



Annual Report and Accounts

2018



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## Chair's statement

2018 was a year marked by many big external issues. Brexit dominated the political agenda and inevitably created an increase in activity and uncertainty. This, coupled with the passage of the Civil Liability Bill, have both brought substantial changes which we are working closely with the Government to deliver.

The Civil Liability Bill brings into force a requirement to set the discount rate assuming a claimant risk appetite as 'low risk' rather than 'very low risk'. At the time of writing, we have not seen any changes to the current minus 0.75% discount rate; should this change it will no doubt have an impact on motor insurers and claimants in lump sum settlements; it will however have less impact on MIB. MIB does not currently hold long-term reserves and settles most of its large cases through periodic payment. We will continue to monitor this and other developments closely.

The Bill also brought into force the so called 'Whiplash Reforms'. As part of this, MIB is providing the infrastructure solution to enable the new regime of handling low-value motor injury claims. The launch date is set for April 2020 and we are working with the Ministry of Justice to deliver these changes.

Brexit continues to present a number of challenges to the market generally and MIB specifically as the underpinning authority for cross-border motor travel and claims mechanisms. I am pleased to say that MIB has successfully negotiated the infrastructure across all 30 EEA countries to validate Green Cards for motorists where required. It has provided technical support to the industry in its preparations and will have capability to issue Green Cards at selected ports. This leaves the unavoidable element of a change in the way claims are handled for accidents abroad, for which MIB will provide assistance where possible.

A regrettable feature in recent years has been the increased use of vehicles in terrorist-related incidents which have had tragic consequences. Historically, individual insurers have been dealing with the claims but after taking soundings and issuing a consultation, we changed our Articles of Association and brought liability for terrorist claims arising out of the use of a vehicle back to the Bureau for incidents on or after 1 January 2019. We have purchased an element of reinsurance to smooth any impact on future levy requirements.

 **MIB has successfully negotiated the infrastructure across all EEA countries to validate Green Cards for motorists where required.** 

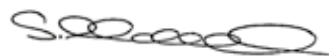
Steve Maddock  
MIB Chair

Internally we have also had a very busy year. As part of planned succession, Ashton West OBE, who had been CEO for 15 years, retired from the business. I would like to take the opportunity to thank Ashton and recognise the huge contribution he made to the organisation and the insurance industry over many years. I am pleased to welcome Dominic Clayden as CEO, who joined in May 2018. Dominic will continue to drive our agenda of modernising MIB.

During the year we embarked on a three-year Transformation Programme to refresh all aspects of the business. This involved a complete technical refresh to enable us to deal with the public and Members digitally. It also ensures we have a continued focus on data security.

Periods of significant change bring uncertainty and even apprehension in their wake, but they can also bring opportunities, new ways of doing things, revitalised energy, more determination and a strengthening sense of purpose. As we report on the activities of 2018, we anticipate positive outcomes from the investments we are making. Dominic covers our plans in more detail in his CEO update.

The spirit in which so much of MIB's work is undertaken is a testament to its people and along with my fellow Directors, I wish to thank all of our colleagues at the MIB for their contribution during 2018.



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**Steve Maddock**

Chair

12 June 2019



## Chief Executive's statement

### Introduction

As MIB adapts and develops, we seek to continue to provide dependability in the delivery of our core services while demonstrating the value of newer services and using our platform of skills to shape services to meet future demand.

In all our work, we are grateful for the trust placed in us by government, Members and a diverse range of stakeholders, and we seek to respond in a way that suits the compensation market that we operate within – by providing assurance that we are equipping ourselves to do our best. In 2019, this means harnessing new technology, further strengthening data security, embracing transformation across the business and building a culture in which everyone belongs and can work happily. We also wish to assure all those who fund, support and depend on us of the neutrality of our position.

Through our traditional services we have continued to give people the means of putting their lives back on track after a motor accident, and to spearhead innovation to free our roads of uninsured and 'hit and run' drivers. During 2018, we saw a 27% reduction in the numbers of uninsured claims against a very small uplift (0.3%) in the volume of claims for 'hit and run' incidents. Unfortunately, we are still seeing a disproportionate number of catastrophic

injuries, which means the performance in claims reduction does not correlate with the levy savings.

Harnessing emerging technologies and embracing the introduction of autonomous vehicles will mean we can build on the reduction in uninsured claims and entertain the potential to prevent any vehicle without insurance taking to our roads and causing irreversible damage to people.

This makes our work with enforcement partners – Police and Driver and Vehicle Licensing Agency (DVLA) – vital and necessary; with KPIs for reduction in taxed vehicles not on the Motor Insurance Database (MID) of -5.3% against a flat target, and 749,094 Continuous Insurance Enforcement (CIE) letters issued against a target of 740,000. While police seizures were down, with 132,804 against a target of 138,000 and a final 2017 result of 141,607, this may be a signal that fewer motorists are taking to the road without insurance. Of course, this does not diminish the real challenge of having fewer police officers dedicated to roads policing. Equally, it emphasises the work that MIB communications does to encourage motorists to insure their vehicles. This involves harnessing print and media channels, organising stakeholder meetings and events, and using initiatives such as Operation Tutelage.

**In all our work we are grateful for the trust placed in us by government, Members and a diverse range of stakeholders.**

Dominic Clayden  
Chief Executive

### MIB Enforcement Services performance

	Plan 2018	Performance 2018
Levy performance (£m)	298.0	278.0 <span style="color: green;">■</span>
Increase / (decrease) in uninsured driving claims	0.0%	(27.0%) <span style="color: green;">■</span>
Increase / (decrease) in hit and run claims	7.5%	0.3% <span style="color: green;">■</span>
Reduction in taxed vehicles not on MID	0.0%	(5.3%) <span style="color: green;">■</span>
	559,000	529,000
Number of police seizures	138,000	132,804 <span style="color: orange;">■</span>
CIE Insurance Advisory Letters issued	740,000	749,094 <span style="color: green;">■</span>

■ Plan not achieved  
 ■ Within agreed % of the plan  
 ■ Plan achieved

Providing timely, relevant and efficient services is the heart of our work and I am pleased to report that in most areas of our programme over 2018 we have met or exceeded our key performance indicators. For example, the claims team had a year of solid achievement with KPIs for Portfolio, Quality, Leakage, Customer Engagement and Recovery all very positive. Our data services have proved to be valuable where there was a 77% net satisfaction rating from those using the Claims Underwriting Exchange (CUE) – up by 11% on 2017.

Our target levy spend for the year was £298m and we achieved moderate but useful savings. We spent £278m, with the saving here predominantly down to actual claims payments being lower than we predicted. The overall cash surplus at the end of the year was £177.3m.

These and other achievements across the board show a dedicated staff wedded to their purposes. As we seek to provide our services more effectively and reliably it is appropriate that each of us embraces the MIB Transformation Programme which was mobilised during 2018 and will span three years affecting everyone in the organisation. As in all lives, businesses and societies, transformation is constant and instructs the way we understand and deal with experience, as well as improve performance. It might be considered therefore that this programme galvanises changes and improvements that propel us into the future.

As follows, I report the key themes in MIB's focus, now and over the past year, and how we are working with Members, government, claimant representatives, other stakeholders and the public to tackle them.

### Operational report

#### Transformation Programme

External changes in public expectation of customer service, the way vehicles and insurance are changing and the heightened demand to manage data securely present considerable challenges and opportunities for MIB.

In response, we are transforming the business by building on MIB's track record, evolving our mix of services and brands and enhancing our resilience and flexibility to operate effectively in a fast-changing world. Following the recent growth in managed services we now need to simplify the business and invest in security and technology, giving us a stable platform on which to offer new services.





The business-wide Transformation Programme was approved by the Board and mobilised during the year, underpinned by a governance structure which is steered by the MIB Executive Committee. This programme spans three years and ensures we will continue to be a great place to work, retaining and attracting the best skills and expertise with the right structures in place to support major change.

### Costs

The overall £32m investment targets key deliverables: a workplace environment and services that are fit for purpose for the future; efficient claims-handling processes; secure infrastructure and systems that future-proof MIB against IT threats; and the ability to deliver other value-added, data-driven services. This will inevitably generate efficiency in the organisation that will result in a lower run rate.

### Data security

The increased threat of large-scale data breaches globally has brought about a change in societal attitudes and a widespread recognition of the role that data transmission and security plays in all our lives. This factor was amplified by the implementation of General Data Protection Regulation (GDPR) across Europe last May, which underlines the level of public expectation where security is concerned. MIB's position is simple: we are and will continue to be safe guardians of data and we will continually invest.

During the year, we continued the focus and investment across all areas of information security to strengthen our security framework, awareness, technology and security skills. This involves an arc of activity from identifying a cyber incident to recovering from it. Improvements are tracked against industry benchmarks set by the National Institute of Standards and Technology (NIST) framework and have been independently audited and tested for assurance.

Above all, we recognise that security is everyone's business in MIB. Investing in our people and processes is our best defence against cyber incidents. We therefore continue to focus on improving everyone's understanding and application of security at all levels of the organisation.

### Stakeholder engagement

One of the trends we have experienced over recent years has been an increasing number of insurers choosing to base themselves out of Gibraltar; with 25% of motor policies underwritten from companies headquartered here, it underlines their importance as a stakeholder. Given the range of complex legal issues and sector developments arising from Brexit, we have taken steps to keep key groups informed of developments through a series of seminars in the UK and Gibraltar and via comprehensive information and updates on the MIB website and *MIB Insight* newsletter. We have strengthened our engagement with the Government and Members of Parliament and maintain our role in the Council of Bureaux. Reflecting the importance of Brexit to Ireland, MIB has, at their invitation, attended and contributed to several Brexit preparation meetings held by MIB Ireland (MIBI).

### Europe

The realignment of the relationship between the UK and the European Union has had a significant impact on MIB's role as the underpinning authority for cross-border travel. We have invested considerable time in maintaining relationships with our counterparts, who have supported this engagement with openness and pragmatism.

The balance that MIB aims to strike through these discussions and negotiations with our equivalents across the EU is to secure the best possible outcome for victims and take into consideration the cost of a solution, which will be borne by honest motorists through premiums which help to fund the levy. We are also dealing with several countries on a legal interpretation of some ancillary legacy agreements, where we are hoping to reconcile our differing positions in the forthcoming year.

**MIB's position is simple: we are and we will continue to be safe guardians of data and we will continue to invest.**



## **Vnuk**

The Vnuk European Court of Justice judgment in 2014 could create a compulsory insurance requirement for many more types of motor vehicle in more places, including their use on private land.

On behalf of Members and the UK motoring public, we have made our concerns clear to the EU and the Government. This case could undermine the efforts made to tackle the causes and consequences of uninsured driving and create a significant financial burden for the UK motor insuring public.

The outcome of the case of Lewis v Tindale is significant here, with the High Court, and subsequently the Court of Appeal, finding MIB directly responsible for the requirements of EU law (according to Vnuk). In Lewis, the accident occurred on private land and as such was outside the scope of the UK's compulsory insurance requirements and outside the scope of claims the market has agreed to pay via MIB's agreements. At the time of writing we are seeking permission to appeal further to the Supreme Court and we are also looking to the Government to take responsibility for this. Ultimately however, if it does fall to MIB to pay, this would add unwelcome claims cost to the market. As at 31 December 2018, in the Directors' view, the impact on these financial statements would not be material.

The EU is considering the impact of the Vnuk judgment through the Commission's REFIT process, which may lead to an amendment of EU law. MIB has engaged constructively in this process in the UK and in Brussels and hopes to see some of the adverse effects of the judgment mitigated through an amendment to the Motor Insurance Directive in the near future.

## **Our role in the Council of Bureaux (CoB)**

The Council of Bureaux (CoB) has representatives from 48 countries and is not an EU or European Economic Area (EEA) institution. We expect that our role within the CoB will assume added importance as the UK leaves the EU. Through CoB we will seek to promote new initiatives to reduce disruption and bureaucracy for UK-resident motorists abroad. We therefore intend to remain a signatory to the Multilateral Agreement which forms part of the CoB's Internal Regulations.

## **Protection of Visitors Agreements**

One of MIB's many services under review, as part of Brexit, is the role we play to assist victims of all motor accidents anywhere in the EEA to make compensation claims in their own country and language. For victims of uninsured drivers, we have put in place agreements where possible to continue information exchange; MIB's role as UK Information Centre will remain. For victims of uninsured and untraced drivers, MIB is concentrating on a series of bilateral Protection of Visitors (PoV) Agreements with Guarantee Funds of EEA states.

These bilateral agreements will not replicate the current system but are aimed at assisting victims in two ways: helping a victim by providing information about making their claim abroad; and ensuring victims continue to have access to compensation.

The potential outcome is that claims will have to be made in the country where the accident occurred, and the process will be much more difficult than it is under the current system introduced by the 4th Directive; however, MIB could still assist victims before they make a claim to get information in their own language.

The more crucial clause within these agreements is about reciprocity. It commits both Guarantee Funds to compensate visitors from the other country who become victims of uninsured and/or untraced drivers. Non-EEA nationals will not be compensated by





some Funds unless this clause is contained in the bilateral agreement. At the time of going to press the Guarantee Funds of France, Romania and Poland have refused either to sign the agreement or confirm that payments to UK residents will still be made after exit day. As things stand, therefore, UK citizens visiting these countries will have no access to compensation if they have an accident involving an uninsured and/or untraced driver.

MIB, on behalf of Members and all UK motorists, continues to work with the Government to change the position and seek assurance from any Guarantee Funds that have not signed the bilateral agreements.

### **Green Card**

For many years UK motorists have not been required to obtain a Green Card to drive in the EEA. After Brexit, this should still be possible if the EU passes a decision to allow UK-registered vehicles to drive in the EEA without Green Cards. MIB, the UK Government and Council of Bureaux have all requested this and we hope that the EU will agree in principle to pass this decision soon, so preparation to issue Green Cards can stop.

As an anticipatory measure, MIB has engaged with Members as well as the Association of British Insurers, British Insurance Brokers' Association and the Financial Conduct Authority to prepare insurers to issue Green Cards for private and commercial vehicles in the event that they are needed. Similarly, insurers and the Government have made every effort to ensure that motorists and customers become aware of the need to get a Green Card if the EU does not agree to Green Card-free circulation after Brexit.

We were also able to clarify how trailer registration and Green Card requirements interact, as this issue emerged through a series of seminars shortly after the Government had ratified the 1968 Vienna Convention on Road Traffic. We recognise the importance of sharing good information quickly and we value our role as the interface between the market, the Government and on behalf of the motoring public.

### **MIB Green Card Port Services**

While it is the primary responsibility of insurers to issue Green Cards to motorists travelling abroad, we anticipate that some UK motorists will arrive at UK ports without one. MIB has set up a limited and temporary facility to issue Green Cards at four major ports – Channel Tunnel, Dover, Portsmouth and Hull.

This is not designed to be a perfect solution for every motorist travelling to the EU. The inherent risk for anyone relying on MIB for a Green Card at their port of exit to the EU is that they could be faced with missing their ferry or train. If the European Commission agrees that Green Cards are not needed, then we can continue to travel as we do now and these preparations will have been unnecessary – but we believe it is the right precaution.



**We recognise the importance of sharing good information quickly and we value our role as the interface between the market, the Government and on behalf of the motoring public.**

## Responding to market changes

### Terrorism

Following a market vote, from 1 January 2019 MIB has taken on new responsibilities in relation to claims arising from motor-related terrorist events.

During 2018, significant work was undertaken to ensure MIB is fully prepared to respond to a terrorist event. This recognises that our response on behalf of victims must be delivered with compassion and in a timely manner following injury or loss of a loved one. We also appreciate that, in these circumstances, the reputation of the motor insurance industry will undoubtedly come under the spotlight and we have prepared robust communications to share with a wide range of stakeholder representatives.

### Autonomous vehicles

After a hundred years of 'conventional' motoring, the coming of self-driven cars and their ground-breaking technology may still seem amazing. But the autonomous vehicle is with us and will play an increasing part in a new type of sharing economy. For MIB this involves certain preparations.



**The autonomous vehicle is with us and will play an increasing part in a new type of sharing economy. For MIB this involves certain preparations.**

During the year the Automated and Electric Vehicles Act 2018 was introduced and MIB is working with the Department for Transport (DfT) and Members to ensure that the funding model for compensating victims injured by automated vehicles is acceptable and fair. In respect of autonomous vehicles that have no insurance, we will be introducing a new agreement in 2019 with the DfT and the Centre for Connected and Autonomous Vehicles (CCAV) to make sure that victims injured under these circumstances are not disadvantaged. We will continue to contribute our perspective on this as well as our motor claims experience as part of the Association of British Insurers' Automated Driving Insurer Group along with industry experts such as Thatcham Research.

### Whiplash

The Ministry of Justice (MoJ) has partnered with MIB to develop a service for unrepresented claimants on the Small Claims Track, which is being introduced in April 2020, as part of a package of measures to disincentivise minor, exaggerated and fraudulent Road Traffic Accident (RTA)-related soft-tissue injury claims, commonly referred to as the 'Whiplash Reforms'.

The MoJ continues to work towards establishing the legal and policy framework and rules for the new service via consultations with affected stakeholder groups, and through the Civil Procedure Rules Committee.

The programme delivery, funded in phases with approval by the MoJ, is overseen by a joint Programme Board with MIB and has regular input from a Stakeholder Advisory Group. This has representation from the Association of Personal Injury Lawyers, Motor Accident Solicitors Society, Law Society, Association of British Insurers, Forum of Insurance Lawyers, Claims Portal Limited and MedCo Registration Solutions. It is intended for the public test of the system to start in October 2019.

## Operational delivery

I would like to thank everyone who has played a part in helping the organisation run effectively; consequently, we met or exceeded 86% of our key performance targets in 2018, improving upon 2017 by 19%.

### Claims

Pursuing a reduction in uninsured driving claims and in 'hit and run' claims, 2018 saw steady progress against a volatile year in 2017.

There was a 27% reduction in uninsured claims (2017: 10,728,773 vs 2018: 7,817,596), and a very slight upturn (0.3%) in 'hit and run' claims (2017: 16,754 vs 2018: 16,798).

The Claims team had a good year with Portfolio, Quality, Leakage, Customer Engagement and Recovery KPIs all green. Lifecycle targets were missed as we targeted older cases for settlement and we predicted from the mid-year that we would not hit the target. The trend of two-thirds untraced to one-third insured continues.

**We met or exceeded 86% of our key performance targets in 2018, improving upon 2017 by 19%.**

### MIB Claim Services performance

	Plan 2018	Performance 2018	
Total average lifecycle of claims (days)	244	280	■
Quality audit scores	94.5%	96.3%	■
Outstanding portfolio	27,550	26,993	■
Leakage	3.5%	2.5%	■
Customer engagement index	75.0%	85.1%	■
Recovery (£k)	8,660	9,178	■

■ Plan not achieved ■ Within agreed % of the plan ■ Plan achieved





## Customer Services

### Non-Claims Services

MIB manages a series of databases and related interfaces, on behalf of our membership.

- **Motor Insurance Anti-Fraud & Theft Register (MIAFTR)** – to monitor vehicles written off for insurance purposes, trace and recover stolen vehicles and help detect fraud.
- **Motor Insurance Database (MID)** – the essential record of all insured vehicles.
- **Claims Underwriting Exchange (CUE)** – to enable insurers to access details of incidents and claims to combat insurance fraud.
- **MyLicence** – a service to ensure accurate driver histories and entitlements are captured at the point of quote.

### MIB Non-Claims Services performance

	Plan 2018	Performance 2018
MyLicence service take up	63.0%	65.3% <span style="color: green;">■</span>
NCD service take up	10.0%	2.1% <span style="color: red;">■</span>
MIB Hub services availability	99.9%	99.9% <span style="color: green;">■</span>
askMID service availability	99.0%	100.0% <span style="color: green;">■</span>
askMID potential improper enquiries	0.1%	0.04% <span style="color: green;">■</span>
askCUE PI service availability	99.5%	99.9% <span style="color: green;">■</span>
askCUE PI potential improper enquiries	0.75%	0.66% <span style="color: green;">■</span>
CUE & MIAFTR customer satisfaction	66.0%	77.0% <span style="color: green;">■</span>
MIAFTR availability	99.5%	100.0% <span style="color: green;">■</span>

■ Plan not achieved ■ Within agreed % of the plan ■ Plan achieved

### Non-MIB Managed Services

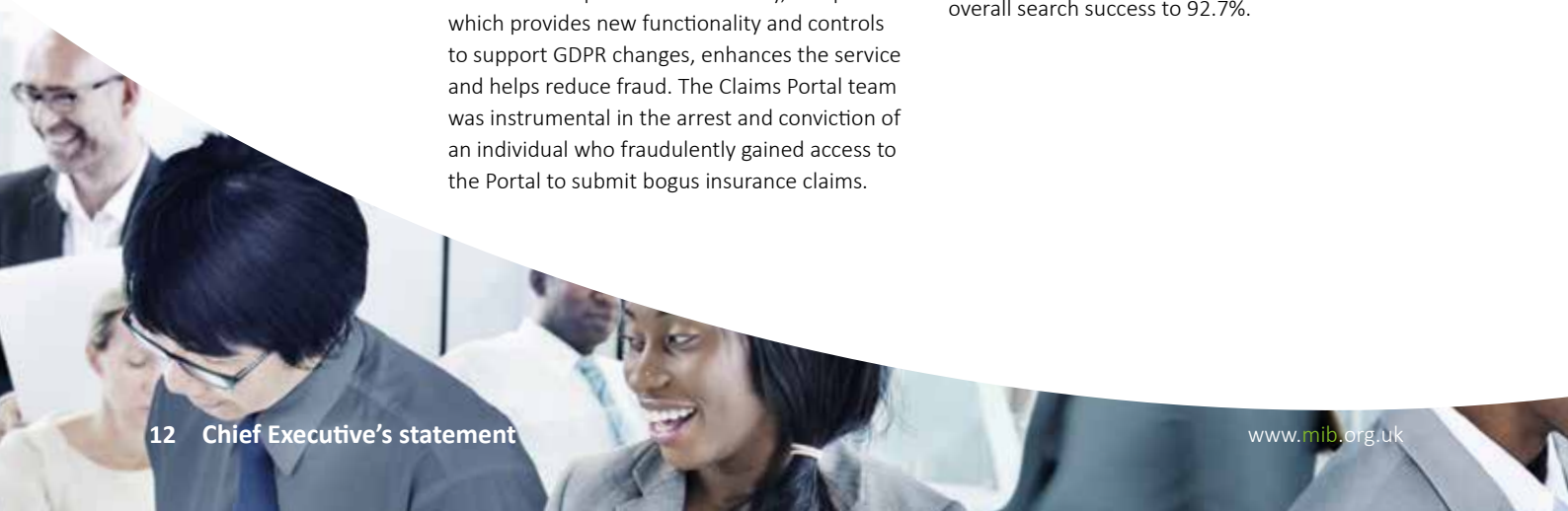
MIB MSL and TSL provide support to insurers and claimant representatives alike, through four data-related services. This is a summary of notable achievements from these services:

#### Claims Portal

The Claims Portal team delivered the latest version of the platform successfully, an update which provides new functionality and controls to support GDPR changes, enhances the service and helps reduce fraud. The Claims Portal team was instrumental in the arrest and conviction of an individual who fraudulently gained access to the Portal to submit bogus insurance claims.

### Employers' Liability Tracing Office (ELTO)

ELTO successfully concluded a proof of concept exercise with HMRC for Employers' Reference number access and reviewed how users currently use simple search, a process which has shaped a new project for 2019. ELTO also exceeded its Customer and Member Survey KPI and improved overall search success to 92.7%.



### Insurance Fraud Bureau (IFB)

As part of its work supporting the prevention of fraud across all general insurance products, the IFB launched the Insurance Fraud Intelligence Hub (IFiHUB) in 2018. This is a new technology platform which will now share insurance fraud intelligence in real time between insurers in a central, secure and GDPR-compliant database. The IFiHUB complements the existing industry database for proven fraud data (the Insurance Fraud Register) and the IFB has started to engage Members in its use since the first quarter of 2019.

Alongside such digital infrastructure projects, the IFB issued some 1,800 intelligence alerts during 2018, managing a portfolio of 220 cross-industry investigations into organised fraud by the end of the year.

### MedCo

During 2018, our focus was to support MedCo in its development of an Accredited Training Programme for medical experts and to continue to improve the user-friendliness of the system. The new accreditation system helps medical experts to complete their Continuous Professional Development required to retain their accreditation during the year.

We have also supported MedCo with an audit programme of all Medical Reporting Organisations to ensure that only those which meet the MoJ's qualifying criteria are using the system.

### Non-MIB Managed Services performance

	Plan 2018	Performance 2018	
IFB customer satisfaction	82.0%	80.8%	■
IFB budget	100.0%	86.0%	■
Claims Portal budget	100.0%	68.7%	■
Claims Portal system availability	99.0%	99.9%	■
MedCo system availability	95.0%	100.0%	■
ELTO user satisfaction	60.0%	71.7%	■
ELTO member satisfaction	75.0%	75.6%	■
ELTO budget	100.0%	95.8%	■
ELTO system availability	99.50%	99.95%	■

■ Plan not achieved ■ Within agreed % of the plan ■ Plan achieved



## Finance

Our financial performance during the year shows a distinct pattern in which expenditure against budget was favourable. Within the BAU budget, the actual spend fell within 95.1% of the overall budget.

Ultimately the underspend during the year resulted from the continued increase in large loss claims which was offset by a significant decrease in low value claims. Over this year we will review both how to deal with these claims and how to fund them.

Responding to the heinous effects of terrorism involving vehicles, it has been agreed that since 1 January 2019 the cost of vehicle-related terrorist claims will be dealt with by MIB and shared by the levy. Representing a first of its kind, MIB has therefore secured reinsurance to protect from fluctuations in the levy, purchasing £400m cover with excess of £100m on an aggregate basis with a 1.25% rate on line (ROL).

For the services that we manage on behalf of the market, we have delivered programmes of work either within or under budget authorisation.

The figure for the Insurance Fraud Bureau (IFB) showed an actual spend of 86% of the overall budget, which was the result of receiving more income than we anticipated while costs were lower than expected. Notably, the industry intelligence project costs were below budget because most of the work was carried out in 2017.

The Claims Portal budget performance reports actual costs against budget at 68.7%. Accounting for much of this, a spend of £450k for costs associated with the Whiplash reforms which were not incurred because of a delay in that project. These costs are now included in the 2019 budget.

The Employers' Liability Tracing Office also spent marginally less than budget, a figure of 95.8% which was the result of savings achieved within staff costs, and legal and development costs.

## Risk and Compliance

As MIB's range of services and programme activity evolves, including the Transformation Programme and Whiplash Reforms, there is a stronger focus on governance and control across the business. A robust risk management framework is fundamental to the effective management of MIB. It provides an explicit method to help manage all the main business risks, from information security to Brexit. The Risk and Compliance team oversees all of MIB's risk management controls and is responsible for helping to embed a risk culture into everyday business activities.

Our drive for continuous improvement will see the implementation of an updated Risk Management Framework aligned to the new ISO 31000:2018 risk management guidelines and supported by new tools and templates for identifying and reporting risks. By embedding a risk management culture and new processes, MIB will be able to adapt to change more effectively as new threats and opportunities emerge.

## General Data Protection Regulation (GDPR)

With the first half of 2018 focused on preparing for and implementing the General Data Protection Regulation and new Data Protection Act, the business then sought to embed the principles of GDPR to achieve a state of business as usual. Through the hard work and dedication of the teams, we ensured we were compliant and had a solid understanding of requirements, when the legislation came into force.

We are conscious that there is more to be done to take account of other changes – such as the Information Commissioner's Office (ICO) good practice guidance, MIB's Transformation Programme and those arising from Brexit – building on the sound compliance framework already in place.

## People

Peel back the page and you find an organisation that is determined to provide great service and to demonstrate value and benefit to all who have a vested interest in MIB. We depend on the skills, invention and determination of people who work together to achieve their targets and who continually learn and apply their learning.

Recruiting, retaining and motivating staff involves having a great culture and this means a workplace which genuinely includes and fosters all those within it. We want to ensure MIB has the latest working practices, including an environment supporting agile working where individuals feel empowered; our investment in technology helps us to deliver this.

Equally, we recognise the importance of Diversity and Inclusion (D&I) in high-performing organisations; we know the value this brings to customers and we have made some important advances in our D&I strategy. We have launched practical initiatives that support our employees and encourage them to bring their whole selves to work. Following the results of our D&I survey, the lesbian, gay, bisexual and transgender (LGBT) and straight allies group has been started, drawing volunteers from across the organisation and the response has been hugely positive. We have also looked at some less obvious diversity and inclusion characteristics, including the launch of mental health initiatives, such as the Time to Change pledge, and the launch of a group that supports people with caring responsibilities.

It is important that we understand and build upon staff attitudes and feelings about their work and the direction of travel. In this respect, we can report positive results from the Employee Engagement Survey conducted in November 2018, with an 86% response rate. This year there were 20 additional questions to reflect MIB's change in cultural aspiration and to provide a robust baseline from which to track improvement in engagement over time.

The most significant improvement areas included:

- a total favourable score of 74% agreeing that the senior leadership team is interested in the wellbeing of employees, up 10% on 2017
- a total favourable score of 70% having confidence in the decisions made by MIB's senior leadership team, up 6% on 2017; and
- an impressive 87% total favourable score agreeing that MIB demonstrates values and principles that staff respect, up 5% on 2017.

We also learned that staff are looking for the empowerment of MIB people, for increased collaboration and for competence in change leadership. These requests are highlighted, as are the sustained work and achievement of all our staff as we pursue our course.

I have enjoyed a warm welcome to MIB and appreciate the time people have set aside in their schedules to work with me and my team to provide the services that we feel privileged to deliver.



**Dominic Clayden**

Chief Executive

12 June 2019



# Strategic report

The Board presents its report and the audited financial statements of the Motor Insurers' Bureau for the year ended 31 December 2018.

## Group status

The Directors confirm that MIB 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 but not so covered by insurance.
  - 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 MIB, 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).
- 4) In accordance with the Articles of Association provide value-added services including:
  - a) The maintenance of the Claims and Underwriting Exchange (CUE) and the Motor Insurance Anti-Fraud & Theft Register (MIAFTR).
  - b) Data asset management and analytical services on behalf of Members and the insurance industry.
  - c) The provision of managed services.





## 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 Chair'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 out within the Chief Executive's statement on pages 5 to 15.

The consolidated statement of comprehensive income on page 36 shows that the Group has

neither made a profit nor incurred a loss in the year to 31 December 2018. MIB continues to have the support of its Members.

The income included within the consolidated statement of comprehensive income of £455.3m comprises the cash levy called of £296.8m plus the movement in uncalled levy of £158.5m which represents the movement in claims provisions; see note 3 for detail.

## Board of Directors

The following were Directors during 2018 and held office throughout the year unless shown otherwise:

Name	Title	Company	Date of appointment	Date of resignation
S Maddock	Chair	Direct Line Group	09.06.2011	
<i>Note: appointed as Chair on 04.03.2014</i>				
<b>Executive Directors</b>				
A West OBE	Chief Executive	Motor Insurers' Bureau	14.04.2003	29.06.2018
D Clayden	Chief Executive	Motor Insurers' Bureau	14.05.2018	
<i>Note: appointed Non-Executive Director on 11.09.2009</i>				
A Sherman	Chief Financial Officer	Motor Insurers' Bureau	10.02.2009	18.01.2019
<b>Non-Executive Directors</b>				
I Currie		RSA	10.09.2010	29.03.2018
A Clarke		Ageas	10.09.2010	
S Maddock		Direct Line Group	09.06.2011	
D Slater		Acromas	27.03.2013	16.03.2018
S Baker		AXA Insurance	03.04.2013	
S Fernandes		Liverpool Victoria	15.12.2015	12.07.2018
J Abboud		Allianz Insurance	11.03.2016	27.03.2019
R Townend		Aviva	08.05.2017	15.05.2018
G McChesney		Zurich	24.11.2017	17.05.2019
K Helgesen		RSA	29.03.2018	
T Bishop		Aviva	19.06.2018	
M Crane		Liverpool Victoria	02.08.2018	
R Charles		Admiral Group	29.09.2018	

## Appointments

Directors appointed to the Group after the year end are as follows:

### Executive Director

R Arya	Chief Finance Officer	Motor Insurers' Bureau	01.04.2019
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### Non-Executive Director

P Singh		Allianz Insurance	26.02.2019
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## Board attendance

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

Name	Board meetings				Audit and Risk Committee	
	29.03.18	31.05.18	28.09.18	23.11.18	01.05.18	06.11.18
S Maddock	✓	✓	✓	✓		
A West	✓	✓			✓	
D Clayden	✓	✓	✓	✓		
A Sherman	✓	✓	✓	✓	✓	✓
A Clarke	A	✓	✓	A	✓	✓
I Currie	✓					
S Baker	✓	✓	A	✓		
S Fernandes	✓	✓			✓	
J Abboud	A	A	✓	✓		
G McChesney	✓	A	✓	✓		
R Townend	A					
K Helgesen		✓	A	✓		
T Bishop			A	✓		
M Crane			✓	✓		✓
R Charles				A		

✓ = Present A = Absent

## Committee members

Name	Executive Security Committee	Audit and Risk Committee	Transformation Committee	Remuneration Committee	Nomination Committee	Investment Committee	Levy Group
S Maddock				✓	✓		
D Clayden		✓	✓		✓	✓	✓
R Arya		✓	✓		✓	✓	✓
A Clarke		✓				✓	
S Baker							
T Bishop		Chair					

## Membership details

During the year, the following companies were accepted as Members of MIB:

Name	Date of joining
AIG UK Ltd	05.09.2018
Aviva Insurance Ireland DAC	26.09.2018
Zavorovalnica Sava D.D.	07.11.2018
Arch Insurance Company Ltd	12.11.2018
AIG Europe S.A.	01.12.2018

The following companies ceased being Members:

Name	Membership ceased
Beacon Insurance Company Ltd	03.04.2018
Alpha Insurance A/S (Gaia)	10.05.2018



## Directors' report

### Statement of Directors' responsibility

The Directors are responsible for preparing the strategic report, 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; and
- 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.

## Statement of disclosure of information to auditors

At the time when this report is approved each Director 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.

The Board approved the Strategic report and Directors' report and these were signed on their behalf by:



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**Wendy Budd**  
Company Secretary  
12 June 2019

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



# Corporate governance statement

A robust Corporate Governance Framework is essential to the efficient and effective performance of MIB. It ensures the accountability, responsibility and ethical behaviour of MIB, enabling our Members, customers and stakeholders to have full confidence in our operations. MIB follows the provisions of the UK Corporate Governance Code, issued by the Financial Reporting Council, to the extent appropriate given MIB's 'not for profit' status and the fact that Non-Executive Directors perform their roles on a voluntary basis without remuneration.

## The Board

It is the responsibility of the Board to ensure that MIB's long-term strategy promotes the interests of our Members, customers, employees and the business community in which we operate. This includes reporting to all Members and other stakeholders on MIB activities, presenting a fair, balanced and understandable assessment of MIB's position and prospects.

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 to determine the nature and extent of the principal risks MIB is willing to take in achieving strategic, financial and operational success.

The Board is responsible for ensuring there is an appropriate system of governance throughout the Group. This includes a robust system of internal controls and a sound risk management framework, the core elements of which are:

- matters reserved for the Board and Board Committees' terms of reference;
- risk appetite; and
- Group Policy Framework, which comprises policies that the Board approves.

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.

At the time of writing, the Board comprises eight 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 of Executive Directors is determined by the Remuneration Committee on consideration of the degree of individual responsibility, individual performance and market data.

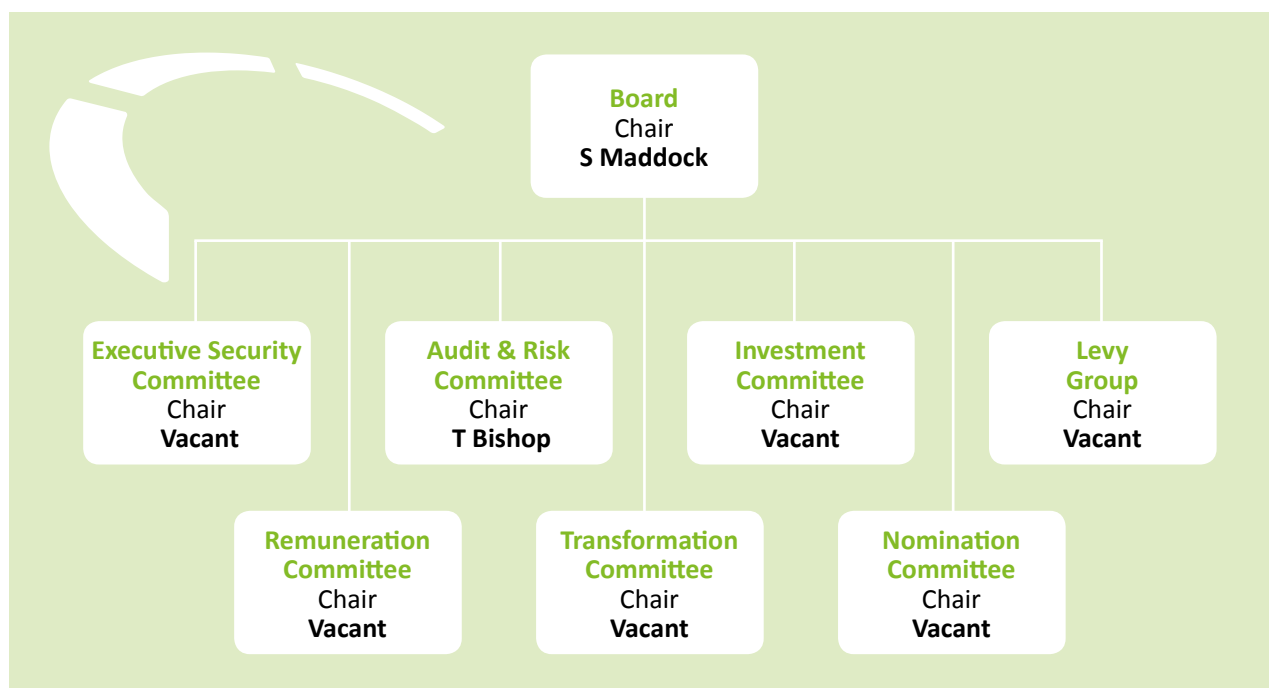
The role of the Non-Executive Directors is to participate fully in the functions of the Board, advising, supporting and challenging management as appropriate. Non-Executive Directors can serve three terms of three years. The Chair can serve two terms of four years but can serve a maximum of nine years on the Board. The Nomination Committee nominates the Non-Executive Directors and Chair for appointment and the Board then approves the appointments. Non-Executive Directors and the Chair are subject to election or re-election annually at the AGM.



**It is the responsibility of the Board to ensure that MIB's long-term strategy promotes the interests of our Members, employees and the business community in which we operate.**

## Board committees

The Board has established various committees to help meet its responsibilities. Each committee plays a vital role in ensuring that the Board operates efficiently and considers matters appropriately and each committee has a separate terms of reference.



With the resignations of G McChesney and J Abboud following the year end, there are added vacancies for committee chairs. The Nomination Committee is seeking to fill these vacancies.

### Executive Security Committee

The Executive Security Committee comprises a Non-Executive Director and five members of the Executive Committee plus appropriate representation from the wider business as required. Established in 2018, the role of the Executive Security Committee is to monitor threats to MIB critical assets and to ensure that controls in place to reduce the likelihood of reputational damage through a security incident are in line with the strategy and risk appetite set by the Board. It is empowered to take the steps necessary to maintain adequate controls when the threat landscape changes and or when the likelihood of a security incident arises.

The Executive Security Committee operates at a strategic level, provides direction and takes information from the Operational Security Group.

### Audit and Risk Committee

The Audit and Risk Committee comprises three Non-Executive Directors. Both the Head of Audit and the Head of Risk and Compliance have direct reporting lines into the Chair of the Audit and Risk Committee. The MIB Chief Executive Officer and Chief Finance Officer are invited to attend by the Non-Executive Directors as well as any MIB officer that the Audit and Risk Committee feels appropriate.

It meets every six months.

The Audit and Risk Committee assists the MIB Board by:

- Overseeing the MIB Risk Management Framework and ensuring that MIB operates within agreed risk parameters and clearly defined risk appetite statements.



- Reviewing and assessing MIB's system of internal controls:
  - Approves and challenges the Internal Audit plans of scheduled work and ensures that such work provides assurance over the key risks to MIB meeting its corporate objectives.
  - Ensures that Internal Audit has adequate and appropriately skilled resources and where necessary obtains external specialist resource to support completion of its work programme.
- Overseeing the work of the external auditors and providing assurance over the integrity of MIB's financial statements.
- Appointing and removing external auditors.
- Providing supervision of corporate governance policies and issues related to legal and regulatory compliance bodies.

## 1. Internal Audit

The Internal Audit team is tasked with providing independent and objective assurance to the Board, Audit and Risk Committee and Executive Committee over the adequacy of MIB's system of internal controls. Internal Audit has access to all areas of the business and plans its work on a risk-based approach so that it can identify, prioritise and agree with the Audit and Risk Committee and executive management where its resource is allocated to provide the required levels of assurance.

In 2018, Internal Audit continued to use PwC, our co-source partner for specialist audit services. In addition, MIB utilised the services of Liverpool Victoria to undertake an independent review of the MIB claims-handling services on behalf of Members. Liverpool Victoria have agreed to provide this service in 2019. All assurance providers present their findings and recommendations to the Audit and Risk Committee.

In 2016 KPMG issued an independent report resulting from their review of MIB Internal Audit services and provided assurance to the Audit and Risk Committee that these services were fit for purpose in relation to the quality, independence and objectivity of Internal Audit and its professional staff. Best practice is for such independent review of Internal Audit services to occur at least every five years so normally would be completed next in 2021. This is considered appropriate in light of the current Transformation Programme being undertaken within MIB to ensure that assurance is obtained that Internal Audit services remain relevant and aligned to business objectives.

Through Internal Audit's reviews of claims-handling quality and claims leakage, it was able to provide the Audit and Risk Committee with assurance that these areas continue to be well managed and meet the agreed key performance indicators.

Through its close working practices and ability to challenge the business, Internal Audit was able to provide assurance to the Audit and Risk Committee that business areas were addressing any issues identified by all assurance providers and that agreed actions were being clearly defined and delivered.

## 2. Risk management

As MIB's range of service and programme activity evolves, including the Transformation Programme and Whiplash Reforms, there is enhanced focus on governance and control across the business. A robust risk management framework has been key to the sufficient and effective management of MIB. It provides the positive method to help manage business risks from information security to Brexit. The Risk and Compliance team oversees all of MIB's risk management controls in adherence to the principles and guidelines of ISO31000:2018. The team is responsible for helping to embed a risk culture into everyday business activities.

**A robust risk management framework has been key to the sufficient and effective management of MIB.**



**MIB compliance with ISO standards forms part of its commitment to a systematic, robust approach to managing the confidentiality, integrity and availability of the data that MIB controls.**



Continuous improvement sees the implementation of a Risk Policy and a new Risk Management Framework aligned to the updated ISO31000:2018 principles and guidelines. The new framework is supported by new tools and templates for Enterprise Risk Management, implementation of control effectiveness and re-aligning the assessment guidance with internal and external changes. By embedding a risk management culture and new tools, MIB is able to adapt to change effectively as new threats and opportunities emerge.

### **3. Compliance**

MIB has made significant progress in terms of GDPR compliance and the overall business understanding of the GDPR requirements. MIB has invested significant resource in updating its privacy processes to facilitate compliance with the GDPR. This is demonstrated by the creation of a robust governance framework which includes the appointment of a Data Protection Officer (DPO). The GDPR programme delivers the necessary elements to transition GDPR compliance activities to a 'business as usual' activity across MIB. MIB will continue to increase the data privacy maturity level in 2019, striving for excellence in all areas.

MIB maintained both ISO 27001 information security and ISO 22301 business continuity certification in 2018 and this continues to be a compliance priority. MIB compliance with these standards forms part of its commitment to a systematic, robust approach to management of the confidentiality, integrity and availability of the data MIB controls. Risk and Compliance will be working with business operations to provide information security and data protection subject matter expertise to MIB projects and MIB's Transformation Programme in order to achieve its business objectives.

### **4. Health and safety**

MIB recognises the vital importance of health and safety. 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.

### **Investment Committee**

The Investment Committee comprises a minimum of two Non-Executive Directors and two Executive Directors. The role of the Committee is to provide investment strategy recommendations and monitor the investment policies and procedures of MIB.

### **Levy Group**

The Levy Group comprises two Non-Executive Directors, two Executive Directors, Company Secretary, appropriate representation from member companies and consultant actuaries as appropriate. The role of the Levy Group is to assess the levy requirements, including the amount of the annual levy and the method of apportioning this across the levy members.

### **Remuneration Committee**

The Remuneration Committee comprises a minimum of three Non-Executive Directors. The role of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors including pension rights and compensation payments. The Committee also oversees the remuneration arrangements of MIB employees.



## **Nomination Committee**

The Nomination Committee comprises a minimum of three Non-Executive Directors and two Executive Directors. The role of the Committee is to lead the process of selection of the most suitable candidate or candidates for appointment to the Board and to make recommendation to the Board in regard to plans for succession for both Executive and Non-Executive Directors.

## **Transformation Committee**

The Transformation Committee comprises a maximum of two Non-Executive Directors and two Executive Directors. The role of the Committee is to provide Board level oversight of the transformation activities that are being delivered by the executive management of MIB. Recognising the temporary nature of this committee, the purpose and existence will be subject to review approximately every six months.

## **Insurance Data Advisory Board (IDAB)**

IDAB comprises the Chair and up to ten other elected members. The role of IDAB is to review the technical requirements of MIB's Data Services operations and make recommendations to the MIB Board on matters affecting potential future system/service enhancements; to make recommendations to the MIB Board in relation to how cross-industry data can be maximised for the benefit of the industry and how to grow confidence in the quality and security of industry data and knowledge; to oversee the development of processes and services, including new uses of data, for the benefit of the industry and stakeholders.

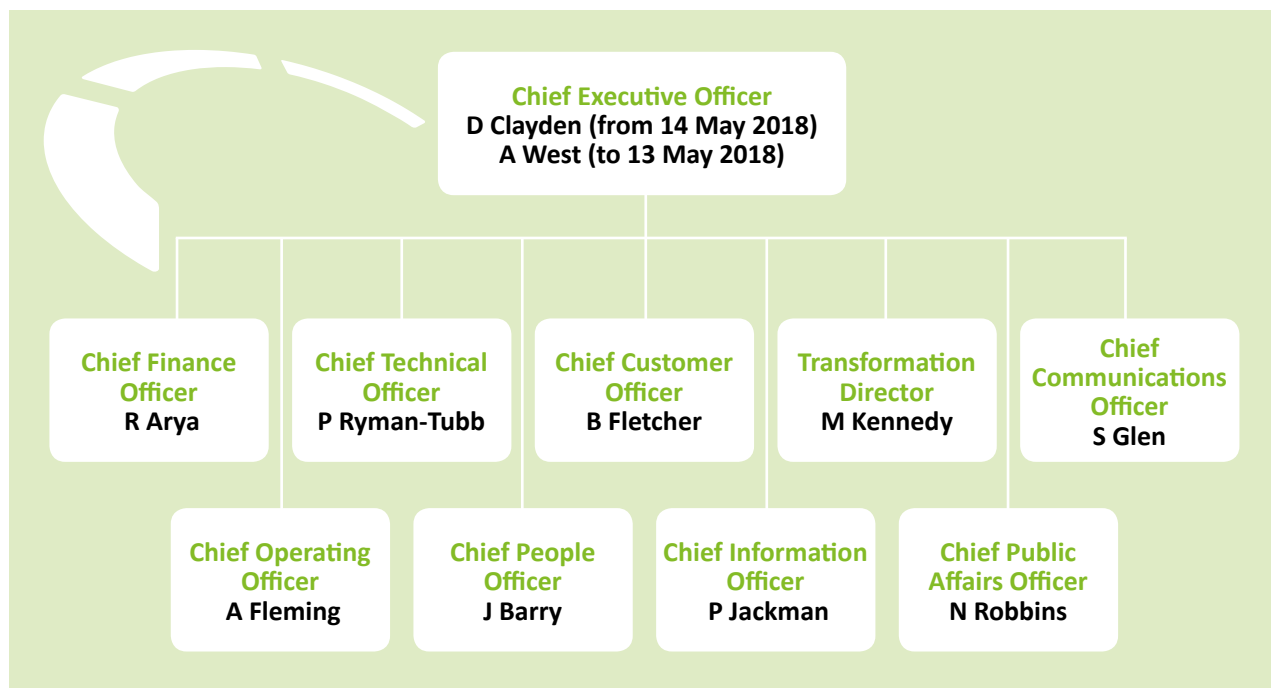
## **Chief Executive Officer (CEO)**

The role of the CEO is to manage the Group's business on a day-to-day basis and to assist the Board in carrying out its role by providing advice and recommendations consistent with the agreed corporate objectives, financial and operational risk management and regulatory good practice. In fulfilling his executive role, the CEO acts within the authority delegated to him by the Board.

## Executive Committee

The Executive Committee is the principal management committee that supports the Chief Executive Officer to manage the day-to-day operations of the Group. It forms part of the wider senior leadership team. The Executive Committee assists the Chief Executive Officer to set performance targets, implement the MIB strategy and direction and monitor

key objectives to achieve the Group's targets. It is comprised of the Executive Directors (Chief Executive Officer and Chief Finance Officer) and the following: Chief Communications Officer, Chief Operating Officer, Chief Information Officer, Chief Technical Officer, Chief People Officer, Chief Public Affairs Officer, Transformation Director and the Chief Customer Officer.



## People

A key aspect of the Transformation Programme for MIB is the focus on people and culture. This programme is led by the Chief People Officer, who joined in September 2018 and activity has focused on laying the groundwork for 2019 and beyond.

### 1. Gender pay gap

With the first statutory reporting on gender pay in March 2018, a commitment was made to reduce the gender pay gap. This journey has begun, with improvements made in 2018 (from 28% to 24%).

MIB committed to signing the Women in Finance Charter, which happened in July 2018. As part of these commitments, a target was set for 35% female representation in the Executive Team by 2020, that figure currently stands at 30%.

In 2019, MIB should start seeing the benefits of agile working, having rolled out a pilot scheme towards the end of 2018. This gives employees more flexibility in where and how they manage their working day, leading to feeling more fulfilled in their home lives too.

### 2. Diversity and inclusion

There is a deep understanding of the benefits that a diverse workforce can have for MIB. MIB is working towards a culture which supports that and celebrates the diversity. During 2018 MIB carried out a Diversity and Inclusion (D&I) survey with employees to provide better understanding of the diversity of employees; the areas they would like the organisation to focus on and the level of interest in participating in D&I-focused activities and initiatives, such as networking groups.

This survey has provided useful insight which will help drive the D&I strategy which will be further developed during 2019, including the establishment of networking groups; the first of which, the lesbian, gay, bisexual and transgender (LGBT) group, commenced early in 2019.

In the meantime, MIB has signed up to Stonewall, the charity that campaigns for the equality of lesbian, gay, bisexual and transgender people and which provides guidance on supporting LGBT colleagues in the workplace, and tapping into local diversity and inclusion networks both in Milton Keynes and London, the latter of which is being driven by the newly formed LGBT group.



### 3. Employee engagement

An engaged workforce drives the success of MIB's performance and delivery of its strategic goals. In 2018 there was a commitment to act on the feedback received from November 2017 survey:

- Investment in new technology, security and equipment.
- Improving the Milton Keynes offices to create a more pleasant and productive working environment, including collaborative spaces.
- Tackling the impact of workload in the claims function to help handlers be more efficient, including restructuring the team with new deputy roles and career stepping points to management roles.
- Reviewing the pace of progression and links to a qualification framework.
- Supporting wellbeing through lunch and learn sessions, a wellbeing week, free fresh fruit and weekly breathing and relaxation classes.

The 2018 survey took place in November with an extended question set, to allow a deeper understanding of how MIB employees feel about their working life at MIB. Following the feedback from the survey, the approach in 2019 is for employee-led working groups to drive three key improvement areas of:

- Empowerment
- Collaboration
- Change Leadership

### 4. Anti-slavery commitment

MIB is committed to preventing slavery and human trafficking in its corporate activities and within its supply chain. Policies are in place to ensure employees are aware of our commitment to anti-slavery and the Anti-Slavery and Human Trafficking Notification procedure.

The policy defines modern slavery and human trafficking for employees as well as potential identifying factors. It also stipulates what employees should do if they believe they have encountered an example of modern slavery or human trafficking.

### 5. Corporate Social Responsibility (CSR)

MIB has an active CSR team who focus on how MIB can deliver benefits to its employees, the environment and the community. The team works on addressing specific CSR issues in the following categories:

- Community
- Workplace
- Marketplace
- Environment

MIB's chosen charity in 2018 was The Children's Trust and over £18,000 has been raised for them.

Fundraising events included quizzes, cake bakes, raffles, bring and buy sale and a staff party as well as pennies for heaven. In addition to planned fundraising events, groups of employees visited the Children's Trust to help with improvements to their garden.

## Charitable donations

Details of charitable donations are highlighted in the Corporate Social Responsibility note within the Corporate Governance Statement.

## Supplier terms

A review of the forms of contract for use in new contract awards has been performed and they have been updated where necessary.

Supplier payment terms are standard and range from 30 days to 60 days on average dependent on the category of expenditure.



## Case studies

### A powerful nudge against insurance fraud

Insurance fraud represents a significant threat not only to all parts of the insurance industry but to the whole of society. From small-scale opportunism by individuals to highly organised scams run by criminal networks, its perpetrators cause serious damage. The industry consistently detects in the region of £1.3 billion in fraud each year which spans all product types and both the application (policy) and claims areas. The harms caused to society are not just financial but lives are also put at risk by some ‘crash for cash’ scams.

The Government recognises that fraud on this scale is socially corrosive.

In the last decade, the industry has worked hard to tackle the problem and has invested heavily – hundreds of millions of pounds – setting up various deterrent strategies and organisations:

- Internal controls, systems and people within each firm
- Insurance Fraud Bureau (IFB) to help detect more fraud
- Insurance Fraud Register (IFR) to create a meaningful deterrent, by tracking known fraudsters
- Insurance Fraud Enforcement Department (IFED) to ensure that fraudsters are prosecuted to the limit of the law.

Despite this investment, it is recognised that more needs to be done and the work has to be specifically tailored to the type of perpetrators involved. There are various reasons why people commit insurance fraud but it is clear that the single biggest group of fraudsters are opportunistic in nature. These people are probably largely honest in their day-to-day life and do not set out to behave in a fraudulent way. Often they may not even realise that what they do is fraudulent. The ways we tackle this group are therefore going to be different to the methods needed to tackle more systematic and organised fraudsters.

Through 2017 and 2018, teams from within MIB and IFB worked with colleagues from across the insurance industry to explore methods designed to help change the behaviour of opportunistic fraudsters. This industry working group also engaged an external consultancy, Decision Technology, and conducted research to assess how behavioural science – and specifically ‘nudge’ theory – might positively affect the insurance application and claim process. In effect, interventions were designed into the process to nudge the person to behave in an honest way. The research proved that the opportunity to influence beneficially is significant, with the nudge interventions changing up to 70% of would-be fraudsters’ behaviour.

In September 2018, the work culminated in the launch of the Insights report which summarised the findings of the research; there was also a Blueprint report which explains how insurers can apply this methodology within their own systems and processes. The teams at IFB and MIB will work with industry through 2019 to collate the results from live insurer field trials and this will be used to shape future proactive media work to tackle fraud.



**The industry consistently detects in the region of £1.3 billion in fraud each year which spans all product types and both the application (policy) and claims areas.**

## Drive insured – or else!

Pursuing the reduction of uninsured and untraced driving continues to be a core activity at MIB. We work closely with the National Roads Policing Intelligence Forum and the 43 police forces across the nation to heighten awareness of the continuing scourge of uninsured driving and the steps we are taking to combat it.

A main activity is the annual 'OpDriveInsured' (ODI) which took place between 11 and 18 November 2018. ODI involved every police force in the UK and saw a strong rise in the number of vehicle seizures with 30 out of the 43 forces markedly increasing their seizures in that week.

But the police cannot do it alone. MIB's dedicated Police Helpline was there to support this increased activity, making sure checks were carried out to lessen the risk of cars being inadvertently seized. MIB communications drove the media campaign with the result that more than 300 articles were published about ODI in national, regional and trade publications. Social media played a strong part too with posts mentioning #OpDriveInsured reaching social media feeds 1.7 million times. A video on the work MIB does with police was embedded onto the iNewspaper's website and then syndicated to 150 news websites.

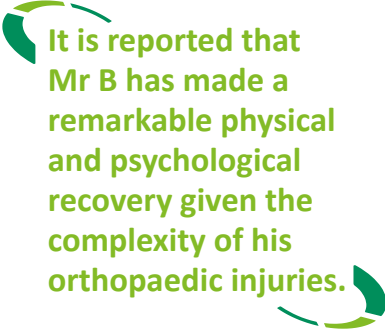
The results were impressive, with 3,250 vehicles seized during the week-long operation across the nation. Uninsured vehicles are often involved in other criminality; for example, in a single day during ODI week, a joint operation involving eight forces in the South East saw:

- 44 vehicles processed for no insurance (seized or reinsured at the roadside)
- 14 vehicles processed and seized for other offences including no licence and no vehicle excise licence
- £2,900 in lost HMRC revenue recovered as a direct result of the operation
- 8 arrests for a variety of offences including Possessing Drugs with Intent to Supply, Grievous Bodily Harm, Aggravated Burglary, Theft of a Motor Vehicle and multiple drug drivers.

ODI's success in 2018 resulted in its adoption as a National Police Chiefs Council Tier 1 Road Safety Operation for 2019 onwards. This grading requires every force to participate and it is one of only seven themed road safety operations during 2019, underlining its value to national roads policing and road safety.

MIB is hugely proud of the work we do with the police to support the aim of making our roads safer.

**The results of OpDriveInsured were impressive, with 3,250 vehicles seized during the week-long operation across the nation.**



**It is reported that Mr B has made a remarkable physical and psychological recovery given the complexity of his orthopaedic injuries.**

## Supporting rehabilitation

The goal of all cases involving rehabilitation following an injury must be to return the injured person to their pre-injury lifestyle in a timely manner. When a truly life-changing event occurs it is essential for all parties to remember that the person being treated carries with them all past life experiences, problems, values and beliefs. The rehabilitation process strives to use these experiences to benefit the injured person, and not to remake the person.

At MIB, we know how effective rehabilitation programmes can be when a holistic clinical approach is adopted, when the health and social care system is aligned, when specialist rehabilitation providers are commissioned. In this way, we can help optimise the recovery of an injured person at all stages of injury – from admission to acute hospital services to facilitating community-based specialist physical, psychological and vocational rehabilitation.


Also, we recognise that no two injuries are alike, nor do they create the same challenges for the injured person and their families. We therefore champion rehabilitation providers who tailor their programmes to the unique physical and/or functional limitations, cognitive impairments, and emotional or behavioural challenges affecting the individual.

Below, we offer some insight into how rehabilitation works and the part that MIB plays in the process. The individuals who are the subjects of these two accounts are anonymous.

### **Struck by an untraced vehicle**

Mr B, in his 60s, was the victim of a collision when he was struck by an untraced vehicle. He sustained two complex fractures on the tibia of his left leg as well as soft tissue damage on his right ankle. Subsequently, he required surgical fixation to stabilise the two fractures in his left leg.

The surgical team were initially concerned that the fractures would not unite because they were extremely slow to heal. Eventually, about a year after the injury, the tibia had healed enough to allow the metalwork to be removed by the NHS surgical team.



As is our practice, within weeks of receiving notification of the claim, Mr B was referred to our specialist case management provider for assessment of his needs. To hasten his recovery, immediately following the clinical assessment – and on advice from the NHS surgical team – the case manager referred him for private pain management and specialist intensive physiotherapy and hydrotherapy.

As a result of Mr B's developing low mood and anxiety, associated with his loss of independence and physical injuries, the case manager also referred him privately to a skilled trauma-focused psychologist, who treated his psychological symptoms. This enabled him to overcome his low mood, anxiety, post-traumatic stress and also his disrupted sleep.

Owing to biomechanical changes in his left leg Mr B was referred to a private orthotist who recommended the provision of custom-moulded, individually designed shoe inserts to reduce the likelihood of secondary physical complications and to enable him to walk with greater ease and comfort.

From a physical and psycho-social perspective, it is reported that Mr B has made a remarkable physical and psychological recovery given the complexity of his orthopaedic injuries. His speedy recovery was facilitated by appropriate case management and non-statutory specialist treatment and rehabilitation services. Before the collision Mr B was considering retirement and he was offered the help of vocational services to help him consider his employment options. His eventual decision was to take over the management of his wife's garden business.



### The road back to a normal life

Mr C was a front seat passenger in an uninsured vehicle when he was involved in a serious accident in 2016. He sustained a considerable number of physical injuries, including a severe brain injury.

Owing to the severity of the brain injury, Mr C was placed in a coma for two weeks, after which clinicians found that he had significant functional difficulties with both upper and lower limbs. Because of the physical complications he required numerous sessions of intensive physical therapy to regain his range of movement, strength and stamina.

The serious nature of his brain injury meant that Mr C needed intensive specialist intervention in the form of individually designed cognitive rehabilitation.

Mr C duly received appropriate and timely specialist case management and neurological rehabilitation and was therefore able to regain his pre-injury level of mobility and his physical function. He also overcame problems with speech and language and residual cognitive changes.

In the event, Mr C was able to resume his university course with minimal disruption and go on to live independently.

Mr C was so appreciative of how we managed his claim, from both a claims and rehabilitation perspective, that he wrote and thanked his claims handler.

*"Dear MIB,*

*This is a letter of appreciation to your Technical Advisor, just to say thank you very much for all your hard work throughout the past year and eight months. You have really made this a quick and easy process for me considering the severity of my injuries. You have also filled me with confidence and reassurance at each stage of the process, I commend you and everyone that was involved so highly. Wishing you all the very best."*

Both cases testify to the importance of early intervention. By providing an early assessment of needs, speedily beginning appropriate specialist intervention and using a multi-agency approach, we have been able to promote reablement. This means that the injured person experiences a speedier recovery from their personal injury and is assisted to regain their pre-injury life much earlier.

**You have really made this a quick and easy process for me considering the severity of my injuries. You have also filled me with confidence and reassurance at each stage of the process.**



# Independent auditors' report

## Independent auditors' report to the Members of the Motor Insurers' Bureau

### Opinion

We have audited the financial statements of the Motor Insurers' Bureau ('the Parent Company') and its subsidiaries ('the Group') for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's result and the Parent Company's 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' responsibility, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

This report is made solely to the Company'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 Company'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 Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' report.

### **Use of our report**

This report is made solely to the Parent Company'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 Parent Company's members those matters we are required to state to them in an auditors' 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **David Roberts**

Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor London  
14 June 2019

*BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).*



# Financial statements

## Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	Consolidated		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Income</b>					
Leviable premium	3	455,344	505,609	455,344	505,609
Other operating income	5	10,397	9,345	10,167	8,831
<b>Total income</b>		<b>465,741</b>	514,954	<b>465,511</b>	514,440
<b>Expenditure</b>					
Net claims paid	4	(239,721)	(220,259)	(239,721)	(220,259)
Decrease / (Increase) in claims provision	4	(185,168)	(253,778)	(185,168)	(253,778)
<b>Net claims incurred</b>	4	<b>(424,889)</b>	(474,037)	<b>(424,889)</b>	(474,037)
Administrative expenses	6	(40,710)	(40,674)	(40,480)	(40,158)
<b>Operating profit / (loss)</b>		<b>142</b>	245	<b>142</b>	245
Financial income	7	3,870	3,391	3,870	3,391
Financial expenses	8	(4,012)	(3,636)	(4,012)	(3,636)
<b>Net income / (expenditure) before tax</b>		-	-	-	-
Income tax refund / (expense)	10	-	-	-	-
<b>Net income / (expenditure) after tax</b>		-	-	-	-
<b>Other comprehensive income:</b>					
Items that will not be reclassified to SoCI					
Actuarial (loss) / gain on retirement benefits	9	7,189	(1,764)	7,189	(1,764)
Items that will or may be reclassified to SoCI					
Adjustment in leviable premiums for actuarial loss / (gain) on retirement benefits		(7,189)	1,764	(7,189)	1,764
<b>Other and total comprehensive income for the year</b>		-	-	-	-

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.

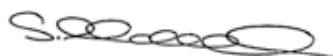
The accompanying notes on pages 39 to 54 form an integral part of these financial statements.

# Consolidated statement of financial position

As at 31 December 2018

	Notes	Consolidated		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	12	-	107	-	107
Property, plant and equipment	11	4,695	4,260	4,694	4,260
		<b>4,695</b>	4,367	<b>4,694</b>	4,367
<b>Current assets</b>					
Trade and other receivables	16	2,460,963	2,301,408	2,460,692	2,301,174
Cash and cash equivalents	13	5,794	2,076	5,520	1,729
Financial investments	14	111,803	92,504	111,803	92,504
		<b>2,578,560</b>	2,395,988	<b>2,578,015</b>	2,395,407
<b>Total assets</b>		<b>2,583,255</b>	2,400,355	<b>2,582,709</b>	2,399,774
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Retirement benefit obligations	9	12,867	20,246	12,867	20,246
Provisions	4	2,237,521	2,079,544	2,237,521	2,079,544
Creditors > 1 year		34	81	34	81
		<b>2,250,422</b>	2,099,871	<b>2,250,422</b>	2,099,871
<b>Current liabilities</b>					
Trade and other payables	15	38,933	33,892	38,387	33,311
Retirement benefit obligations	9	1,460	1,343	1,460	1,343
Provisions	4	292,440	265,249	292,440	265,249
		<b>332,833</b>	300,484	<b>332,287</b>	299,903
<b>Total liabilities</b>		<b>2,583,255</b>	2,400,355	<b>2,582,709</b>	2,399,774

The financial statements on pages 36 to 54 were approved and authorised for issue by the Board of Directors on 12 June 2019 and were signed on its behalf by



**Steve Maddock**  
Chairman



**Dominic Clayden**  
Director, and Chief Executive

The accompanying notes on pages 39 to 54 form an integral part of these financial statements.

**Group Company Number 412787**

# Consolidated statement of cash flows

As at 31 December 2018

	Notes	Consolidated		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	17	20,131	(401)	20,201	(411)
Interest received		3,871	3,391	3,870	3,391
Interest paid		-	-	-	-
<b>Net cash flows from operating activities</b>		<b>24,002</b>	2,990	<b>24,071</b>	2,980
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	11	(981)	(188)	(981)	(188)
Purchases of intangible assets	12	-	-	-	-
Net change in financial investments	14	(19,299)	(5,032)	(19,299)	(5,032)
<b>Net cash flows from investing activities</b>		<b>(20,280)</b>	(5,220)	<b>(20,280)</b>	(5,220)
<b>Net decrease in cash and cash equivalents</b>		<b>3,718</b>	(2,230)	<b>3,791</b>	(2,240)
Cash and cash equivalents at the beginning of the year	13	2,076	4,306	1,729	3,969
Net decrease in cash and cash equivalents	18	3,718	(2,230)	3,791	(2,240)
<b>Cash and cash equivalents at the end of the year</b>	13	<b>5,794</b>	2,076	<b>5,520</b>	1,729

The accompanying notes on pages 39 to 54 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", and the Parent Company have elected to prepare their 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 issued but not yet effective

The following IFRS and amendments that are relevant to the Group have been issued but are not yet effective for the current financial year:

Standard	Topic	Date effective
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over tax positions	1 January 2019

The Group will adopt these no later than their effective dates, to the extent that they are applicable to its activities.

The impact of the above standards on MIB financial statements has been assessed by management in light of internal interpretation and practice in the market. The assessment is as follows:

Adoption of IFRS 16 will result in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has agreed to apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the balance sheet as at 1 January 2019. In addition, the Board has agreed to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

At 31 December 2018 operating lease commitments amounted to £312,000 (see note 19), which is not expected to be materially different to the anticipated position on 31 December 2019 or the amount which is expected to be disclosed for the prior year (2018) comparatives.

The International Financial Reporting Interpretations Committee's update IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

The Group does not expect any other standards issued by the International Accounting Standards Board (IASB), but not yet effective, to have a material impact on the Group.

### IFRS 9 Financial Instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through the statement of comprehensive income. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The only financial assets held by the Group are Gilts which were recognised through the statement of consolidated income at fair value under IAS 39 and this remains the same under IFRS 9, therefore no adjustments are required to the financial statements.

### IFRS 15 Revenue from contracts with customers

The Group has applied IFRS 15 to revenue from contracts with customers from 1 January 2018. The Group's core activities are delivered in accordance with a contract with the Secretary of State for Transport. Revenue related to those activities is derived from a statutory levy on Members, and is recognised on the same basis as the Group recognises its obligations under the contract with the Secretary of State. Other incidental revenue is recognised by the Group as the services concerned are delivered.

### 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, Linford Wood, 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.

## 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 in the Parent Company.

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:

Fixtures and fittings	5 years
Computers	3 years

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

Freehold property is measured using the revaluation model. Revaluations are carried out triennially to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All changes to the property's value shall be recognised in the statement of comprehensive income.

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.

## Intangible assets

Database development costs are capitalised as intangible fixed assets at cost. They are amortised to the statement of comprehensive income over their estimated economic life.

Development expenditure                      5 years straight line

## 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income. The expected return on pension assets and the interest on pension liabilities are included in the finance costs in the statement of comprehensive income. Actuarial gains and losses are recognised in full in the statement of other comprehensive income in the period in which they occur, see note 9.

### Investments

Government fixed interest gilts held at fair value through the statement of comprehensive income 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 on call with banks and other short-term deposits with less than three months maturity from the date of acquisition.

### Segmental reporting

Management consider that the Motor Insurers' Bureau has one reportable segment being to reduce the level and impact of uninsured and untraced driving which includes the provision of associated data asset management services. As such the financial statements disclose all available information required.

### 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 judgement 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

The 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 can be 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'. While 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 include allocated costs such as legal expenses.
- The provisions are undiscounted with the exception of longer term, periodical payments orders, 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	
	2018 £'000	2017 £'000
Wages and salaries	20,045	15,773
Social security costs	2,665	1,449
Pension contributions – Defined benefit	1,334	1,428
– Defined contributions	1,910	1,408
Other staff costs	140	118
	<b>26,094</b>	<b>20,176</b>

Average number of employees (including Executive Directors) were:	No.	No.
MIB claims operations (including Internal Audit)	236	218
MID & Data services (including Contact Centre)	95	86
MIB / MID support	178	171
IFB	50	44
	<b>559</b>	<b>519</b>

Directors' remuneration	Consolidated and Company	
	2018 £'000	2017 £'000
The remuneration of the Directors was as follows:		
Emoluments (including benefits in kind)	1,103	927
Pension contributions	-	-
	<b>1,103</b>	<b>927</b>

Highest paid Director:		
Emoluments	414	562
Pension / lump sums received	9	18

MIB has ceased paying into the highest paid Director's pension as the Director is now a pensioner of the Group's defined benefit scheme.

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 who form the Executive Committee and whose roles influence the ability of the Group to meet its strategic objectives. The remuneration of the Executive Committee was as follows:

	Consolidated and Company	
	2018 £'000	2017 £'000
Emoluments (including benefits in kind)	1,433	771
Pension contributions	97	60
	<b>1,530</b>	831
Number of executives at the statement of financial position date	7	4

## 3. Leviable premium

	Consolidated and Company	
	2018 £'000	2017 £'000
Levy called	296,790	254,857
Surplus levy return	-	-
Movement in uncalled levy	158,554	250,752
<b>Leviable premium</b>	<b>455,344</b>	505,609

	Consolidated and Company	
	2018 £'000	2017 £'000
<b>Movement in uncalled levy</b>		
Increase / (decrease) in reserves provision	185,168	253,778
Other movements	(26,613)	(3,026)
<b>Movement in uncalled levy</b>	<b>158,554</b>	250,752

In order to write UK 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 shown in note 16 of £2,428m (2017: £2,270m) 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. While 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 2018 was £18bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

## 4. Provisions

	Consolidated and Company	
	2018 £'000	2017 £'000
<b>Claims provision and expenditure</b>		
Claims provision at 31 December 2018	2,529,961	2,344,793
Claims provision at 31 December 2017	(2,344,793)	(2,091,015)
<b>Net movement in claims</b>	<b>185,168</b>	253,778
Claims paid less recoveries	239,721	220,259
<b>Claims expenditure during the year</b>	<b>424,889</b>	474,037
Claims provision at 31 December 2018 – non current	2,237,521	2,079,544
Claims provision at 31 December 2018 – current	292,440	265,249
	<b>2,529,961</b>	2,344,793

The Group recognises that claims reserving for personal injury claims arising from motor vehicle accidents is subject to a substantial degree of uncertainty. There is a range of reserve estimates around the best estimate included in these accounts that, on an actuarial basis, could be considered reasonable. 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.

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 information 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 2018. The data is used to project the cost of future claims using generally accepted actuarial techniques. The IBNR provision for 2018 is £285.2m (2017: £268.1m).

### Claims Incurred But Not Enough Reported (IBNER)

The IBNER provision for 2018 is £378.8m (2017: £337.4m). This represents an adjustment for the anticipated improvements in known estimates in claims relating to accidents which have been notified before the end of the accounting period.

### Ogden discount rate

On 27 February 2017, the Ministry of Justice announced a new Ogden discount rate of minus 0.75% per annum to become effective from 20 March 2017 and a review of the framework under which the rate is set. The Civil Liability Bill published on 21 March 2018 contains a draft provision to change the requirement to set the discount rate by reference to 'low risk' rather than 'very low risk' investments. However, there is considerable uncertainty as to when a change will be made and what that change will be. The Group will continue to exercise judgement around the Ogden rate used in its reserves allowing for the possibility for it to change in the future in the light of the draft legislation. The Group considers that uncertainties around the legal framework and its implications as being significant but, in the absence of any further specific proposals continues to provision at the legally required current rate of minus 0.75% per annum with no additional allowance for further movements. Additionally, the policy of the Group regarding the active use of periodic payment orders (see below) partially mitigates the cash flow uncertainty arising from this change.

### Discounting of long-term provisions

A number of high value claims are settled by way of periodic payments orders. These are long-term structured settlements agreed by the claimant and the Group whereby, in addition to a lump sum amount, the claimant receives ongoing annual payments, largely towards future care costs for the entirety of his or her life. Each structured settlement includes the provision for future increases in the annual payments 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 -0.25% per annum is applied to cases linked to RPI increases while a discount factor of -0.75% per annum is applied to cases linked to ASHE increases.

The discounting of these claims has the following impact on the value of provisions as at 31 December 2018:

	Consolidated and Company	
	2018 £'000	2017 £'000
Gross reserves	397,461	376,650
Net discount with discount factor	75,769	74,148
<b>Net reserves</b>	<b>473,230</b>	450,798

As all of the cases have a negative discount factor applied to them, the overall impact of discounting 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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
General enquiries	12	19	12	19
Additional levy	5	12	5	12
Electronic vehicle licence fees	39	38	39	38
Third party MID enquiries	919	904	919	904
CUE/MIAFTR	2,172	2,134	2,172	2,134
Fees for management services	7,250	6,249	7,020	5,724
<b>Other income</b>	<b>10,397</b>	9,345	<b>10,167</b>	8,831

## 6. Administration expenses

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Claims related fees	1,828	1,929	1,828	1,929
Operational services	37,840	37,969	37,691	37,779
Rechargeable expenses	81	326	-	-
Operating lease costs	190	112	190	112
Depreciation	547	102	547	102
Amortisation	107	107	107	107
Auditors' remuneration				
– audit	40	54	40	54
– taxation	9	6	9	6
Council of Bureaux fees	68	69	68	69
	<b>40,710</b>	40,674	<b>40,480</b>	40,158

The cost incurred by the 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	
	2018 £'000	2017 £'000
Bank deposit interest	56	26
UK Government gilt interest	3,757	2,869
Other interest earned	57	496
	<b>3,870</b>	3,391

## 8. Finance expenses

	Consolidated and Company	
	2018 £'000	2017 £'000
Gilt transactions	80	75
Decrease in market value of gilts	3,384	3,010
Pension costs – IAS 19	548	551
	<b>4,012</b>	<b>3,636</b>

## 9. Retirement benefit obligations

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

The scheme is subject to a triennial valuation carried out by JLT Benefit Solutions, the scheme's independent actuaries, the most recent being as at 1 January 2018 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 2018.

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 59.6% funded. The market value of the scheme's assets at the valuation date was £21,096,000. The pension cost for the year was £1,334,303 (2017: £1,428,329). As at 1 April 2019 the continuing pension cost was set at 27.6% of pensionable salaries plus a fixed deficit funding amount of £1,223,000 per annum. In addition MIB paid a one-off sum of £6m on 1 April 2019 to further reduce the deficit funding.

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

	2018 % pa	2017 % pa	2016 % pa	2015 % pa	2014 % pa
Discount rate	2.9	2.4	2.6	4.0	3.6
Expected rate of future salary increases	3.7	3.9	3.9	3.8	3.5
Expected rate of future pension increases	3.1	3.3	3.3	3.2	3.0
Underlying expected inflation rate (RPI)	3.3	3.5	3.5	3.4	3.1

The market value of assets in the scheme were £21,095,000 (2017: £21,033,000; 2016: £18,779,000; 2015: £16,625,000; 2014: £16,044,000).

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; and
- 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 IAS 19 are as follows:

	Fair Value				
	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Equities	4,562	4,743	7,637	6,115	6,304
Bonds	9,752	9,260	2,604	2,988	2,763
Property	276	411	723	882	914
Other	6,505	6,619	7,815	6,640	6,063
Fair value of assets	21,095	21,033	18,779	16,625	16,044
Present value of liabilities	(35,422)	(42,622)	(38,739)	(28,468)	(28,824)
Related deferred tax	-	-	-	-	-
<b>Net pension liability</b>	<b>(14,327)</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>	<b>(12,780)</b>

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

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Deficit at 1 January 2018	(21,589)	(19,960)	(11,843)	(12,780)	(9,393)
Current service cost	(681)	(814)	(713)	(834)	(783)
Contributions	1,430	1,500	1,541	1,265	1,299
Other finance cost	(548)	(551)	(494)	(485)	(467)
Actuarial gain / (loss)	7,189	(1,764)	(9,521)	991	(3,436)
Past service costs	(128)	-	1,070	-	-
<b>Deficit at 31 December</b>	<b>(14,327)</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>	<b>(12,780)</b>

Analysis of the amount charged to administrative expenses:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Current service cost	681	814	713	834	783
Past service cost	128	-	(1,070)	-	-
<b>Total operating charge</b>	<b>809</b>	<b>814</b>	<b>(357)</b>	<b>834</b>	<b>783</b>

Analysis of the amount charged / (credited) to other finance costs:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Interest income on plan assets	-	-	-	-	-
Administration costs (excl. asset management costs)	38	40	36	33	33
Interest on liabilities	510	511	458	452	434
Other finance costs	548	551	494	485	467
<b>Total charge for year</b>	<b>261</b>	<b>263</b>	<b>(851)</b>	<b>1,319</b>	<b>1,250</b>

The Group has recognised actuarial gains and losses through the statement of other comprehensive income.

The following analysis has been recognised in the statement of other comprehensive income:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Return on plan assets less interest income on plan assets	(1,236)	794	554	(593)	(80)
Experience gains and losses arising on liabilities	1,052	259	303	237	876
Changes in assumptions underlying the present value of the liabilities	7,373	(2,817)	(10,378)	1,347	(4,232)
<b>Total actuarial (loss) / gain</b>	<b>7,189</b>	<b>(1,764)</b>	<b>(9,521)</b>	<b>991</b>	<b>(3,436)</b>



Amounts recognised in the statement of financial position:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of funded obligations	(35,422)	(42,622)	(38,739)	(28,468)	(28,824)
Fair value of assets	21,095	21,033	18,779	16,625	16,044
<b>Net liability recognised in the statement of financial position</b>	<b>(14,327)</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>	<b>(12,780)</b>

The Group expects to contribute £7,223,000 to the defined benefit scheme in 2019. This includes a one-off sum of £6m. Actual return on plan assets for 2018 was £721,000 (2017: (£1,295,000)).

Sensitivity analysis:

Assumption	Estimated increase/ (decrease) to obligation		Estimated increase/ (decrease) to obligation	
	Plus	£'000	Minus	£'000
Discount rate	0.1%	(814)	0.1%	814
RPI	0.1%	460	0.1%	(460)
CPI	0.1%	283	0.1%	(283)
Salary	0.1%	14	0.1%	(14)
Life expectancy	1 year	(1,275)	1 year	1,275

## 10. Taxation

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Current tax expense</b>				
UK corporation tax at 19% (2017: 20%)	-	-	-	-
Adjustment in respect of prior years	-	-	-	-
<b>Total current tax</b>	-	-	-	-
<b>Factors affecting the tax charge for the period</b>				
(Loss) / profit before tax	-	-	-	-
Tax expense using the UK corporation tax rate of 19% (2017: 20%)	-	-	-	-
Non-deductible expenses	88	22	88	22
Deferred tax not recognised	(88)	(22)	(88)	(22)
	-	-	-	-

The Group has a deferred tax asset of approximately £157,000 (2017: £234,000) 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	Fixtures & fittings	Computers	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2018	3,950	839	2,034	6,823
Additions/revaluation	(350)	34	947	631
<b>At 31 December 2018</b>	<b>3,600</b>	<b>873</b>	<b>2,981</b>	<b>7,454</b>
<b>Depreciation</b>				
At 1 January 2018	-	727	1,837	2,563
Charge for year	-	42	154	196
<b>At 31 December 2018</b>	<b>-</b>	<b>769</b>	<b>1,991</b>	<b>2,759</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>3,600</b>	<b>104</b>	<b>990</b>	<b>4,695</b>
At 31 December 2017	3,950	113	197	4,260

A revaluation of property was undertaken by an independent valuer effective 31 December 2018. If the property was to be carried under the cost model the value would be £3,725k.

## 12. Intangible assets – Consolidated and Company

	Intangible assets	Total
	£'000	£'000
<b>Cost</b>		
At 1 January 2018	321	321
Additions	-	-
<b>At 31 December 2018</b>	<b>321</b>	<b>321</b>
<b>Amortisation</b>		
At 1 January 2018	214	214
Charge for year	107	107
<b>At 31 December 2018</b>	<b>321</b>	<b>321</b>
<b>Net book value</b>		
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>
At 31 December 2017	107	107

## 13. Cash and cash equivalents

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	5,794	2,076	5,520	1,729
	<b>5,794</b>	<b>2,076</b>	<b>5,520</b>	<b>1,729</b>

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

## 14. Financial investments – Consolidated and Company

	2018	2017
	£'000	£'000
UK Government gilts	111,803	92,504

The carrying amounts of these assets approximate their fair value. UK Government gilts are valued at bid market price as at 31 December 2018. Additionally, the company owns £1 investment in each of its four subsidiaries. See note 20 for details.

## 15. Trade and other payables

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	912	968	823	781
Advanced levy payments	2,423	3,942	2,423	3,942
Accrued expenses	5,433	2,964	5,433	2,964
Other payables	30,165	26,018	29,708	25,624
	<b>38,933</b>	33,892	<b>38,387</b>	33,311

## 16. Trade and other receivables

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Additional levy receivable	2,428,286	2,270,479	2,428,286	2,270,479
Intercompany receivables	-	-	61	296
Other trade receivables	29,972	28,707	29,700	28,345
Prepayments	1,594	916	1,199	916
Other receivables	1,111	1,306	1,445	1,139
	<b>2,460,963</b>	2,301,408	<b>2,460,692</b>	2,301,174

## 17. Reconciliation of operating profit to net cash inflow from operating activities

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Inflows from operating activities</b>				
Operating profit / (loss)	142	245	142	245
Depreciation of property, plant and equipment	196	102	196	102
Amortisation of intangible assets	107	107	107	107
Revaluation of property	350	-	350	-
(Increase) / Decrease in trade and other receivables	(159,555)	(256,226)	(159,517)	(256,258)
Increase / (Decrease) in trade and other payables	4,997	516	5,029	538
Increase / (Decrease) in provisions and other liabilities	177,906	255,406	177,906	255,406
Finance costs	(4,012)	(551)	(4,012)	(551)
	<b>20,131</b>	(401)	<b>20,201</b>	(411)

## 18. Reconciliation of opening to closing net debt - Consolidated

	At 01.01.17 £'000	Cash flows £'000	Other non- cash changes £'000	At 31.12.17 £'000	Cash flows £'000	Other non- cash changes £'000	At 31.12.18 £'000
Cash and cash equivalents	4,306	(2,230)	-	2,076	3,718	-	5,794
<b>Net debt</b>	4,306	(2,230)	-	2,076	3,718	-	<b>5,794</b>

## Reconciliation of opening to closing net debt - Company

	At 01.01.17 £'000	Cash flows £'000	Other non- cash changes £'000	At 31.12.17 £'000	Cash flows £'000	Other non- cash changes £'000	At 31.12.18 £'000
Cash and cash equivalents	3,969	(2,240)	-	1,729	3,791	-	5,520
<b>Net debt</b>	3,969	(2,240)	-	1,729	3,791	-	<b>5,520</b>

## 19. Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	Consolidated and Company	
	2018 £'000	2017 £'000
Within 1 year	124	141
Later than 1 year and less than 5 years	188	235
<b>Total operating lease commitments</b>	<b>312</b>	<b>376</b>

## 20. Subsidiaries

Details of the Parent Company'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	-

The registered office of the above companies is Linford Wood House, 6-12 Capital Drive, Linford Wood, Milton Keynes, MK14 6XT, United Kingdom.

Name of related entity	Principal activity	Place of incorporation	Ownership	Net assets £	Net profit after tax
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 financial and operating decisions; therefore, Claims Portal Limited has not been consolidated in these financial statements.

The registered office of Claims Portal Limited is 6-12 Capital Drive, Linford Wood, Milton Keynes, MK14 6XT.

## 21. Contingent liability

Enterprise Insurance Company PLC (Enterprise), a former MIB Member, writing insurance business from Gibraltar on a “Freedom of Services” (FoS) basis, was declared insolvent on 22 July 2016.

Arising from certain agreements entered into by MIB many years ago that were aimed at implementing the EU ‘home country control’ principle certain countries argue that MIB is liable for their costs in relation to motor claims where Enterprise, but for its insolvency, would have paid claimants.

MIB is not and never has been an insolvency guarantee fund as is apparent from the reservation made by MIB in the relevant agreements in relation to claims for which the UK compensation fund is responsible. In addition to which, there is no evidence suggesting the agreements were intended to impose a liability on MIB arising from an insurer passporting out of Gibraltar. MIB’s position has always been to deny liability and a legal arbitration claim by the guarantee funds in three countries has commenced and is ongoing.

We are currently in discussions with the Enterprise liquidators and the three guarantee funds to understand the potential claims which may arise and as such have made appropriate provisions within the reserves in accordance with IAS37. All provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

## 22. Post balance sheet event

At the time of signing the financial statements there are no post balance sheet events to note.

## 23. 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 the Insurance Fraud Bureau Limited, a company registered in England and Wales in which A West and D Clayden were Directors, totalling £5,288,233 (2017: £6,432,758).

As at 31 December 2018 the Group was owed £366,578 (2017: £463,744) from Insurance Fraud Bureau Limited.

## 24. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Reserving and foreign exchange 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 and Risk 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 which assumes 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 MIB and report to the Board. All new placements 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 shown in note 16 of £2,428m (2017: £2,270m) 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. While 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 2018 was £18bn. 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 twelve 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.

	Consolidated		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Cash in hand and bank deposits</b>				
<b>Total cash in hand</b>	<b>5,794</b>	2,076	<b>5,520</b>	1,729

### Market risk

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

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 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.

	2018 Actual £'000	2018 +2% £'000	2018 -2% £'000	2017 Actual £'000	2017 +2% £'000	2017 -2% £'000
<b>Interest receivable</b>	<b>55</b>	<b>386</b>	-	18	265	-

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

### 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 £53.0m (2017: £48.0m) of which £2.2m represents cases where a standard reserve amount has been set (2017: £2.4m). Therefore, the maximum potential exposure to currency risk is £47.5m, which represents 1.8% of the overall case reserves. If sterling was to either strengthen or weaken by 25 basis points against the euro at the statement of financial position date, the potential impact on reserves would be a reduction of £14.2m (2017: £16.5m) or an increase of £9.1m (2017: £10.5m), based on an exchange rate of 1.1429 (2017: 1.1270) euros to £1 sterling.

### Capital management

MIB 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

## askCUE PI

The askCUE PI (personal injury) service allows approved solicitor organisations to check their clients' records held on the CUE PI database. The service was introduced to meet the requirements of the Pre-Action Protocol for Low Value Personal Injury Claims in Road Traffic Accidents (the RTA Protocol) which states that Claim Notification Forms (CNF) submitted through the Claims Portal from 1 June 2015 must contain an askCUE PI search reference number generated by the service.

## askMID.com

Two convenient and easy-to-use online services are available through [www.askMID.com](http://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 and Underwriting Exchange (CUE)

The Claims and Underwriting Exchange (CUE) is a central database of motor, home, travel and personal injury/industrial illness incidents reported to insurance companies which may, or may not, give rise to a claim.

## 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 'fast track' Protocol for processing low-value personal injury claims with a value up to £25,000 for:

- Road Traffic Accident (RTA) 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 road (SORN) 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 and 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. MIB 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 settled more than 31,000 claims in 2018 for accidents involving uninsured and untraced vehicles and seek to settle the claims fairly and promptly.

## Insurance Fraud Bureau Limited (IFB) and Cheatline

The Insurance Fraud Bureau (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/cheatline](http://www.insurancefraudbureau.org/cheatline)) or by calling 0800 422 0421.

## Levy

MIB compensates 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 twelve 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.

## MedCo Registration Solutions (MedCo)

MedCo is a Ministry of Justice (MoJ) initiative which involves MIB building a web-service facility for claimant representatives to identify, through a random allocation process, a medical practitioner or medical reporting organisation (MRO) to undertake a medico-legal report. This is part of the MoJ reform of the civil justice process for personal injury claims.

## Motor Insurance Anti-Fraud & Theft Register (MIAFTR)

MIAFTR is a database containing records of written-off and stolen vehicles, as defined by the Code of Practice for the Disposal of Motor Vehicle Salvage. MIAFTR was designed and developed to help monitor vehicles written off for insurance purposes, to help trace and recover stolen vehicles and to help detect fraud.

## 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 (38 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 the Driver and Vehicle Licensing Agency to electronically check a vehicle's insurance every time a person applies online or by telephone for vehicle tax.

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.

## MIB Management Services Limited (MIB MSL)

During the year MIB MSL provided management services including staffing, administration and financial services to the Insurance Fraud Bureau Limited (IFB), Claims Portal Limited and MedCo Registration Solutions (MedCo). All costs incurred by MIB are recharged to the IFB, MedCo and Claims Portal Limited via MIB MSL.



## **MyLicence**

MyLicence went live in December 2014 and is a joint initiative between the Driver and Vehicle Licensing Agency (DVLA), the Department for Transport and the insurance industry which is represented by the Association of British Insurers and MIB. MyLicence gives insurers access to accurate data from the DVLA on motoring entitlements, convictions and penalty points when providing quotes for insurance policies.

## **No Claims Discount (NCD) Database**

The No Claims Discount (NCD) database was completed in June 2015 and allows users to access no claims discount information.

## **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.

## **Whiplash service – Civil Liability Act and changes to Civil Procedure Rules**

The Ministry of Justice (MoJ) has partnered with MIB to manage the creation of a new service to support low-value personal injury claims, with the primary emphasis on supporting unrepresented claimants. The service is intended to go live in April 2020. This forms part of a package of measures being introduced by the Government to reduce the costs related to soft-tissue injury claims arising from road traffic accidents. The service will be a distinct brand from the MoJ and MIB.

