect all the assets under our control. Our BCMS will help ensure that MIB continues to function in the event of a business continuity incident and supports our mission to operate as a centre of excellence.
>
> Ashton West, MIB Chief Executive

During 2013, MIB commenced a compliance programme to gain ISO 22301 certification. ISO 22301 is a new international standard for business continuity management that specifies the requirements for a management system to protect against disruptive incidents that may impact a business.

An effective BCMS will help the Bureau: identify and manage current and future risks, take a proactive approach to minimising the impact of incidents, keep critical functions up and running during times of crises, minimise downtime during incidents and improve recovery times.

Implementation

The Bureau's ISO 22301 implementation team was led by the Risk and Compliance department and supported by 36 ISO champions from across the Bureau. The ISO champions were the front line advocates of business continuity within the organisation and were key to the development, testing and awareness of business continuity policies and procedures.

The first step on the road to ISO 22301 certification was to carry out a review against every clause in the standard. The results of the gap analysis were used to identify focal areas and build an implementation framework. ISO champions participated in the testing of new plans and processes, using continuous improvement audits to check understanding and help ensure that the new procedures worked.

As part of an ongoing awareness programme, an internal communications campaign was developed as a foundation to help ensure that all MIB employees understood the importance of business continuity and their role in the event of a disruption.

Result

Following an independent assessment, the Bureau was formally certified to the ISO 22301 business continuity standard in early 2014.

Adopting this standard has brought a rigor and formality to the management of MIB's business continuity system; demonstrating MIB's commitment to protect against, reduce the likelihood of, and ensure that it can recover from disruptive incidents.


bsi.
ISO 22301 Business Continuity Management

Independent auditors' report

Independent auditors' report to the members of Motor Insurers' Bureau

We have audited the financial statements of Motor Insurers' Bureau Group for the year ended 31 December 2013 which are set out on pages 30 to 48. The financial reporting framework that has been applied in its preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibility set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter(s) prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Simon Gallagher
Senior Statutory Auditor

For and on behalf of
Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

6 May 2014


STAFF
STAFF

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Notes	Consolidated		Company	
		2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
INCOME					
Leviable premium	3	**137,943**	278,021	**137,943**	278,021
Other operating income	5	**5,030**	4,614	**3,394**	3,395
Total income		**142,973**	**282,635**	**141,337**	**281,416**
EXPENDITURE					
Net claims paid		**(205,067)**	(256,271)	**(205,067)**	(256,271)
Decrease/(Increase) in claims provision	4	**87,886**	2,643	**87,886**	2,643
		(117,181)	**(253,628)**	**(117,181)**	**(253,628)**
Administrative expenses	6	**(28,425)**	(27,364)	**(26,789)**	(26,145)
Actuarial gain / (loss) on retirement benefits	9	**842**	(2,695)	**842**	(2,695)
Operating profit / (loss)		**(1,791)**	**(1,052)**	**(1,791)**	**(1,052)**
Financial income	7	**4,751**	4,305	**4,751**	4,305
Financial expenses	8	**(2,956)**	(3,253)	**(2,956)**	(3,253)
Net income before tax		**4**	**-**	**4**	**-**
Income tax expense	10	**(4)**	-	**(4)**	-
Net income after tax		**-**	**-**	**-**	**-**

The Group's activities were continuing during the above two financial years.

The Group has no other comprehensive income. The net income shown above is its total comprehensive income.

The accompanying notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2013

	Notes	Consolidated		Company	
		2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**3,709**	3,592	**3,709**	3,592
Current assets					
Trade and other receivables	15	**1,437,934**	1,533,288	**1,438,712**	1,533,184
Cash and cash equivalents	12	**9,152**	6,012	**8,195**	5,798
Financial investments	13	**60,653**	58,101	**60,653**	58,101
		1,507,739	**1,597,401**	**1,507,560**	**1,597,083**
Total assets		**1,511,448**	**1,600,993**	**1,511,269**	**1,600,675**
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	9	**8,114**	9,077	**8,114**	9,077
Provisions	4	**1,271,081**	1,349,838	**1,271,081**	1,349,838
		1,279,195	**1,358,915**	**1,279,195**	**1,358,915**
Current liabilities					
Trade and other payables	14	**6,506**	7,270	**6,327**	6,952
Retirement benefit obligations	9	**1,279**	1,211	**1,279**	1,211
Provisions	4	**224,468**	233,597	**224,468**	233,597
		232,253	**242,078**	**232,074**	**241,760**
Total liabilities		**1,511,448**	**1,600,993**	**1,511,269**	**1,600,675**

The financial statements on pages 30 to 48 were approved and authorised for issue by the Board of Directors on 2 May 2014 and were signed on its behalf by

Steve Maddock – Chairman

Ashton West – Director

The accompanying notes form an integral part of these financial statements.

Group Company Number 412787

Consolidated statement of cash flows

For the year ended 31 December 2013

	Notes	Consolidated		Company	
		2013 **£'000**	2012 £'000	**2013** **£'000**	2012 £'000
Cash flows from operating activities					
Cash generated from operations	16	**1,176**	(31,883)	**433**	(31,988)
Interest received		**4,747**	4,304	**4,747**	4,304
Interest paid		**-**	-	**-**	-
Tax paid		**4**	-	**4**	-
Net cash flows from operating activities		**5,927**	**(27,579)**	**5,184**	**(27,684)**
Cash flows from investing activities					
Purchases of property, plant and equipment	11	**(232)**	(57)	**(232)**	(57)
Proceeds from sale of property, plant and equipment		**-**	-	**-**	-
Net change in financial investments		**(2,555)**	25,835	**(2,555)**	25,835
Net cash flows from investing activities		**(2,787)**	**25,778**	**(2,787)**	**25,778**
Cash flows from financing activities					
Repayments of borrowings	17	**-**	-	**-**	-
Net cash flows from financing activities		**-**	**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**3,140**	**(1,801)**	**2,397**	**(1,906)**
Cash and cash equivalents at the beginning of the year	12	**6,012**	7,813	**5,798**	7,704
Net increase/(decrease) in cash and cash equivalents	17	**3,140**	(1,801)	**2,397**	(1,906)
Cash and cash equivalents at the end of the year	**12**	**9,152**	**6,012**	**8,195**	**5,798**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the financial statements

1. Principal accounting policies

Basis of preparation

The Motor Insurers' Bureau Group, hereinafter referred to as "MIB", or the "Group", also referred to as the "Bureau", has elected to prepare its financial statements under the historical cost convention, as modified for the revaluation of certain assets, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Act 2006.

Items included in the financial statements of the Group are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The functional currency is pounds sterling.

In respect of IAS 19, the Group has elected to disclose comparative information of the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan, from adoption of IFRS.

Standards, interpretation and amendments to published international accounting standards that are not yet effective

IFRS 7 – Financial instruments disclosure: the main changes are due to the replacement of the four categories of financial asset under IAS 39 with the two under IFRS 9. All disclosures by category have to be altered to reflect the new categorisation.

IFRS 9 – Financial instruments: the main changes are to the classification and measurement of financial assets and liabilities. There are two categories of financial assets instead of the previous four being those that are carried at amortised cost and those that are not and must be carried at fair value. There is also however the potential for a third category being measured as fair value through other comprehensive income if the entity had a mixed business model. The measurement of financial assets now has the requirement that all financial assets must initially be measured at fair value plus transaction costs that are directly attributable to its acquisition.

IFRS 10 – Consolidated financial statements: effective for accounting periods beginning on or after 1 January 2014 - the fundamental shift is that IFRS 10 is drafted on the basis that one entity is the subsidiary of another when it is controlled by that second entity. It is not driven by indicators of control and takes a "substance" approach. One entity is deemed to control another where it is exposed to, or has rights to, variable returns from its involvement with that other entity and has the ability to affect those returns through its power over the investee.

IAS 19 – Defined benefit schemes: the main change is the clarification of the accounting for contributions from employees or third parties that are linked to service, where the amount of the contributions is independent of the number of years of services. The amendment states that if the contributions are independent the contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered. If the contribution is linked to years of service the contribution continues to be recognised as part of the gross benefit attributed to the employee.

Group status

MIB is a group incorporated in the United Kingdom limited by guarantee and not having a share capital under the control of its members. The Group is domiciled in the United Kingdom and its registered address is Linford Wood House, 6-12 Capital Drive, Milton Keynes, MK14 6XT, United Kingdom. The liability of the members is limited to £5 each, in the event of the Group being wound up. The total expenditure of the Group is reimbursed by contributions received and receivable from its members. The Group therefore makes neither a profit nor does it incur a loss.

Income

Leviable premium income represents contributions receivable from members during the year plus amounts available for call within 12 months of the statement of financial position date.

The levy uncalled represents the increase in case reserves during the year, plus the estimated value of those claims that are "incurred but not reported". This is the amount that can be levied to members within 12 months of the statement of financial position date but only such sums will be called up in order to discharge liabilities for claims and supplementary agreement costs.

Expenses incurred on behalf of other companies are treated using the agency accounting principles.

Notes to the financial statements

Net claims paid

Claims paid comprise all claims and related expenses (including internal management and administrative costs of handling claims) settled during the year.

Consolidation

The following subsidiary undertakings, MIB Management Services Limited, MIB Portal Services Limited and Tracing Services Limited, have continued to be consolidated this year with consolidated Group financial statements being prepared.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs.

Depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

Freehold property	Revalued triennially
Fixtures and fittings	5 years
Motor vehicles	3 years
Computers	3 years

The residual values and useful lives are reviewed and adjusted if appropriate at each financial year-end.

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Leases

Leases where a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made as lessees under operating leases are charged to the income and expenditure statement on a straight-line basis over the period of the lease.

There are no material finance leases affecting MIB as either lessor or lessee.

Taxation

Current tax represents the expected tax payable (or recoverable) on the taxable income for the year using tax rates enacted or substantively enacted at the statement of financial position date and taking into account any adjustments arising from prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither accounting nor taxable income nor expenditure.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

Retirement benefit obligations

The Group operates a defined benefit scheme and a number of defined contribution schemes.

Contributions to defined contribution pension plans are charged to the income and expenditure statement as incurred. MIB has no further payment obligations once these contributions have been paid.

For the defined benefit pension scheme, the assets are measured at their market value at the statement of financial position date and the liabilities of those schemes are measured using the projected unit credit method. The discount rate used is the current rate of return on an AA corporate bond of equivalent term and currency to the liabilities. The extent to which the scheme's assets exceed or fall short of their liabilities is shown as a surplus or deficit in the statement of financial position to the extent that a surplus is recoverable by MIB or that a deficit represents an obligation of MIB.

The current service cost and gains and losses on settlements and curtailments are included within operating expenses in the income and expenditure statement. The expected return on pension assets and the interest on pension liabilities are included in the finance costs in the Income and Expenditure Statement. Actuarial gains and losses are recognised in full in the income and expenditure statement in the period in which they occur.

Investments

Government fixed interest gilts are re-valued to bid prices at the end of the year. Interest receivable is accounted for on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and other short-term deposits with less than three months maturity from the date of acquisition.

Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

I) Provisions

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, including incurred claims that are not reported (IBNR) together with related claims settlement costs. Significant delays are experienced in the notification and settlement of claims, and the nature of claims is both complex and requires subjective assessment. Accordingly, the ultimate cost and date of future settlement of such claims cannot be known with certainty at the statement of financial position date. Any resultant under or over provision for claims is recognised in the period in which the under or over provision is discovered, either on final settlement of the claim or on re-estimation of its ultimate cost.

The provisions carried in MIB's financial statements are similar in nature to those dealt with under IFRS 4, Insurance Contracts. Whilst MIB does not issue insurance contracts as defined in IFRS 4, the Directors are of the opinion that the standard contains the most relevant accounting guidance in relation to the valuation of MIB's provisions.

Accordingly, the basis of valuation of the provisions is as follows:

- Projections are made using standard actuarial techniques and independent actuaries are appointed for this purpose. The approach uses information relating to the Group's historical claims, payment and reserves files for each type of claim incurred up to the statement of financial position date. Projections are undertaken using the Chainladder method for each type of claim by accident year. The main assumption underlying this technique is that a Group's past claims development experience will be appropriate to project future claims development.
- The projections do not include the cost of staff to handle the claims but do include allocated costs such as legal expenses.
- The provisions are undiscounted with the exception of longer term, periodical payments, which are individually discounted on a case by case basis taking an appropriate annuity factor corresponding to the assumed life expectancy.
- Future claims experience is likely to deviate from the projections. Among other reasons, this is because the ultimate claim amount will be affected by future external events, for example, the size of court awards, changes in standards of liability and the attitudes of claimants towards settlement of their claims.

II) Levy

The MIB levy call for the year is based on an actuarial estimation carried out by independent actuaries of the likely expenditure in the year on the settlement of claims and business running costs, net of expected investment returns.

2. Employee costs and numbers

Particulars of employee costs (including Executive Directors) were as follows:

	Consolidated and Company	
	2013	2012
	£'000	£'000
Wages and salaries	**10,509**	10,143
Social security costs	**1,000**	927
Pension contributions – Defined benefit	**1,267**	1,205
– Defined contribution	**792**	523
Other staff costs	**49**	53
	13,617	**12,851**

Average number of employees (including Directors) were:	**No.**	**No.**
MIB claims operations (including internal audit)	**210**	227
MID services (including Contact Centre)	**66**	61
MIB/MID support	**101**	89
IFB	**32**	22
	409	**399**

Directors' remuneration

The remuneration of the Directors was as follows:	Consolidated and Company	
	2013	2012
	£'000	£'000
Emoluments (including benefits in kind)	**389**	372
Pension contributions	**63**	49
	452	**421**
Highest paid Director:		
Emoluments	**235**	223
Pension contributions	**42**	34
	277	**257**
Total accrued pension entitlement per annum for highest paid Director	**32**	**27**
Total accrued lump sum entitlement for highest paid Director	**71**	**62**

The number of Directors who were members of the Group's defined benefit scheme at the statement of financial position date was as follows:	**No.**	**No.**
Defined benefit	**1**	**1**

Key management personnel

Apart from the Executive Directors, there are a number of senior Executives (Executive Management Team) whose roles influence the ability of the Group to meet its strategic objectives. The remuneration of the Executive Management Team was as follows:

	Consolidated and Company	
	2013	2012
	£'000	£'000
Emoluments (including benefits in kind)	**609**	531
Pension contributions	**108**	72
	717	**603**
Number of Executives at the statement of financial position date	**7**	7

3. Leviable premium

	Consolidated and Company 2013 £'000	2012 £'000
Levy called	**252,947**	299,607
Surplus levy return	**(20,000)**	(25,000)
Movement in uncalled levy	**(95,004)**	3,414
Leviable premium	**137,943**	**278,021**

Movement in uncalled levy	Consolidated and Company 2013 £'000	2012 £'000
Increase / (Decrease) in reserves provision	**(87,886)**	(2,643)
Other movements	**(7,118)**	6,057
Movement in uncalled levy	**(95,004)**	**3,414**

4. Provisions

Claims provision and expenditure	Consolidated and Company 2013 £'000	2012 £'000
Claims provision at 31 December 2013	**1,495,549**	1,583,435
Claims provision at 31 December 2012	**(1,583,435)**	(1,586,078)
Net movement in claims	**(87,886)**	**(2,643)**
Claims paid less recoveries	**205,067**	256,271
Claims expenditure during the year	**117,181**	**253,628**

Claims provision at 31 December 2013 – non current	**1,271,081**	1,349,838
Claims provision at 31 December 2013 – current	**224,468**	233,597
	1,495,549	**1,583,435**

The Group recognises that it is impossible to predict future claims payable with absolute certainty. To this end, the Group has over time, developed a methodology that is aimed at establishing provisions that have a reasonable likelihood of being adequate to settle all its obligations.

4. Provisions continued

Process used to determine significant assumptions:

Claim provisions

The Group's outstanding claims liability includes notified claims as well as incurred but not yet reported claims.

Notified claims

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the claimant or other sources and past experience with similar claims. The Group rigorously applies standardised policies and procedures around claims assessment.

The ultimate cost of the reported claims may vary as a result of future developments or better communication becoming available about the current circumstances. Case estimates are therefore reviewed regularly and updated if new information becomes available.

Claims Incurred But Not Yet Reported (IBNR)

This represents the total liability of unpaid claims that have occurred but have not been reported to the Group at the accounting date. Current and historical data relating to claims, payments and reserves is gathered by accident year up to and including 31 December 2013. The data is used to project the cost of future claims using generally accepted actuarial techniques. The IBNR provision for 2013 is £124m (2012: £149m).

Claims Incurred But Not Enough Reported (IBNER)

The IBNER provision for 2013 is (£22m) (2012: £7m). This represents a provision for the deterioration or improvement in known estimates in claims relating to accidents which have been notified before the end of the accounting period.

Discounting of long-term provisions

A number of high value claims are settled by way of periodical payments. These are long-term structured settlements agreed by the claimant and the Group whereby the claimant receives ongoing payments, largely towards future care costs for the entirety of his or her life. Each structured settlement includes the provision for future increases linked either to the Retail Price Index (RPI) or the Annual Survey of Hourly Earnings (ASHE).

These structured settlements are assessed on a case-by-case basis to establish the future liability and are included within the overall claims provision. Due to the nature of these claims, a discount factor of 1% is applied to cases linked to RPI increases whilst a discount factor of -0.75% is applied to cases linked to ASHE increases.

The discounting of these claims had the following impact on the value of provisions as at 31 December 2013:

	Consolidated and Company	
	2013 £'000	2012 £'000
Gross reserves	**290,540**	249,807
Net discount with discount factor	**49,876**	39,042
Net reserves	**340,416**	**288,849**

As cases relating to ASHE have a negative discount factor and that almost all of the cases discounted have an ASHE index applied to them, the overall impact is to increase the reserves.

Exposure to Claims

The Group recognises the exposure and risk to fraudulent claims, both internally and externally. This is reviewed as part of the ongoing risk analysis undertaken by MIB Management. The Group is committed to ensuring the risk in this area is minimised and has invested in resources and technology to reduce the overall exposure.

All settled claims are referred to the Recoveries team at MIB to assess the feasibility of recovering losses. Where recovery is possible, the Group will work with appointed recovery agents to agree a settlement structure with the uninsured driver.

5. Other income

	Consolidated		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
General enquiries	**11**	11	**11**	11
Sanction fines	**7**	6	**7**	6
Electronic vehicle licence fees	**748**	739	**748**	739
3rd party MID enquiries	**608**	574	**608**	574
Fees for management services	**3,656**	3,226	**2,020**	2,007
Recovery from administrators	**-**	58	**-**	58
Other income	**5,030**	**4,614**	**3,394**	**3,395**

6. Administration expenses

	Consolidated		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Claims related fees	**3,386**	3,577	**3,386**	3,577
Operational services	**23,140**	22,338	**23,042**	22,263
Rechargeable expenses	**1,538**	1,144	**-**	-
Operating lease costs	**104**	49	**104**	49
Depreciation	**116**	137	**116**	137
Auditors' remuneration – audit	**56**	63	**56**	63
– taxation	**7**	6	**7**	6
Council of Bureaux fees	**78**	50	**78**	50
	28,425	**27,364**	**26,789**	**26,145**

The cost incurred by Motor Insurers' Bureau in connection with the International Council of Bureaux is the contribution paid on behalf of the United Kingdom.

7. Financial income

	Consolidated and Company	
	2013 £'000	2012 £'000
Bank deposit interest	**65**	70
UK gilt interest	**2,294**	2,855
Other interest earned	**2,392**	1,380
	4,751	**4,305**

8. Finance expenses

	Consolidated and Company	
	2013 £'000	2012 £'000
Gilt transactions	**65**	127
Decrease in market value of gilts	**2,414**	2,627
Pension costs – IAS 19	**477**	499
	2,956	**3,253**

9. Retirement benefit obligations

The Group operates a defined benefit based on final pensionable earnings. The funds are administered by trustees and are independent of the Group's finances. This was closed to new employees on 1 January 2004. An alternative stakeholder is in operation for all new employees to join.

The scheme is subject to a triennial valuation carried out by Scottish Widows, the scheme's independent actuaries, the most recent being as at 1 January 2012, on the projected unit basis. This valuation has been updated by the independent actuaries for the purposes of IAS 19 in order to assess the assets and liabilities of the scheme as at 31 December 2013.

Contributions to the scheme are made on the advice of the actuaries with the objective that the benefits be fully funded during the scheme members' average working lives. This valuation indicates that the scheme is 60% funded. The market value of the scheme's assets at the valuation date was £14,727,000. The pension cost for the year was £1,266,925 (2012: £1,204,651). As at 1 January 2013
the continuing pension cost has been set at 25.2% of pensionable salaries plus a fixed deficit funding amount of £758,912 per annum. The deficit funding amount is split between the actuarial valuation undertaken as at 1 January 2006 (£243,912) and the actuarial valuation undertaken as at 1 January 2009 (£515,000).

The principal assumptions used in updating the valuation are set out below:

	2013 %pa	2012 %pa	2011 %pa	2010 %pa	2009 %pa
Discount rate	**4.6**	4.3	4.9	5.6	5.7
Expected rate of future salary increases	**3.9**	3.4	3.5	4.1	4.3
Expected rate of future pension increases	**3.3**	2.9	3.0	3.7	3.7
Underlying expected inflation rate	**3.5**	3.0	3.1	3.7	3.7

The market value of assets in the scheme were £14,727,000 (2012: £13,171,000; 2011: £11,714,000; 2010: £11,247,000; 2009: £9,545,000).

The derivation of the overall expected return on assets reflects the actual asset allocation at the measurement date combined with an expected return for each asset class. The bond return is based on the prevailing return available on fixed interest gilts. The return on equities and property is based on a number of factors including:

- The income yield at the measurement date
- The long-term growth prospects for the economy in general
- The long-term relationship between each asset class and bond returns
- The movement in market indices since the previous measurement date.

The categories of scheme assets and their expected long-term rates of return, measured in accordance with the requirements of IAS19 are as follows:

	Fair value 2013 £'000	Fair value 2012 £'000	Fair value 2011 £'000	Fair value 2010 £'000	Fair value 2009 £'000
Equities	**6,029**	5,506	5,114	3,590	2,656
Bonds	**2,651**	2,100	1,927	1,540	1,763
Property	**824**	746	717	399	289
Other	**5,223**	4,819	3,956	5,718	4,837
Fair value of assets	**14,727**	**13,171**	**11,714**	**11,247**	**9,545**
Present value of liabilities	**(24,120)**	(23,459)	(19,454)	(19,030)	(17,129)
Related deferred tax	**-**	-	-	-	-
Net pension liability	**(9,393)**	**(10,288)**	**(7,740)**	**(7,783)**	**(7,584)**

The movement in the deficit over the period is as follows:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Deficit at 1 January 2013	**(10,288)**	(7,740)	(7,783)	(7,584)	(3,464)
Current service cost	**(803)**	(732)	(896)	(1,016)	(570)
Contributions	**1,333**	1,378	1,309	1,792	724
Other finance cost	**(477)**	(499)	(668)	(616)	(422)
Actuarial gain/(loss)	**842**	(2,695)	298	(359)	(3,852)
Deficit at 31 December 2013	**(9,393)**	**(10,288)**	**(7,740)**	**(7,783)**	**(7,584)**

Analysis of the amount charged to administrative expenses:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Current service cost	**803**	**732**	**896**	**1,016**	**570**
Expected return on assets	**-**	(454)	(398)	(360)	(295)
Administration costs (excl asset management costs)	**36**	-	-	-	-
Interest on liabilities	**441**	953	1,066	976	717
Other finance costs	**477**	**499**	**668**	**616**	**422**
Total charge for year	**1,280**	**1,231**	**1,564**	**1,632**	**992**

The Group has recognised actuarial gains and losses through the income and expenditure statement rather than a statement of recognised income and expenditure. This is because the Group does not hold retained reserves.

The following analysis has been recognised in the income and expenditure statement:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Actuarial return less expected return on assets	**126**	93	(802)	(152)	678
Experience gains and losses arising on liabilities	**194**	(283)	120	53	(4,530)
Changes in assumptions underlying the present value of the liabilities	**522**	(2,505)	980	(260)	-
Total actuarial gain/(loss)	**842**	**(2,695)**	**298**	**(359)**	**(3,852)**

Amounts recognised in the statement of financial position:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of funded obligations	**(24,120)**	(23,459)	(19,454)	(19,030)	(17,129)
Fair value of assets	**14,727**	13,171	11,714	11,247	9,545
Net liability recognised in the statement of financial position	**(9,393)**	**(10,288)**	**(7,740)**	**(7,783)**	**(7,584)**

The Group expects to contribute £1,346,000 to the defined benefit scheme in 2014. Actual return on plan assets for 2013 was £711,000 (2012: £1,122,000).

10. Taxation

	Consolidated		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
UK corporation tax	**(4)**	-	**(4)**	-
Adjustment in respect of prior periods	**-**	-	**-**	-
	(4)	**-**	**(4)**	**-**
Factors affecting the tax charge for the period				
Income on ordinary activities before taxation	**4**	-	**-**	-
Standard rate of corporation tax of 23.25% (2012: 24.5%)	**1**	-	**1**	-
Effects of:				
Non-deductible expenses	**2**	4	**2**	4
Depreciation in excess of capital allowances	**(40)**	-	**(40)**	-
Tax losses carried back	**-**	-	**-**	-
Utilisation of tax losses	**-**	-	**-**	-
Losses carried forward	**33**	-	**33**	-
Other deductions	**-**	(4)	**-**	(4)
	(4)	**-**	**(4)**	**-**

The Group has a deferred tax asset of approximately £112,000 (2012: £87,000) which is not recognised on the grounds that there is insufficient evidence that the asset will be recoverable against suitable taxable income.

11. Property, plant and equipment – Consolidated and Company

	Freehold property £'000	Fixtures & fittings £'000	Computers £'000	Total £'000
Cost				
At 1 January 2013	3,892	615	1,568	**6,075**
Additions	-	79	153	**232**
Disposals	-	-	-	**-**
At 31 December 2013	**3,892**	**694**	**1,721**	**6,307**
Depreciation				
At 1 January 2013	464	587	1,431	**2,482**
Charge for year	-	14	102	**116**
Disposals	-	-	-	**-**
At 31 December 2013	**464**	**601**	**1,533**	**2,598**
Net book value				
At 31 December 2013	**3,428**	**93**	**188**	**3,709**
At 31 December 2012	**3,428**	**28**	**136**	**3,592**

12. Cash and cash equivalents

	Consolidated		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash at bank and in hand	9,152	6,012	8,195	5,798
	9,152	6,012	8,195	5,798

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

13. Financial investments – Consolidated and Company

	2013 £'000	2012 £'000
UK Government gilts	60,653	58,101

The carrying amounts of these assets approximate their fair value. UK Government gilts are valued at bid market price as at 31 December 2013.

Additionally, the company owns £1 investment in each of its four subsidiaries. See note 20 for detail.

14. Trade and other payables

	Consolidated		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	837	411	740	323
Advanced levy payments	2,892	3,832	2,892	3,832
Accrued expenses	1,519	1,595	1,519	1,595
Other payables	1,258	1,432	1,176	1,202
	6,506	7,270	6,327	6,952

15. Trade and other receivables

	Consolidated		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Additional levy receivable	1,433,241	1,529,117	1,433,241	1,529,117
Other trade receivables	3,302	2,801	2,716	1,667
Prepayments	563	504	563	504
Other receivables	828	866	2,192	1,896
	1,437,934	1,533,288	1,438,712	1,533,184

16. Reconciliation of operating profit to net cash inflow from operating activities

Inflows from operating activities	Consolidated 2013 £'000	Consolidated 2012 £'000	Company 2013 £'000	Company 2012 £'000
Operating profit / (loss)	**(1,791)**	(1,052)	**(1,791)**	(1,052)
Depreciation charges	**116**	137	**116**	137
Interest paid	**-**	-	**-**	-
Profit on sale of tangible fixed assets	**-**	-	**-**	-
(Increase) / Decrease in trade and other receivables	**95,352**	(2,495)	**94,470**	(2,660)
Increase / (Decrease) in trade and other payables	**(764)**	(25,124)	**(625)**	(25,064)
Increase / (Decrease) in provisions and other liabilities	**(88,781)**	(96)	**(88,781)**	(96)
Finance costs	**(2,956)**	(3,253)	**(2,956)**	(3,253)
	1,176	**(31,883)**	**433**	**(31,988)**

17. Reconciliation of opening to closing net debt

Reconciliation of opening to closing net debt - Consolidated

	At 01.01.12 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.12 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.13 £'000
Cash and cash equivalents	7,813	(1,801)	-	6,012	3,140	-	9,152
Bank overdraft	-	-	-	-	-	-	-
	7,813	**(1,801)**	**-**	**6,012**	**3,140**	**-**	**9,152**
Debt due within 1 year	-	-	-	-	-	-	-
Debt due after 1 year	-	-	-	-	-	-	-
Net debt	**7,813**	**(1,801)**	**-**	**6,012**	**3,140**	**-**	**9,152**

Reconciliation of opening to closing net debt - Company

	At 01.01.12 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.12 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.13 £'000
Cash and cash equivalents	7,704	(1,906)	-	5,798	2,397	-	8,195
Bank overdraft	-	-	-	-	-	-	-
	7,704	**(1,906)**	**-**	**5,798**	**2,397**	**-**	**8,195**
Debt due within 1 year	-	-	-	-	-	-	-
Debt due after 1 year	-	-	-	-	-	-	-
Net debt	**7,704**	**(1,906)**	**-**	**5,798**	**2,397**	**-**	**8,195**

18. Operating lease commitments of opening to closing net debt

Future aggregate minimum lease payments under non-cancellable operating leases were as follows:	Consolidated and Company 2013 £'000	2012 £'000
Within 1 year	**140**	99
Later than 1 year and less than 5 years	**158**	197
Total operating lease commitments	**298**	**296**

19. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Ownership	Net assets	Net profit after tax
Tracing Services Limited	Provision of Administration services	England and Wales	100%	1	-
MIB Portal Services Limited	Holding Company	England and Wales	100%	1	-
MIB Management Services Limited	Provision of Administration services	England and Wales	100%	1	-
Claims Portal Limited	Maintenance of Portal database	England and Wales	50%	2	-

The Group owns 50% of Claims Portal Limited but does not have control over its management; therefore, Claims Portal Limited has not been consolidated in these financial statements.

20. Related parties

Balances and transactions between the company and its subsidiaries, which are related parties to the Group, have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Group and other related parties are disclosed below:

The MIB Board comprises two Executive Directors from the Group and a majority of Non-Executive Directors who are senior members of the motor insurance industry. The Non-Executive Directors do not receive any form of remuneration for the services they provide in their capacity as Board members. There are no other transactions between the Non-Executive Directors and the Group. There was no involvement from the Non-Executive Directors over the claims and reserving function.

From time to time, MIB, during its general course of business, may engage in a member's services. These services, including the provision of insurance, are undertaken on an arm's length basis.

During the year the Group provided management services to Claims Portal Limited, a company incorporated in England and Wales in which A Sherman is a Director, totalling £1,764,209 (2012: £1,797,318). Additionally, MIB has provided a guarantee to a third party supplier in respect of fees due from Claims Portal Limited, a company 50% owned by a subsidiary of MIB (MIB Portal Services Limited), where the estimated annual fees payable are in the order of £1,000,000. This contract expires in 2015.

20. Related parties continued

As at 31 December 2013 the Group was owed £1,920,842 (2012: £1,404,304) from Claims Portal Limited.

During the year the Group provided management services to the Insurance Fraud Bureau Limited, a company registered in England and Wales in which A West is a Director, totalling £3,433,410 (2012: £2,996,816).

As at 31 December 2013 the Group was owed £181,351 (2012: £480,347) from Insurance Fraud Bureau Limited.

During the year the Group provided management services to Insurance Database Services Limited, a company incorporated in England and Wales in which A West is a Director, totalling £720,282 (2012: £913,833).

As at 31 December 2013 the Group was owed £77,516 (2012: £67,869) from Insurance Database Services Limited.

21. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Reserving risk

The Group has a risk management function that manages and continuously monitors the financial risks relating to the Group's operations. The Group's senior management meets regularly to review and, if appropriate, approve the implementation of optimal strategies for effective management of financial risk. The process includes documentation of policies, including limits, controls and reporting structures.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Outputs from regular and ad hoc reviews are reported to the Board of Directors who assume overall responsibility for the establishment and oversight of the Group's risk management framework.

Credit risk

The Group is exposed to credit risk if an insurer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group. Credit risk consists mainly of cash deposits, cash equivalents, trade receivables and the right to call additional amounts from the motor insurance market.

An Investment Committee is in place to recommend strategies and monitor the investment policies and practices of the Bureau and report to the Board. All new placement of funds are either placed through cash deposits with institutions agreed in accordance to an approved counterparty list that have a credit rating of at least F1 from Fitch and within absolute counterparty limits, or through UK Government gilts, with maturity dates within a short-term timeframe.

The Group's trade receivables largely consist of levy due from insurers. In order to write motor business, insurers must become a member of MIB and adhere to the terms and conditions laid out in its Memorandum and Articles of Association. The terms require each member to pay a levy to MIB, calculated on the basis of the volume and class of business written over each financial period. The majority of the levy is collected by monthly direct debit with a right to charge interest for any late payment. Ultimately, should an insurer default or become bankrupt or insolvent, the debt can be passed to the general market for reimbursement. Therefore, non-payment of levy from a member presents a negligible risk to the Group.

The Group has the right to call an additional levy from members should it wish to do so. The additional levy receivable of £1,433 million (2012: £1,529 million) represents the estimated value of all current and "incurred but not reported" claims which can be called upon within 12 months of the statement of financial position date. Whilst this represents a significant amount within the statement of financial position, the risk of non-payment is considered unlikely given that the overall premium income generated by the motor insurance market in 2013 was £16 billion. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

Liquidity risk

In order to mitigate any liquidity risk, the Group's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risk damage to the Group's reputation.

The levy call for each year is estimated through actuarial techniques carried out by independent actuaries. This involves the analysis of historical data in relation to the volume and type of claims reported and the value of settlements by accident year. Factors such as claims inflation are taken in to account to establish trends and projections for future claims payments which, ultimately, decide the levy amount each year.

Cash forecasts identifying the liquidity requirements of the Group are produced and reviewed regularly to ensure sufficient financial headroom exists to meet future obligations. The levy is collected over 12 instalments on the first working day of each month and placed in instant access cash deposits and call accounts. Any surplus amounts left at the end of the month are invested in Government fixed interest gilts. Cash deposits are invested for a period no longer than 31 days. Cash deposits are managed such that there is sufficient liquidity each month to meet any unexpected liabilities.

Cash in hand and bank deposits	**Consolidated**		**Company**	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Total cash in hand	**9,152**	**6,012**	**8,195**	**5,798**

Market risk

Interest rate risk arises from the Group's borrowings and cash deposits it holds with banks and building societies.

At the date of the statement of financial position, the Group held cash deposits with banks which were available on demand. The remainder of investments were invested in Government fixed interest gilts. During the year, a number of cash deposits held with banks and building societies for a maximum period of 365 days matured and were reinvested in Government fixed interest gilts. The following table illustrates the change in bank deposit interest receivable in a change in interest rate upon inception of +2% and –2% with effect from beginning of the year based on weighted averages.

	2013 Actual £'000	**2013 +2% £'000**	**2013 -2% £'000**	**2012 Actual £'000**	**2012 +2% £'000**	**2012 -2% £'000**
Interest receivable	65	424	-	71	416	-

Note: Interest rate capped at -2% or if this produces a negative figure this is taken to be 0%.

Notes to the financial statements

Reserving and foreign exchange risk

Case reserves are estimated based on the available information at any given time. There is a risk that individual case reserves may not be adequately provided for due to the lack of information available. However, reserves are individually reviewed and adjusted accordingly as and when new information is provided to the Group. A reserving policy exists within the Group to ensure case reserves are kept up-to-date and to minimise any risk in the understating of reserves.

The Group is potentially exposed to currency risk arising from the recording and reporting of accidents occurring outside the UK under the Green Card Agreement. Accidents occurring in an EU participating country are reported to the Group with an estimate of an appropriate reserve in that country's base currency, primarily the Euro. This amount is converted to Sterling at the spot rate at the time of notification and recorded within the Group's reserves. Any notification of a change in reserve thereafter is appropriately adjusted, with the total reserve amount for that claim being converted at the new spot rate. However, there are claims where a reserve is not provided by the participating country. In this instance, a standard reserve amount is set. Claims are eventually settled in the appropriate currency, which is then converted and recorded in sterling at the spot rate applicable at the date of transaction.

The value of Green Card claims with such exposure is £62 million (2012: £50 million) of which £6.5 million represents cases where a standard reserve amount has been set (2012: £6.1 million). Therefore, the maximum potential exposure to currency risk is £55 million, which represents 4.0% of the overall case reserves. If Sterling was to either strengthen or weaken by 25 points against the Euro at the statement of financial position date, the potential impact on reserves would be a reduction of £15.5 million (2012: £11.9 million) or an increase of £10.2 million (2012: £7.9 million), based on an exchange rate of 1.203104 (2012: 1.233195) Euros to £1 Sterling.

Capital management

The Bureau remains a group limited by guarantee, without a share capital. The Group does not consider that it has capital or equity under its management as defined by IAS 1. Accordingly, there are no capital management policies.

Glossary

askMID.com
Two convenient and easy to use online services are available through www.askMID.com. The first is free and allows anyone to check that their vehicle registration appears on the Motor Insurance Database (MID). The second is a low-cost service for legal professionals and anyone whose property has been damaged in an accident, to check the insurance details of the third party vehicle.

Claims leakage
Claims leakage is an important financial indicator of quality in the claims settlement process and is the level of money lost as a result of actions such as inefficient processing, improper payment, human error and poor decision-making. MIB refers to it as "any payment in excess of what a top-quartile experienced claims handler would have obtained with realistic information and available resources by applying best practice principles".

Claims lifecycle
Every claim goes through a progressive cycle, from the date the claim is notified to the date the claim is closed or settled, this is called the "lifecycle of a claim."

Claims Portal
The electronic Claims Portal facilitates the Ministry of Justice's (MOJ) "fast track" Protocol for processing low value personal injury claims with a value up to £25,000 for:
- Road Traffic Accident cases
- Employers' Liability (EL) cases (excl. mesothelioma)
- Public Liability (PL) cases (excl. disease)

The Claims Portal provides the swift, secure, electronic exchange of all relevant claim information and related documentation between claimant lawyers and insurers/compensators; enabling key decisions to be communicated quickly, securely and efficiently to the agreed MOJ timescales.

Continuous Insurance Enforcement (CIE)
CIE is aimed at overcoming the problem of vehicles, not specifically covered by any insurance policy (even a blanket policy), being used by drivers. This means that vehicles, whether they are being driven or not, will require insurance. The scheme is enforced using the Motor Insurance Database (MID) – the central record of insurance - and vehicles do not need to be seen on the roads before action can be taken. The two main exemptions are where a vehicle has been statutorily declared off the road (SORNed) or a change of keeper is in the process of being completed by the DVLA.

Employers' Liability Database (ELD)
The ELD launched in April 2011 contains all new and renewed Employers' Liability (EL) insurance policies; policies from before April 2011 which have new claims made against them and policies that have been and will continue to be identified through the Employers' Liability Tracing Office (ELTO) tracing service. The ELD will also capture additional information such as Employer Reference Numbers (ERNs) for employers, which should make search results more thorough.

Employers' Liability Tracing Office (ELTO)
ELTO is a not-for-profit organisation set up to provide claimants and their representatives with quick and easy access to a central database of Employers' Liability (EL) policies through an online enquiry facility that helps them to find their employer's EL insurer. ELTO has replaced the previous voluntary Employers' Liability Code of Practice (ELCOP) tracing service, which was in place since 1999 and helped thousands of claimants trace the EL insurer to pursue a claim.

Green Card
MIB acts as the UK Green Card Bureau and supports motorists making claims after an accident with a foreign vehicle in the UK. It is also the UK Compensation Body and can be contacted if a UK resident has an accident abroad with a foreign vehicle.

Guarantee Fund
MIB's handling of claims is governed by agreements with Government as well as the Road Traffic Act 1988 and subsequent regulations. The Bureau awards compensation, where it cannot be claimed from another source, for death, injury and property damage as a result of an accident with a motor vehicle, on a road or a public place. MIB's claims handling experts managed more than 22,000 claims in 2013 for accidents involving uninsured and untraced vehicles and seek to settle the claims fairly and promptly.

Insurance Database Services Limited (IDSL), the Claims Underwriting Exchange and Motor Insurance Anti-fraud and Theft Register (MIAFTR)
The Claims and Underwriting Exchange (CUE) is a central database of motor, home and personal injury/industrial illness incidents reported to insurance companies, which may or may not give rise to a claim. CUE is managed by not-for-profit company Insurance Database Services Limited (IDSL) on behalf of its member organisations. These include all major insurers and many self insured organisations such as local authorities, passenger carriers and transport companies.

Glossary

The Motor Insurance Anti-fraud and Theft Register (MIAFTR) is a database used by its subscribers to record notification of damage to vehicles and vehicle theft.

Insurance Fraud Bureau Limited (IFB) and Cheatline

The IFB is a not-for-profit organisation funded by the insurance industry, specifically focused on detecting and preventing organised and opportunistic insurance fraud. The IFB runs a free and confidential Cheatline for anyone who has information about insurance fraud. This information can be passed to them through their Cheatline facility either online (at www.insurancefraudbureau.org/report) or by calling 0800 422 0421.

Levy

MIB acts on behalf of the UK Government to compensate victims of road accidents caused by uninsured or untraced drivers and this work is governed by two documents: the Uninsured and the Untraced Drivers' Agreements. Organisations writing motor insurance are required to become members of MIB and contribute by means of a levy.

Independent actuaries calculate the annual levy value by estimating the likely cost of settling claims plus business running costs, net of expected investment returns. This becomes the levy call and members contribute based on the amount and type of business they have written. The bigger the market share a member has, the higher the amount of levy payable.

The levy uncalled represents the movement in case reserves during the year, plus the estimated value of those claims that are "incurred but not reported" at the statement of financial position date. This is the amount that can be levied to members within 12 months of the statement of financial position date and only such sums to discharge liabilities for claims and supplementary agreement costs will be called up. MIB is a not-for-profit group and so the additional levy uncalled is treated as income so as to meet our additional obligations arising from the movement in reserves.

The leviable premium represents the sum of the levy call and the levy uncalled that year.

MIB Management Services Limited (MIBMSL)

MIBMSL provides management services including staffing, administration and financial services to the Insurance Fraud Bureau Limited (IFB), Claims Portal Limited and Insurance Database Services Limited (IDSL). All costs incurred by MIB are recharged to the IFB, Claims Portal Limited and IDSL via MIBMSL.

Motor Insurance Database (MID)

Under the 4th EU Motor Insurance Directive, member countries are required to improve the ease of handling cross border claims within Europe. To meet its obligations, each country is required to maintain a register of all insured vehicles. The UK's version of such a system is provided through the Motor Insurance Database (MID).

The MID is the only central record of all insured vehicles (35 million) in the UK. The MID is updated daily by all UK insurers, which are required to meet targets for timeliness and accuracy set by the Department for Transport.

The MID is used by the Police to identify and seize vehicles being driven without insurance. It is also used by DVLA to electronically check a vehicle's insurance every time a person applies online or by telephone for a tax disc.

The MID is becoming the most important tool to reduce the level of uninsured vehicles in the UK. Since 2011, the MID has been used to support the delivery of CIE.

Tracing Services Limited (TSL)

TSL provides management services including staffing, administration and financial services to the Employers' Liability Tracing Office (ELTO). All costs incurred by MIB are recharged to ELTO via TSL.

Motor Insurers' Bureau

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bsi. ISO/IEC 27001 Information Security Management

bsi. ISO 22301 Business Continuity Management

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