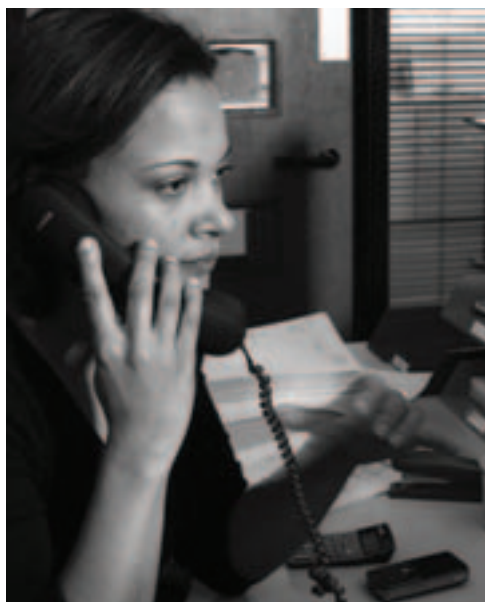


THE FIGHT AGAINST UNINSURED DRIVING

ANNUAL REPORT & ACCOUNTS 2007



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MOTOR INSURERS' BUREAU REPORT & ACCOUNTS 2007



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2007 - A YEAR OF MAJOR ADVANCES

From the outset 2007 was seen as a pivotal year in the fight against uninsured driving. The acceleration in the use of the Motor Insurance Database (MID) and the activities of the Police in seizing uninsured vehicles could, we believe, deliver measurable benefits to our members, and to road users in general.

We hope this Report & Accounts will provide you with an understanding of our business, its aims, objectives, and achievements, along with the strong financial management that supports all our work.

THE PAST

Formed in 1946, the Motor Insurers' Bureau paid compensation of £11,500 in its first year.

In 1953 the Green Card Bureau was created.

The latest Uninsured Drivers' Agreement - effective from 1999.

The Motor Insurance Database (MID) was launched in 2001.

The latest Untraced Drivers' Agreement - effective from 2003.

In 2005 the Police were given powers to seize vehicles which are believed to be uninsured.

In 2006 the MID becomes a key part of the Government's plans for Continuous Insurance Enforcement.

2007 sees the launch of askmid.com

THE PRESENT

Today, in addition to our own people, there are many others involved in the work of the MIB. Member insurers, claimants, solicitors, the Police, the judiciary, the medical profession, central and local government agencies - they all play a part in achieving our objectives.

In 2007, there were a total of 116 member insurers (not all active). 60,252 new claims were handled, by 317 staff at the MIB's offices in Milton Keynes.

THE COST OF UNINSURED MOTORING

- Around 2m motorists drive without insurance every year
- Uninsured drivers are responsible for 160 deaths each year. More than 40% of these involve young people
- Uninsured drivers are 10 times more likely to have been convicted of drink-driving
- More than half of uninsured drivers are under 29 years of age
- The MIB has to deal with around 24,000 injury claims every year caused by uninsured drivers



**ONE
UNINSURED
VEHICLE IS
SEIZED
EVERY
THREE
MINUTES**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007**

Registered Office, Linford Wood House, 6-12 Capital Drive, Linford Wood, Milton Keynes MK14 6XT Registered Number : 412787

CHAIRMAN'S STATEMENT

Introduction

Delivering a significant reduction in the level and impact of uninsured driving in the UK remains our key strategic objective. It is therefore pleasing to report that the number of new Guarantee Fund claims reported to the MIB in 2007 showed a reduction of 5.8% compared with the previous year. This followed a 3.8% year on year reduction in 2006 and is clear evidence of progress being made. Further evidence of improvement is provided by the comparison of the data on the DVLA VSS database and the Motor Insurance Database (MID), which in 2007 indicated the level of uninsured motoring at 4.6%. Previous levels, using a consistent approach to this method of measurement, were 5.7% in 2006 and 6.3% in 2005.

However, much work still needs to be done, as the cost to the industry and ultimately the consumer, via the MIB levy, was £388m in 2007. When added to the substantial amounts borne directly by insurers, the overall cost of uninsured motoring remains in excess of £500m.

Review of the Year

A key strategic tool used in combating the current level of uninsured driving in the UK is the MID, which holds policy details of all the 34 million UK registered vehicles which are insured.

The insurance industry agreed new MID data supply targets with the Department for Transport (DfT) in 2006 such that by 1 January 2008 the following would be achieved:

- 95% of MID1 policies (mainly private cars) supplied within 7 days
- 95% of MID2 policies (mainly fleet and motor trade) supplied within 14 days
- 95% of MID2 vehicles (mainly fleet and motor trade) supplied within 21 days

To ensure industry compliance with these targets MIB established a two-year "Fit For Purpose" (FFP) programme which started at the beginning of 2006 and concluded in December 2007 having delivered significant benefits. Particularly pleasing was attainment of the MID1 target four months ahead of schedule and a continuation of improvement in performance each month thereafter. This was a major achievement by the motor insurance industry and the result of significant investment, endeavour and commitment from all insurers.

Though the MID2 policy target was not quite achieved by the end of the project, it was very close and market compliance was eventually reached during February 2008. As reported last year the challenge to meet the target for MID2 vehicle data is more problematic and required a radical rethink of approach.

A widespread media campaign was launched, initially aimed primarily at the commercial sector, to ensure drivers are aware of the need to have their vehicle insurance data accurately recorded on the MID rather than just relying on the knowledge that their vehicle is insured. The consequences of vehicle data not being on the MID for individuals and businesses can be severe. The MID is the primary tool used by the Police to ascertain whether a vehicle is insured and if the information is not there and the driver has no other means of proving insurance, then there is a reasonable prospect of seizure of the vehicle. For businesses this can mean significant financial loss and inconvenience at the very least.

This campaign was coupled with the introduction of the askmid.com website in mid-2007, which enables owners and drivers to check whether their vehicle is recorded correctly on the MID, and both of these initiatives have helped MID2 vehicle performance move considerably towards the target during the second half of the year.

It remains essential that the industry continues to improve performance against the MID 'time to supply' data targets as the MID is now the key tool in the fight against uninsured driving. MIB is now working with the DVLA to utilise their registered keeper database in conjunction with the MID to form the data source for Continuous Insurance Enforcement (CIE) or systematic enforcement from the record of the insurance requirement. The data on the MID must therefore at all times be 'fit for purpose'.



CHAIRMAN'S STATEMENT CONTINUED

Another FFP Programme success has been the installation of the Police Helpline. This facility was rolled out to all Police forces in the UK four months ahead of schedule and has been instrumental in ensuring that the Police seize the vehicles of uninsured drivers and allow those drivers with valid insurance to continue with minimal inconvenience. The Police made over 34,000 calls in 2007, resulting in 11,500 vehicle seizures. The Helpline service is seen as an invaluable asset to the Police and is now receiving up to 2,000 calls per week. There are now clear signs that these combined activities are resulting in a lower level of uninsured driving.

The Police continued to be the prime users of the MID, making some 40 million enquiries in 2007, an increase of over 50% on the previous year. The Police now see the MID as integral to their fight against vehicle crime and denying criminals the use of the road in general and in total last year took more than 150,000 uninsured vehicles off the road, almost double the number removed in 2006.

As well as delivering a fit for purpose MID, MIB's other main objectives are:

- To compensate victims fairly and promptly
- The creation of a centre of excellence through the implementation of industry best practice for third party motor claims handling
- The development of a branded communication strategy through the FFP programme, highlighting the consequences of uninsured driving
- To develop a service framework enabling the business to optimise the value of the MID and other MIB services

MIB has made further progress in its drive to be a centre of excellence, having successfully completed its Business Process Re-engineering (BPR) programme in early 2007, with plans for continuous improvement in 2008.

Although there was a 5.8% reduction in new Guarantee Fund claims in 2007, unfortunately there was a 6.2% increase in new Green Card claims reported in the year. This follows the pattern of the previous year and the dramatic growth in claims involving the new EU accession countries shows no signs of abating. There is a clear need for the UK enforcement authorities to ensure that all road users are complying with the compulsory insurance requirements provided that such checks on foreign vehicles are non-systematic, non-discriminatory and are carried out as part of a control not aimed exclusively at insurance verification. Whilst UK Police are operating within these parameters the ability to check the validity of insurance of these vehicles is hindered by limited cross border access to other countries' data or common, recognisable and understandable insurance documents.

It was good to note that although the levy call for 2007 was £388m, actual cash paid in the year was £381m despite the fact that the number of claims settled exceeded expectations. 2007 provided more evidence of some development of incurred claims. Recent accident years for both the uninsured and untraced portfolios have seen strong incurred claims development in the last year. The primary driver in both cases is a small number of very large claims. The UK 4th Bodily Injury Study, published jointly by the IUA and ABI during the year, for the first time, contained a section relating specifically to the MIB and highlighted the disproportionate number of large cases reported to the Bureau compared to the remainder of the market. Sadly young uninsured drivers continue to drive cars, often containing a number of other young people who are then killed or seriously injured as a result.

Through greater efficiencies MIB has shortened the average lifecycle of its claims and improved its claim leakage levels but these alone will not lead to a reduction in the levy in the next year. Our financial model indicates that the key variable in achieving a reduction in the levy is the reduction in the level of uninsured motoring. It is imperative, therefore, that MIB optimises the use of the MID and works closely with the Government to ensure the successful implementation of its continuous insurance enforcement regime. This, we believe, will bring about a stepped reduction in the level of uninsured driving.

Finally, I would like to thank all management and staff for their achievements and assistance in what has been yet another year of considerable change and progress. The many successes in 2007, both in the claims handling and database management areas of the business, will hopefully provide a solid platform for further progress and success in 2008. I would also like to thank the staff and the Board for helping me to settle into my new role as Chairman following Simon Machell's resignation on 30 June 2007. His vision and enthusiasm brought about conspicuous and sustainable improvement for the MIB during his six years as Chairman and I thank him personally and on behalf of the Board for his valuable stewardship of MIB.



Keith Morris

Sabre

Chairman of MIB

Date: 8 May 2008



40% OF SEIZED VEHICLES ARE CRUSHED

CHIEF EXECUTIVE'S STATEMENT

Introduction

The strategic direction for the MIB continues to be focused upon reducing the level and impact of uninsured driving in the UK. A fundamental component of this is to ensure that claims which result from the negligent actions of uninsured or untraced motorists are dealt with fairly, efficiently and promptly and it is for this purpose that we continue to develop a centre of excellence for motor claims handling.

It is pleasing to report that MIB made significant further progress towards these aims in 2007.

Most encouragingly, the total number of new claims reported to the Bureau fell for the second consecutive year. The number of Guarantee Fund claims reduced by 5.8% compared to the number reported in 2006. Coupled with the 3.8% reduction in Guarantee Fund claims witnessed in the previous year. This is a clear sign that the investment made by the industry is starting to deliver a return with the level of uninsured motoring evidencing a reduction. This is supported by the annual measurement of uninsured motoring calculated by comparing the DVLA database with the Motor Insurance Database (MID). This exercise indicated that the level of uninsured vehicles in 2007 stood at 4.6%, showing further year on year improvement following results of 5.7% in 2006 and 6.3% in 2005.

It is of paramount importance that the progress that has been made through close stakeholder co-operation continues to gather momentum. The MIB, ABI and BIBA have worked closely with the Government, the Police and DVLA to co-ordinate activity in order to address the socially unacceptable menace of uninsured motoring. However, we cannot be complacent and the pressure must be maintained. In this context it is essential that systematic enforcement of the obligation to insure is undertaken directly from the record through the process of Continuous Insurance Enforcement as envisaged by the Government in the Road Safety Act 2006. Progress to draft appropriate regulation has been slow but we hope to see this accelerate in 2008 and MIB will continue to work closely with interested parties to make this next important step a reality.

The MID is now proving to be the key tool in the fight against uninsured motoring and the importance of timely submission of reliable data cannot be overemphasised. Although not currently the legal proof of insurance, effectively the MID is being used in practice by the Police as evidence of whether a vehicle is insured. It was therefore pleasing that 2007 saw the completion of the two-year Fit For Purpose (FFP) programme to deliver industry compliance with the new MID data time to supply targets. The MID1 target was achieved four months ahead of plan and although the MID2 policy target was not quite achieved by the end of the project,

market compliance was eventually reached during February 2008. Whilst the MID2 vehicles target was not achieved, substantial progress was made particularly with the erratic performance of 2006 having been eliminated. The main focus was the campaign to educate drivers, particularly in the business community, that if their vehicle information is not recorded on the MID and the driver has no other means of proving insurance, then there is a reasonable prospect of seizure of the vehicle. For businesses this can have significant adverse consequences. The campaign was supported by the introduction of the askmid.com website in mid-2007, which enables owners and drivers to check whether their vehicle is recorded correctly on the MID and both of these initiatives, along with improved insurer supply, have improved MID2 vehicle performance.

2007 also saw the final stage of the Business Process Re-engineering (BPR) programme. Claims process improvements and other efficiencies significantly shortened lifecycles, enhanced the quality of claim handling, reduced claim leakage and enabled us to operate for the third consecutive year without any increase in the budget. There was also further considerable investment in the training and development of staff.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

We are particularly proud of achieving the Investor in People accreditation at the first attempt. This follows accreditation of MIB's claims training academy by the CII and management training academy by the ILM, demonstrating the commitment to people development at the Bureau.

Ministerial visit

MIB was honoured to receive a visit from the Under Secretary of State for Transport, Jim Fitzpatrick, on 7 November 2007. He experienced first hand the Police Helpline and the MID at work and MIB's interaction with the roadside Police. Having witnessed the extent to which the helpline can assist the Police in the correct identification of uninsured vehicles, we are confident that the Minister completed the visit as a strong advocate of MIB, the Police Helpline and with an understanding of the extent to which the MID will underpin the continuous insurance enforcement regime.

Database activities

The key focus in 2007 has been to deliver compliance with the time to supply MID data targets agreed with the DfT by 1 January 2008 via the FFP programme. The results were as follows:

- MID1
The market achieved compliance with the target in August 2007, four months ahead of plan, and maintained compliance for the remainder of the year. The compliance exit point at the end of the year was 95.3% (95.4% on a 3 month rolling basis).
- MID2 Policies
The exit point for compliance at the end of 2007 was 92.7% (also 92.7% on a 3 month rolling basis). Whilst it was disappointing that a very small number of insurers adversely affected the market result, it did provide us with confidence that compliance would be achieved within a very short period of time. In fact, it transpired that the market became compliant for the very first time in February 2008.

- MID2 Vehicles
The exit point for compliance at the end of 2007 was 92.8% (91.1% on a 3 month rolling basis). This was an encouraging result, particularly as the exit point at the end of 2006 was 83.4%. Progress was made through taking a radically different approach to the message relating to data supply. Rather than solely relying upon "pulling" data onto the MID through insurers we looked for ways of "pushing" data onto the MID by creating the demand from policyholders. Development of the askmid.com website was one key strand to this as it allows people to check directly whether their vehicles are on the MID. If they are not, then they are directed to contact their insurance provider to ensure their vehicle data is put onto the MID. A targeted communication campaign accompanied the launch of the askmid.com website highlighting the inconvenience and cost that might accompany not being on the database.

The other major activity under the FFP programme was the development and full rollout of the Police Helpline facility to all Police forces in the UK. The demand was such that we accelerated the programme and completed access for all forces 4 months ahead of schedule with some 34,000 calls being taken in 2007. This resulted in 11,500 vehicle seizures for no insurance. Equally important is the role that the Helpline plays in ensuring that the Police seize only vehicles that are uninsured and allow innocent motorists to continue with minimum inconvenience. Undoubtedly, the Police Helpline has been a success, with requests to extend operating hours.

The full value of the MID to the Police continued to be demonstrated in 2007 with 39.7 million enquiries being made, a 57% increase in usage over the previous year. The Police also used the MID in targeted operations throughout the country. All Police activity resulted in seizure of 150,000 uninsured vehicles, of which some 40% were crushed or sold after no proof of insurance was provided.

Claims handling

Overall, the total number of new claims reported to the Bureau fell marginally for the second consecutive year, although new Green Card claims increased again as they have done in each of the last few years. This is the result of the volume of accidents in the UK involving foreign vehicles and correlates strongly with the 8 accession countries joining the EU in 2004 and two further countries, Bulgaria and Romania, joining in January 2007.

It is vital that UK Police ensure that all motorists are complying with their legal obligations, irrespective of the country of origin of the vehicle. From a motor insurance perspective checking that the compulsory requirements are adhered to can be undertaken provided such checks on foreign vehicles are non-systematic, non-discriminatory and are carried out as part of a control not aimed exclusively at insurance verification. The UK Police are operating within these parameters although since the abolition of Green Card use for EU countries and the application of the Multilateral Agreement, the Police have great difficulty in verifying the variety of

documents in different languages and explanations accompanying them. The lack of cross border access to other countries' data or a common, recognisable and understandable insurance document is a significant problem.

The MIB is advocating the need for access to all EU insurance databases to enable verification of the insurance status.

Almost 70,000 claims were settled in 2007. For the second successive year this was considerably in excess of the new claims in the year and resulted in a further reduction of the portfolio by the end of the year. Claims work-in-progress levels reduced to their lowest levels since bringing all claims in-house and handler portfolios were such that in 2007 96% of new claims were meaningfully actioned within 10 working days. The improvement in service delivery was also recognised by solicitors in the results from the MIB customer survey undertaken in the year and continuous improvement in this metric will be monitored through the introduction in 2008 of a Customer Service Index coupled with the introduction of a Customer Service Charter.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

The Business Process Re-engineering (BPR) programme completed in March 2007 on time and in budget. The main successes of the programme included:

- Restructuring of Operations with fewer, larger teams and reduced layers of management
- Implementation of an online claim form
- An improved, user friendly paper claim form and guidance booklet
- A user-friendly Letter Request System which enables handlers to write improved quality letters and significantly reduce the text processing team
- Significant reductions in claim lifecycle - by 91 days since the BPR programme was introduced
- Significant reduction in claim leakage - last year saw a further 24% improvement compared to the previous year

The continuing rise in the claim payments made by MIB, up from £343m in 2006 to £368m in 2007, was entirely in line with expectation. Since January 2004 the MIB has seen its outstanding portfolio reduce from 72,000 to 46,500 reflecting the need to make the process more efficient and speedier. Whilst there are clear claim cost benefits there is also a temporary adverse cash flow implication to this so the increase in the overall claim payment level is satisfactory particularly in the light of recent historic levels of personal injury claim inflation.

Around 70% of our Guarantee Fund claims involve a personal injury element. These payments were mitigated by recoveries of £5m, after costs, from uninsured drivers. MIB will continue to pursue recovery from those who choose to drive uninsured and has made six such drivers bankrupt in the last year.

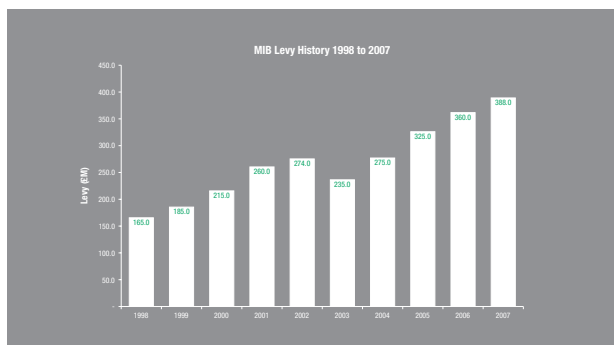
Levy

Despite efficiency gains in claim handling, personal injury claim inflation continues to have a negative impact on claim costs, particularly in the large cases involving future care costs. In light of the particular funding arrangements operated, utilising monthly collections against an annual levy of projected payments, MIB has a policy to promote the settlement of large cases, particularly those of minors or patients involving no or limited contributory negligence, by means of periodical payments rather than lump sum amounts.

This ensures that victims are paid the appropriate amounts for as long as they are needed and eliminates the uncertainty of life expectancy calculations. 10 cases were concluded during 2007 using this approach, resulting in a total of 20 ongoing cases with periodical payment settlements.

At £381.1m the overall level of payments in 2007 was £6.9m less than the levy forecast of £388m for the year. This was just 1.8% short of the levy forecast and follows two previous years of payments being closely aligned to the actuarial projection. As in previous years the 2007 levy forecast was underpinned by an independent actuarial projection of MIB's liabilities and payments.

A 10-year financial model developed in conjunction with actuaries Watson Wyatt has aided our understanding of the key enablers to securing a reduction in the levy to members and ultimately the cost to the consumer.



Recent updates to this model incorporating, amongst other factors, the impact of two years of a reduction in new claims to the Guarantee Fund, 3% annual bodily injury claim frequency increases between 2005 and 2007 (4th UK Bodily Injury Study), future claim inflation in the region of 7% and the impact of periodical payments, indicate that current performance is tracking the forecast slowdown in the levy increases. 2006 saw an increase of 10.8%, 2007 saw 7.8% and this year projected 7.5%. The model indicates that we can anticipate a further reduction in 2009.

Investors in People

Towards the end of 2007 MIB was awarded the Investor in People accreditation at the first attempt. This was a tremendous achievement and provided external recognition for the investment MIB has made in people. We remain committed to the training and development of our people as we believe this is essential to the success of any organisation. The take up of places in both the Claims Training and Development Academy and the Management Academy has been excellent.

And finally

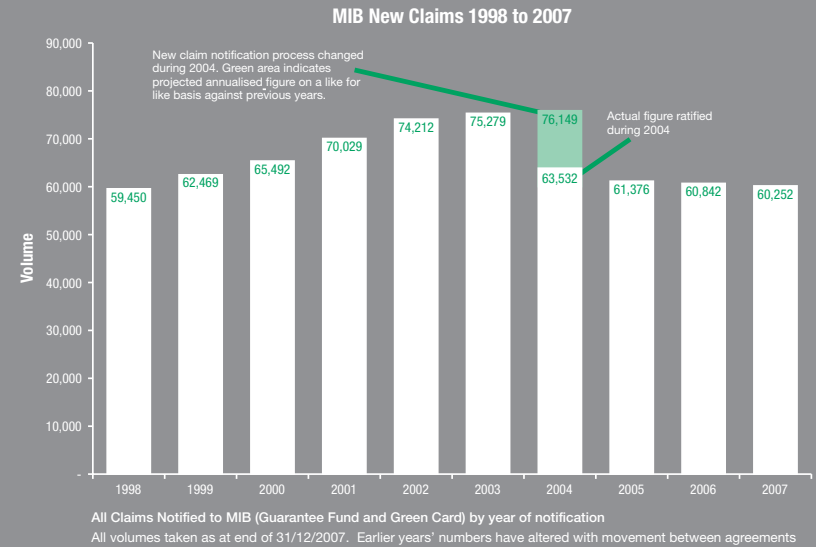
Finally, I would like to thank sincerely everyone at the Bureau for their continued support and commitment in helping take the organisation forward throughout the year. We are committed to providing opportunities for people to develop and everyone has the opportunity to 'make a difference' at the Bureau. 2007 has been a year with many achievements demonstrating progress towards our objectives although there is much more to do and it is imperative that we maintain the momentum and desire for change. I am confident that the MIB can look forward to another year of progress in 2008 towards reducing the level and impact of uninsured driving in the UK.



Ashton West
Chief Executive



**IMPROVEMENTS IN
EFFICIENCY AND
SERVICE DELIVERY
ARE BEING DRIVEN
ACROSS ALL AREAS
OF THE BUSINESS**



DIRECTORS' REPORT

The Board present their report and the Audited Financial Statements of Motor Insurers' Bureau for the year ended 31 December 2007.

Company Status

The Directors confirm that the Bureau remains a Company Limited by Guarantee, without a share capital.

Principal Activities

The activities of the company are: -

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

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

b) To make awards to persons injured or dependants/relatives of persons killed as a result of the use of a motor vehicle on a road, in cases where the owner or driver of the vehicle cannot be traced.

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

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

b) A Handling Bureau to deal with Road Traffic Act liability claims arising from accidents caused by foreign motorists 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 2004 (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 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.

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

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

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

Financial position and future prospects

The Directors confirm that total expenditure of MIB continues to be reimbursed by contributions received and sums receivable from its members. Further information is available within the Chairman's and Chief Executive Officer's statements.

The income and expenditure statement on page 40 shows that the company has neither made a profit nor incurred a loss in the year to 31 December 2007. MIB continues to have the support of its members.



**THE POLICE
HELPLINE
TAKES 2,000
CALLS EVERY
WEEK FROM
POLICE
OFFICERS**

PERFORMANCE REVIEW

HIGHLIGHTS



INVESTOR IN PEOPLE

Compliance and Enforcement

- Assisted the Police in removing 150,000 vehicles from the road through database enquiries
- 11,500 vehicles removed from the road as a direct result of the Police Helpline
- Time to supply (TTS) at December 2007:
 - MID 1 target: 95% within 7 days, achieved 95.3%
 - MID 2 Policy target: 95% within 14 days, achieved 92.7%
 - MID 2 Vehicles target: 95% within 21 days, achieved 92.8%

Claims Handling

- Claims lifecycle reduced by 48 days
- Claims leakage reduced by 24%
- 69,898 claims settled in the year - 7% above target
- Claims handling quality audit score of 88.9% (target 87.5%)
- £5m fraud savings
- £4.5m recovered from 3rd party uninsured drivers

Financial

- Levy performance 98% of projected payments
- Bureau running costs within 99% of budget

Other

- Increased national media coverage
- Reduction in customer complaints
- Investors in People accreditation gained
- 77% first time pass rates attained by staff through the MIB Claims Academy assessments

PERFORMANCE REVIEW

CONTINUED

Compliance and Enforcement

MIB's performance in delivering against the time to supply targets was mixed. Achievement of the MID 1 target four months ahead of plan was an excellent result, particularly as this comprised the substantial majority of data on the MID and is the main area of uninsured driving activity.

Progress against the MID 2 Policies target was a significant improvement on the 2006 result although ultimately disappointing that the target remained just out of reach. The improved performance of only a small number of insurers would have raised the market performance level above the compliance threshold.

Performance against the MID 2 Vehicles target was encouraging, with a good level of improvement in the latter half of the year. This, we believe, in part resulted from "pushing" data onto the MID by creating the demand from policyholders. The askmid.com website was launched, which allowed fleet drivers and managers to directly check whether their vehicles were on the MID. The accompanying communication campaign sent out a strong message that if the vehicle data was not on the MID, then the Police could seize the vehicle, causing much inconvenience and cost.

The Police continued to be the largest users of the MID and put it to considerable effect, taking 150,000 vehicles off the road in 2007.

	Target	Performance 2007	Performance 2006
MID enquiries made by the Police	29.4m	39.7m	25.4m
Number of Police seizures	50,000	150,000	78,000

Claims Handling

On the claims management side of the business, MIB had a largely successful year. Progress was made on a number of fronts which demonstrated an improved service to our customers. These included improved quality of claims handling, improved lifecycle and a new workload measure, targeting the speed of our response to claims. The number of settlements in the year again exceeded the number of new claims arriving in the year, this year by some 11,000 cases, bringing the portfolio size down to 46,500.

MIB also demonstrated its focus on quality through improved leakage. 2007 saw the conclusion of its Business Process Re-engineering (BPR) programme, which saw a number of process efficiencies put in place. The BPR programme also produced an on-line claim form and a simpler, more customer-friendly paper claim form written in plain English.

	Target	Performance 2007	Performance 2006
Quality audit scores	87.5%	88.9%	78.1%
Lifecycle	414 days	398 days	446 days
Leakage	4.5%	5.4%	7.1%
Settlements (volume)	65,355	69,898	71,288
Workload	95% of new claims actioned within 10 days	96.0%	N/A
Workload	95% of work items actioned within 10 days	94.2%	N/A

More work will be done in 2008 to increase customer focus and improve on our service to customers. We will also seek out further efficiencies in our drive to become a Centre of Excellence.

PERFORMANCE REVIEW

CONTINUED

Financial

2007 saw overall expenditure, including claim settlements and overhead expenses, of some £7m below the levy amount called from members in the year. This was despite settlement volumes exceeding plan. Although the Bureau increased the number of claims settled by means of periodical payments, this was projected in the 2007 levy calculations. At the end of 2007 MIB had 20 such arrangements in operation compared with 10 at the end of 2006.

As in recent previous years the 2007 levy forecast of £388m was underpinned by an independent actuarial projection of MIB's liabilities and payments in the year.

MIB's stated aim is to reduce the level and impact of uninsured driving in the UK. There was clear evidence in 2007 of progress being made which could ultimately result in a reduction in the MIB levy. Two separate measures have shown the reduction in uninsured driving and its impact. These are noted below:

	Performance 2007	Performance 2006
Level of uninsured driving (comparison of MID with DVLA database)	4.6%	5.7%
Reduction in number of Guarantee Fund claims	5.8%	3.8%

This is a creditable achievement when it is considered against the industry trend of a 3% annual bodily injury claim frequency increase in recent years (UK Fourth Bodily Injury Study). However, there is still much work to be done and the target for 2008 is a further reduction in the level of uninsured driving.

Other

Our PR and Communication target is based on the advertising value equivalent generated by our activity. 2007 saw us substantially exceed our target, underpin our aims of greater engagement with the industry and raise the awareness and importance of key messages relative to data supply requirements. The image of MID and the benefits it offers have been raised positively but perhaps of most importance has been the move to embed the message; "it is no longer sufficient to know you are insured, you need to know you are on the MID". This is a message we have more recently been able to promote through national media opportunities.

MIB is fully committed to the training and development of staff. In 2006, the Claims Academy was launched to enable claims handlers to develop their skills further. Take-up levels amongst staff for the academy have been better than expected with 59 handlers enrolled and actively studying at the different levels on offer. The Company achieved a successful first time pass rate of 77% from the 62 assessments carried out during the year.

During the course of 2007 we tightened our complaints process ensuring that all complaints are captured, reviewed and responded to within 10 business days of receipt. A majority of complaints received in 2007 related to response and delay issues. However, the overall number of complaints declined 13% having received 629 in 2006 and 546 in 2007. This was largely down to two key factors, targeting handlers on responding to post within 10 business days and significantly reducing the backlog of outstanding work.



BOARD OF DIRECTORS



The Directors of the company at the end of the year were as follows:

Name	Title	Company	Date of appointment
K Morris	Chairman	Sabre Insurance	Appointed 29.09.2005

Executive Directors

A West	Chief Executive	Motor Insurers' Bureau	Appointed 14.04.2003
B Louisy	Finance Director	Motor Insurers' Bureau	Appointed 09.08.2000

Non-Executive Directors

M Capewell		HSBC Insurance	Appointed 01.07.2002
S Maddock		Royal & Sun Alliance	Appointed 01.11.2004
K Lotts		RBS Insurance	Appointed 23.11.2005
A Beddall		Allianz Cornhill	Appointed 24.11.2005
K Barber		LMA	Appointed 23.02.2006
A Woof		Zurich	Appointed 04.05.2006
E Dutton		AXA	Appointed 15.03.2007
A Goldby		Groupama	Appointed 18.10.2007
D McMillan		Norwich Union	Appointed 18.10.2007
D Neave		CIS	Appointed 22.11.2007

Directors' Resignations

Directors resigning from the company during the year were as follows:

Non-Executive Directors

Name	Title	Company	Date of resignation
S Machell	Chairman	Norwich Union	Resigned 30.06.2007
F-X Boisseau		Groupama	Resigned 30.06.2007
A Goldby		Groupama	Resigned 31.12.2007

BOARD ATTENDANCE

The Directors of the Company attended the following Board meetings during the year:

Name		15/03/07	03/05/07	29/06/07	18/10/07	22/11/07
S Machell	Chairman (resigned 30/06/07)	•	•	•		
K Morris	(appointed Chairman 30/06/07)	•	•	•	•	•
A West	Chief Executive	•	•	•	•	•
B Louisy	Finance Director	•	•	•	•	•
K Barber		A	•	•	•	•
A Beddall		•	•	A	•	•
F-X Boisseau	(resigned 30/06/07)	•	•	A		
M Capewell		•	•	•		
A Goldby	(appointed 18/10/07)				•	A
D McMillan	(appointed 18/10/07)				•	A
D Neave	(appointed 22/11/07)					•
K Lotts		•	•	A	•	•
S Maddock		•	•	•	•	•
E Dutton	(appointed 15/03/07)	•	•	•	•	A
A Woof		•	•	•	A	•

• = present A = absent

MEMBERSHIP DETAILS

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

Name	Date of Joining
Trinity Lane Insurance Compa	18.04.2007
Red Sands Insurance Company (Europe) Limited	29.08.2007
Newline Insurance Company Limited	14.09.2007
Catlin Insurance Company (UK) Limited	04.10.2007
Novae Insurance Company Limited	01.11.2007
National Pharmacy Association	08.11.2007

The following companies ceased being members:

Name	Membership Ceased	Levy Payments Cease
Pharmacy Mutual Insurance	31.12.2007	31.12.2008
Link Insurance Company Limited	31.10.2007	31.10.2008
New India Insurance Company	01.01.2007	01.01.2008

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as each director is aware, there is no relevant audit information of which the company'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 company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

EMPLOYEE POLICY

The Company places particular importance on the involvement of its employees, keeping them regularly informed of various factors affecting the running of the Bureau. This is achieved through formal and informal meetings, regular briefings, updates on the Company intranet and the publication of the Company newsletter. A staff council is in place to provide an additional forum for communicating with employees.

The Bureau's core values are central to the running and culture of the organisation, making it an employer of choice. Striving for excellence, customer focus, passion and unity of purpose are the values that the Company has adopted and which involve, inform and motivate employees to work towards the vision of making the Bureau a centre of excellence.

The Bureau is committed to improving the performance of all employees through training and development. The Company promotes a working environment that encourages employees to use their talents and abilities to the full. The set-up of The MIB Claims and Management Development Academies aims to achieve a defined framework in which people can develop themselves to progress their career.

The Company is committed to an Equal Opportunities Policy that promotes an environment free from discrimination, harassment and victimisation. This includes active policies of equal opportunity ranging from selection and recruitment to training and development which meet the needs of its operations. Disabled people are given full consideration for employment and subsequent training (including, if needed, retraining for alternative work where employees have become disabled), career development and promotion on the basis of their aptitudes and abilities.



**THE NUMBER OF
CLAIMS HAS REDUCED
BY 10% SINCE 2006**

CHARITABLE DONATIONS

During the year the Company contributed £3,297 (2006: £3,082) to local charities.

STATEMENT OF DIRECTORS' RESPONSIBILITY

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the result of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 and IFRS, as adopted by the European Union. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



By Order of the Board

B. Louisy

Byford Louisy

Company Secretary

Date: 8 May 2008

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

CORPORATE GOVERNANCE STATEMENT

The Board

The Board's primary role is to provide direction and to develop a coherent long-term strategy for the Company. Its other roles are to supervise the management, to maintain control over the Company's assets and to establish high ethical standards of behaviour, together with developing robust corporate governance and risk management practices and procedures.

The Board monitors the performance of management and aims to ensure that the strategy, policies and procedures adopted are not only in the long term interest of members but also meet the needs of the Company's customers, employees, suppliers and the local community in which MIB operates.

Matters referred to the Board are considered by the Board as a whole and no one individual has unrestricted powers of decision. There are well documented procedures and controls, including a schedule of matters that require the Board's specific approval. This provides the framework for the decisions to be taken by the Board and those which can be delegated to committees of the Board. The Board considers and approves all Board appointments and removals, the appointment and removal of the principal advisers and auditors, changes to the Company's management and control structure, the Company's strategy and high-level financial decisions. All capital expenditure projects over £50,000 or any

capital expenditure project which, regardless of the amount, does not meet the Company's financial criteria require Board approval.

Internal Audit

The in-house audit team primarily looks at claims handling quality, leakage and the undertaking of key supplier audits. The Bureau's objective in becoming a centre of excellence is underpinned by the success in improving claims handling quality. Resources within the team have increased over the past twelve months to ensure we maintain our focus in this particular area.

The Company engages the services of independent claims auditors to look at all aspects of claims handling and technical issues. Their objective is to provide the MIB management and members with confidence that the Bureau is exercising an acceptable level of control over claims. This is achieved through the undertaking of an annual claims audit where the focus of audit is around the operation and controls area and the MIB's own internal leakage audits. The audit is undertaken by member companies on a rotational basis with RBS conducting the 2007 audit.

The Company engages the services of KPMG to look at all areas of internal control outside the claims handling function. A number of audits were conducted during the year using a risk-based approach. Actual areas of audit are agreed with the Audit Committee after having due regard to the corporate risk

register which is prepared by MIB's management.

Each of the auditors above provides reports which are delivered to the Audit Committee for review. The Audit Committee report to the Board on any key issues arising.

Audit Committee

The MIB Audit Committee supports and advises the Board in relation to the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk, control and governance. Their primary functions include:

- The appointment and removal of external auditors.
- The review of internal and external audit reports and management letters to monitor management's remedies of deficiencies.
- Helping the Board to oversee the risk management framework.
- The review of the Company's published financial statements.
- The overseeing of corporate governance policies and issues with respect to legal and regulatory compliance bodies.

The Audit Committee comprises one executive director and three non-executive directors.

Risk Management

The Company has a risk management structure in place which is designed to identify, manage and mitigate business risk. Risk assessment and evaluation is an essential part of the annual planning cycle and an important aspect of the Company's internal control system. The senior management of MIB are responsible for ensuring that the Bureau's risk profile is matched to the aims and objectives set out in the Bureau's strategic plan.

Outputs from formal risk reviews are presented annually to the Audit Committee and the Board for review.

Health & Safety

The Bureau recognises and accepts that it has a duty to ensure, so far as is reasonably practicable, the health and safety of its employees whilst at work. It is the policy of the Bureau that all its operations are conducted in such a manner that, so far as is reasonably practicable, there is no risk to the health and safety of employees, contractors and visitors. Our obligations to the general public in all matters affecting their health and safety are observed at all times.

The Bureau assesses the risks arising from work activities and any significant findings are recorded. Risk assessment is carried out by the Facilities Manager who is responsible for taking any action required to remove/control risks, ensuring that the action required is implemented and then

checking that the implemented actions have removed/reduced the risks.

Reports on Health & Safety matters are produced monthly. These are subject to senior management review and to scrutiny at each Board meeting. The Finance Director has designated responsibility for Health & Safety matters.

Staff HR Group

The Staff HR Group comprises two executive directors, three non-executive directors and HR representatives from member companies. The Group meets annually to review staff remuneration and benefit packages. The Group provides guidance and direction to the Company in formulating and exercising HR Strategy and Policy, succession planning and sustainability of staff.

Levy Group

The Levy Group meets twice a year to assess and recommend to the Board the levy requirements of the MIB. The Group comprises two executive directors, three non-executive directors and various representatives from the industry.

Compliance Statement

The compliance goal of the MIB is to be fully compliant at all times with relevant legislation, regulations, contractual obligations and internal procedures.

The MIB will adopt a multi-disciplinary approach to compliance and security,

involving the co-operation and collaboration of all departments, external service providers and key stakeholders, to ensure that there are systems of internal control that adequately measure and manage the compliance and security risks it faces.

A Compliance and Security Forum is established to provide the management framework to coordinate compliance and security actions and ensure that there is clear direction and visible management support for all compliance and security initiatives.

Corporate Social Responsibility

MIB recognises that its business operations and conduct have an impact on the environment, community and our employees. We therefore take our corporate social responsibility very seriously. We are committed to ensuring ethical behaviour, high regard for health and safety, care for the environment and ethical sourcing. We aim to integrate socially responsible behaviour into our core values and all our activities.

We will grow our involvement with the local community and encourage our employees to act in a socially responsible manner. Where practical, we will minimise waste of energy and maximise opportunities for the recycling of waste. As a minimum, we will meet relevant legislation and we will continue to measure, review and monitor our performance against these criteria.

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Members of the Motor Insurers' Bureau

We have audited the financial statements of the Motor Insurers' Bureau for the year ended 31 December 2007 which are set out pages 40 to 59. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, Corporate Governance Statement, the Chief Executive's Statement and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

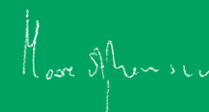
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

St Paul's House, Warwick Lane
LONDON EC4M 7BP



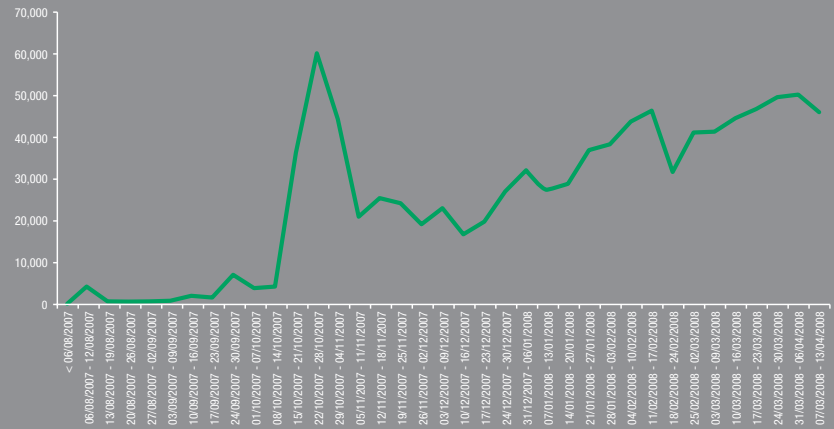
Moore Stephens LLP

Registered Auditors
Chartered Accountants
Date: 15 May 2008



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INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

In thousands of GBP sterling	Notes	2007	2006
INCOME			
Leviable premium	3	547,652	690,755
Other operating income		593	418
Total Income		548,245	691,173
EXPENDITURE			
Net claims paid		(362,975)	(341,026)
Increase in claims provision	4	(170,248)	(334,663)
		(533,223)	(675,689)
Administrative expenses	5	(19,922)	(19,159)
Operating loss		(4,900)	(3,675)
Financial income	6	4,928	3,775
Financial expenses	8	(49)	(79)
Net income before tax		(21)	21
Income Tax expense	7	21	(21)
Net income after tax		-	-

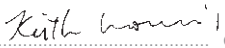
The Company's activities were continuing during the above two financial years.
The accompanying notes form an integral part of these financial statements.

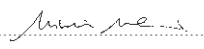
BALANCE SHEET

AS AT 31 DECEMBER 2007

In thousands of GBP sterling	Notes	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,595	3,661
Current assets			
Trade and other receivables	13	1,961,523	1,800,790
Cash and cash equivalents	10	5,665	6,374
Financial investments	11	56,000	52,700
		2,023,188	1,859,864
Total assets		2,026,783	1,863,525
LIABILITIES			
Non-current liabilities			
Bank loan		520	780
Retirement benefit obligations	8	1,788	828
Provisions	4	1,619,602	1,481,354
		1,621,910	1,482,962
Current Liabilities			
Bank loan		260	260
Overdraft		-	6,274
Trade and other payables	12	1,893	3,469
Retirement benefit obligations	8	720	560
Provisions	4	402,000	370,000
		404,873	380,563
Total liabilities		2,026,783	1,863,525

The financial statements on pages 40 to 59 were approved by the Board of Directors on 8 May 2008 and were signed on its behalf by

K Morris  Chairman

A West  Director

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

In thousands of GBP sterling	Notes	2007	2006
Cash flows from operating activities			
Cash generated from operations	14	5,106	(2,906)
Interest received		4,154	3,775
Interest paid		(65)	(82)
Tax paid		(6)	(25)
Net cash flows from operating activities		<u>9,189</u>	<u>762</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(79)	(45)
Proceeds from sale of property, plant and equipment		15	28
Net change in financial investments		(3,300)	4,300
Net cash flows from investing activities		<u>(3,364)</u>	<u>4,283</u>
Cash flows from financing activities			
Repayments of borrowings	15	(260)	(260)
Decrease in borrowings		(6,274)	(1,772)
Net cash flows from financing activities		<u>(6,534)</u>	<u>(2,032)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(709)</u>	<u>3,013</u>
Cash and cash equivalents at the beginning of the year	10	6,374	3,361
Net increase/(decrease) in cash and cash equivalents	15	(709)	3,013
Cash and cash equivalents at the end of the year	10	<u>5,665</u>	<u>6,374</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Basis of preparation

The Motor Insurers' Bureau, hereinafter referred to as "MIB", or the "Company", also referred to as the "Bureau", has elected to prepare its financial statements under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the requirements of the Companies Act 1985.

Items included in the financial statements of the Company 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 Company has elected to recognise all cumulative actuarial gains and losses in relation to post employment defined benefit schemes at the date of transition. In addition, the Company has elected to recognise actuarial gains and losses in full in the period in which they occur. This is recognised through the Income and Expenditure Statement rather than a Statement of Recognised Income and Expense. This is because the Company does not hold retained equity. The Company 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.

The following pronouncement may be relevant to the Company but was not effective at 31 December 2007 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRIC 14 - IAS 19 - The limit On a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	<ul style="list-style-type: none"> - how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognise as an asset. - how a minimum funding requirement affects that limit and - when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19. 	Annual periods beginning on or after 1 January 2008.

The Company is assessing the full impact of this accounting change and to the extent it may be applicable, this pronouncement is not expected to cause any material adjustments to the financial statements.

Other pronouncements that have been issued but are not effective at 31 December 2007 have been considered and it has been concluded these will not be applicable to the Company.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. Principal Accounting Policies continued

Company Status

The Motor Insurers' Bureau is a company limited by guarantee and not having a share capital under the control of its members. The liability of the members is limited to £5 each, in the event of the Company being wound up. The total expenditure of the Company is reimbursed by contributions received and receivable from its members. The Company therefore makes neither a profit nor does it incur a loss. Under the terms of a guarantee agreement with the Secretary of State for Transport the Bureau is indemnified in respect of all liabilities arising from its operations.

Significant judgments

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

Provisions (claims provisions)

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, together with related claims settlement costs. Significant delays are experienced in the notification and settlement of claims, and the nature of claims is both complex and requires subjective assessment. Accordingly, the ultimate cost and date of future settlement of such claims cannot be known with certainty at the balance sheet date. Estimates are made using standard actuarial techniques and on the basis of judgement applied by management.

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.

Income

Leviable Premium income represents contributions receivable from members during the year plus amounts available for call within twelve months of the balance sheet 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 twelve months of the balance sheet date but only such sums will be called up in order to discharge liabilities for claims and supplementary agreement costs.

Net claims paid

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

Provisions

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, including incurred claims that are not reported (IBNR) together with related claims settlement costs.

Significant delays are experienced in the notification and settlement of claims, and the nature of claims is both complex and requires subjective assessment. Accordingly, the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Any resultant under or over provision for claims is recognised in the period in which the under or over provision is discovered, either on final settlement of the claim or on re-estimation of its ultimate cost.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. Principal Accounting Policies continued

Provisions continued

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 Company's historical claims, payment and reserves files for each type of claim incurred up to the balance sheet 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 company's past claims development experience will be appropriate to project future claims development.
- The projections do not include the cost of staff to handle the claims but do include allocated costs such as legal expenses.
- The provisions are undiscounted with the exception of longer term, periodical payments, which are individually discounted on a case by case basis taking an appropriate annuity factor corresponding to the assumed life expectancy.
- Future claims experience is likely to deviate from the projections. Among other reasons, this is because the ultimate claim amount will be affected by future external events, for example, the size of court awards, changes in standards of liability and the attitudes of claimants towards settlement of their claims.

Property, plant and equipment

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

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

Freehold property	50 years
Fixtures and fittings	5 years
Motor vehicles	3 years
Computers	3 years

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

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

Leases

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

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

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. Principal Accounting Policies continued

Taxation continued

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 or expenditure.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet 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 Company operates a defined benefit scheme and a number of defined contribution schemes.

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

For the defined benefit pension scheme, the assets are measured at their market value at the balance sheet 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 balance sheet to the extent that a surplus is recoverable by MIB or that a deficit represents an obligation of MIB.

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

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and other short-term deposits with less than 3 months maturity from the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. Employee costs and numbers

Particulars of employee costs (including executive directors) were as follows:	2007 £'000	2006 £'000
Wages and salaries	7,269	6,990
Social security costs	561	567
Pension contributions - defined benefit	734	812
- defined contribution	208	171
Other staff costs	68	45
	<u>8,840</u>	<u>8,585</u>
Average number of employees (including directors) were:	No.	No.
MIB Claims Operations	224	253
MID Operations	12	8
MIB/MID Support	81	61
	<u>317</u>	<u>322</u>
Directors' Remuneration	2007 £'000	2006 £'000
The remuneration of the directors was as follows:		
Emoluments (including benefits in kind)	283	279
Pension contributions	36	49
Compensation for loss of office	-	142
	<u>319</u>	<u>470</u>
Highest paid director:		
Emoluments	158	152
Pension contributions	20	26
	<u>178</u>	<u>178</u>
Total accrued pension entitlement per annum for highest paid director	9	7
Total accrued lump sum entitlement for highest paid director	<u>21</u>	<u>16</u>
The number of directors who were members of the company's pension schemes was as follows:	No.	No.
Defined benefit scheme	<u>2</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. Employee costs and numbers continued

Key Management Personnel

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

	2007 £'000	2006 £'000
Emoluments (including benefits in kind)	289	357
Pension contributions	43	58
	<u>332</u>	<u>415</u>
Number of executives	<u>5</u>	<u>6</u>

3. Leviable Premium

	2007 £'000	2006 £'000
Levy called	388,212	359,635
Levy uncalled	159,440	331,120
Leviable Premium	<u>547,652</u>	<u>690,755</u>

4. Claim Provisions and Expenditure

	2007 £'000	2006 £'000
Claims provision at 31 December 2007	2,021,602	1,851,354
Claims provision at 31 December 2006	(1,851,354)	(1,516,691)
Net movement in claims	170,248	334,663
Claims paid less recoveries	362,975	341,026
Claims expenditure during the year	<u>533,223</u>	<u>675,689</u>
Claims provision at 31 December 2007 - non current	1,619,602	1,481,354
Claims provision at 31 December 2007 - current	402,000	370,000
	<u>2,021,602</u>	<u>1,851,354</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

4. Provisions continued

The Company recognises that it is impossible to predict future claims payable with absolute certainty. To this end, the Company 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 Company's outstanding claims liability include 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 Company rigorously applies standardised policies and procedures around claims assessment.

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

Claims incurred but not yet reported (IBNR)

This represents the total liability of unpaid claims that have occurred but have not been reported to the Company 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 2007. The data is used to project the cost of future claims using generally accepted actuarial techniques. The IBNR provision for 2007 is £328m (2006: £320m).

Claims incurred but not enough reported (IBNER)

The IBNR provision includes a calculation of claims incurred but not enough reported (IBNER). This represents a provision for the deterioration or improvement in known estimates in claims relating to accidents which have been notified before the end of the accounting period.

Exposure to claims

Exposure to Green Card claims is increasing with the expansion of travel within the European Union.

Guarantee Fund exposure is dropping with the reduction seen in uninsured claims compared to 2006. Media exposure to uninsured driving has been very prominent together with wider and more extensive use of the MID by the Police to tackle uninsured driving.

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

There is greater emphasis placed on recovering payments from debtors. All settled claims are referred to the MIB Recovery Department to assess the feasibility of recovering losses. Where recovery is possible, the Company will work with appointed recovery agents to agree a settlement structure with the uninsured driver.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. Administration expenses

	2007	2006
	£'000	£'000
Claims related fees	3,288	3,546
Executive and secretarial services	16,019	14,770
Operating lease costs	319	275
Depreciation	143	353
Auditors' remuneration - audit	44	59
- taxation	5	4
Bad debts	-	-
Council of Bureaux fees	39	70
Interest on bank loan	65	82
	<u>19,922</u>	<u>19,159</u>

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.

6. Financial income

	2007	2006
	£'000	£'000
Bank deposit interest	4,416	3,432
Other interest earned	512	343
	<u>4,928</u>	<u>3,775</u>

7. Taxation

	2007	2006
	£'000	£'000
UK corporation tax	-	21
Adjustment in respect of prior periods	(21)	-
	<u>(21)</u>	<u>21</u>
Factors affecting the tax charge for the period		
Income on ordinary activities before taxation	(21)	21
Standard rate of corporation tax of 19% (2006:19%)	(4)	4
Effects of:		
Non-deductible expenses	4	3
Depreciation in excess of capital allowances	(12)	18
Tax losses carried back	4	-
Losses carried forward	41	-
Other deductions	(33)	(4)
	<u>-</u>	<u>21</u>

The Company has a deferred tax asset of approximately £140,000 (2006: £103,000) which is not recognised on the grounds that there is insufficient evidence that the asset will be recoverable against suitable taxable income.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. Retirement benefit obligations

The Company operates a defined benefit scheme based on final pensionable earnings. The scheme funds are administered by trustees and are independent of the Company'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 Scottish Life, the Scheme's independent actuaries, at 1 January 2006, 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 2007.

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 79% funded. The market value of the scheme assets at the valuation date was £9,451,000. The pension cost for the year was £744,000 (2006: £837,000). The continuing pension cost has been set at 16.2% of pensionable salaries plus a fixed amount of £243,912 per annum.

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

	2007	2006	2005
	% per annum	% per annum	% per annum
Discount rate	5.8	5.3	5.0
Expected rates of future salary increases	3.8	3.4	3.4
Expected rate of return on plan assets	5.5	5.5	5.5
Expected rate of future pension increases	3.2	2.8	2.8
Underlying expected inflation rate	3.2	2.8	2.8

The market value of assets in the scheme were £9,451,000 (2006: £9,094,000; 2005: £7,404,000) with assumed rates of return of 5.5% (2006 - 5.5%; 2005 - 5.5%).

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. Retirement benefit obligations continued

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

	Expected Return 2007 %	Fair Value 2007 £000	Expected Return 2006 %	Fair Value 2006 £000	Expected Return 2005 %	Fair Value 2005 £000
Equities	7.5%	5,293	7.5%	4,092	5.8%	3,258
Bonds	5.5%	189	4.7%	1,910	3.4%	1,777
Property	6.5%	2,741	6.5%	2,819	5.3%	2,369
Other	5.0%	1,228	4.0%	273	-	-
Fair value of scheme assets		<u>9,451</u>		<u>9,094</u>		<u>7,404</u>
Present value of scheme's liabilities		(11,959)		(10,482)		(9,898)
Related deferred tax		-		-		-
Net pension liability		<u>(2,508)</u>		<u>(1,388)</u>		<u>(2,494)</u>

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

	2007 £'000	2006 £'000	2005 £'000
Deficit at 1 January 2007	(1,388)	(2,494)	(2,813)
Current service cost	(531)	(612)	(626)
Contributions	744	837	942
Other finance cost	(49)	(79)	(148)
Actuarial gain/(loss)	(1,284)	960	151
Deficit at 31 December 2007	<u>(2,508)</u>	<u>(1,388)</u>	<u>(2,494)</u>

Analysis of the amount charged to administrative expenses:

	2007 £'000	2006 £'000	2005 £'000
Current service cost	531	612	626
Past service cost	-	-	-
Gains on settlements and curtailments	-	-	-
Total operating charge	<u>531</u>	<u>612</u>	<u>626</u>

Analysis of the amount credited to other finance costs:

	2007	2006	2005
Expected return on assets	517	431	321
Interest on liabilities	(566)	(510)	(469)
Other finance costs	(49)	(79)	(148)
Total charge for year	<u>482</u>	<u>533</u>	<u>478</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. Retirement benefit obligations continued

The company has recognised actuarial gains and losses through the Income & Expenditure Statement rather than a Statement of Changes in Equity. This is because the company does not hold retained reserves.

The following analysis has been recognised in the Income & Expenditure Statement: -

	2007 £'000	2006 £'000	2005 £'000
Actuarial return less expected return on assets	(778)	413	1,019
Experience gains and losses arising on liabilities	(506)	547	400
Changes in assumptions underlying the present value of the scheme liabilities	-	-	(1,268)
Total actuarial gain / (loss)	<u>(1,284)</u>	<u>960</u>	<u>151</u>

Amounts recognised in the balance sheet: -

	2007 £'000	2006 £'000	2005 £'000
Present value of funded obligations	(11,959)	(10,482)	(9,898)
Fair value of scheme assets	9,451	9,094	7,404
Net liability recognised in the balance sheet	<u>(2,508)</u>	<u>(1,388)</u>	<u>(2,494)</u>

The Company expects to contribute £720,000 to the defined benefit scheme in 2008.

Actual return on plan assets for 2007 was £359,000 (2006: £40,000).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. Property, plant and equipment

	Freehold Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Computers £000	Total £000
COST					
At 1 January 2007	3,892	640	60	1,512	6,104
Additions	-	11	-	68	79
Disposals	-	(96)	(27)	(486)	(609)
At 31 December 2007	<u>3,892</u>	<u>555</u>	<u>33</u>	<u>1,094</u>	<u>5,574</u>

DEPRECIATION					
At 1 January 2007	461	576	46	1,360	2,443
Charge for year	3	24	12	104	143
Disposals	-	(96)	(25)	(486)	(607)
At 31 December 2007	<u>464</u>	<u>504</u>	<u>33</u>	<u>978</u>	<u>1,979</u>

NET BOOK VALUE At 31 December 2007	<u>3,428</u>	<u>51</u>	<u>-</u>	<u>116</u>	<u>3,595</u>
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	Freehold Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Computers £000	Total £000
COST					
At 1 January 2006	3,892	630	117	1,935	6,574
Additions	-	10	-	35	45
Transfers	-	-	-	9	9
Disposals	-	-	(57)	(467)	(524)
At 31 December 2006	<u>3,892</u>	<u>640</u>	<u>60</u>	<u>1,512</u>	<u>6,104</u>

DEPRECIATION					
At 1 January 2006	383	530	66	1,615	2,594
Transfers	-	-	-	4	4
Charge for year	78	46	22	207	353
Disposals	-	-	(42)	(466)	(508)
At 31 December 2006	<u>461</u>	<u>576</u>	<u>46</u>	<u>1,360</u>	<u>2,443</u>

NET BOOK VALUE At 31 December 2006	<u>3,431</u>	<u>64</u>	<u>14</u>	<u>152</u>	<u>3,661</u>
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NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

10. Cash and cash equivalents

	2007 £'000	2006 £'000
Cash at bank and in hand	2,165	1,226
Short term bank deposits	3,500	5,148
	<u>5,665</u>	<u>6,374</u>

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of 3 months or less.

11. Financial investments

	2007 £'000	2006 £'000
Bank deposits	<u>56,000</u>	<u>52,700</u>

Bank deposits comprise short-term deposits with an original maturity of three to twelve months. The carrying amounts of these assets approximate their fair value.

12. Trade and other payables

	2007 £'000	2006 £'000
Trade payables	699	327
Advanced levy payments	693	2,070
Accrued expenses	289	760
Other payables	212	312
	<u>1,893</u>	<u>3,469</u>

13. Trade and other receivables

	2007 £'000	2006 £'000
Additional levy receivable	1,958,998	1,798,612
Other trade receivables	255	657
Prepayments	427	436
Other receivables	1,843	1,085
	<u>1,961,523</u>	<u>1,800,790</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

14. Reconciliation of operating loss to net cash inflow from operating activities

	2007 £'000	2006 £'000
INFLOW FROM OPERATING ACTIVITIES		
Operating loss	(4,900)	(3,675)
Depreciation charges	143	353
Interest paid	64	82
Profit on sale of tangible fixed assets	(13)	(13)
Increase in trade and other receivables	(159,931)	(333,694)
Decrease in trade and other payables	(1,576)	563
Increase in provisions and other liabilities	171,368	333,557
Finance costs - pension	(49)	(79)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>5,106</u>	<u>(2,906)</u>

15. Reconciliation of opening to closing net debt

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

	At 01.01.06	Cash Flows	Other Non-cash changes	At 31.12.06	Cash Flows	Other Non-cash changes	At 31.12.07
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,361	3,013	-	6,374	(709)	-	5,665
Bank overdraft	(8,046)	1,772	-	(6,274)	6,274	-	-
	(4,685)	4,785	-	100	5,565	-	5,665
Debt due within 1 year	(260)	260	(260)	(260)	260	(260)	(260)
Debt due after 1 year	(1,040)	-	260	(780)	-	260	(520)
Net Debt	<u>(5,985)</u>	<u>5,045</u>	<u>-</u>	<u>(940)</u>	<u>5,825</u>	<u>-</u>	<u>4,885</u>

16. Operating lease commitments

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

	2007 £'000	2006 £'000
INFLOW FROM OPERATING ACTIVITIES		
Within 1 year	73	279
Later than 1 year and less than 5 years	95	145
Total operating lease commitments	<u>168</u>	<u>424</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

17. Related parties

The MIB Board comprises two executive directors from the Company and eleven 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 Company. There was no involvement from the non-executive directors over the claims and reserving function.

From time to time, the 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.

18. Financial risk management

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

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

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

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

Credit risk

The Company 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 Company. Credit risk consists mainly of cash deposits, cash equivalents, trade receivables and the right to call additional amounts from the motor insurance market.

The Company only deposits cash with major banks and building societies that have a credit rating of at least F1 from Fitch or AA from Moody's. The Company adheres to the Board approved Investment Policy which sets out counterparty limits and timeframe for deposits.

The Company's trade receivables largely consist of levy due from insurers. In order to write motor business, insurers must become a member of the 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. Over 90% 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 Company.

The Company has the right to call an additional levy from members should it wish to do so. The additional levy receivable of £2bn (2006: £1.8bn) represents the estimated value of all current and "incurred but not reported" claims which can be called upon within twelve months of the balance sheet date. Whilst this represents a significant amount within the balance sheet, the risk of non-payment is considered unlikely given the overall premium income generated by the motor insurance market in 2006 was £12.8bn. Therefore, a risk would only be presented if the entire motor insurance market was to collapse.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18. Financial risk management continued

Liquidity risk

In order to mitigate any liquidity risk, the Company'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 Company'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 Company 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 call accounts. Any surplus amounts left at the end of the month are invested within cash deposits for a period no longer than 365 days. Cash deposits are managed such that there is a maturity each month to meet any unexpected liabilities. Unused maturities are re-invested in cash deposits so as to maintain the overall maturity profile.

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

	2007	2006
	£'000	£'000
CASH IN HAND AND BANK DEPOSITS		
On demand	2,165	6,374
Within 1 month	13,500	4,200
Between 1 and 3 months	10,500	11,500
Between 3 and 6 months	18,500	16,000
Between 6 and 12 months	17,000	21,000
Total cash in hand and bank deposits	61,665	59,074

Market risk

Interest rate risk arises from the Company's borrowings and cash deposits it holds with banks and building societies. The Company has a fixed interest loan over a ten-year term which minimises exposure to interest rate risk. The loan commenced in December 2000 at a fixed interest rate of 6.1%.

Financial investments consist of cash deposits using UK and European banks and building societies. All deposits are quoted fixed rate interest instruments for a maximum period of 365 days. The following table illustrates the change in bank deposit interest receivable in a change in interest rate of +1% and -1% with effect from beginning of the year.

	2007	2007	2007	2006	2006	2006
	Actual	+1%	-1%	Actual	+1%	-1%
	£'000	£'000	£'000	£'000	£'000	£'000
Interest receivable	4,416	5,189	3,641	3,432	4,157	2,707

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18. Financial risk management continued

Reserving 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 Company. A reserving policy exists within the Company to ensure case reserves are kept up to date and to minimise any risk in the understating of reserves.

The Company 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 a EU participating country are reported to the Company 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 Company'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.

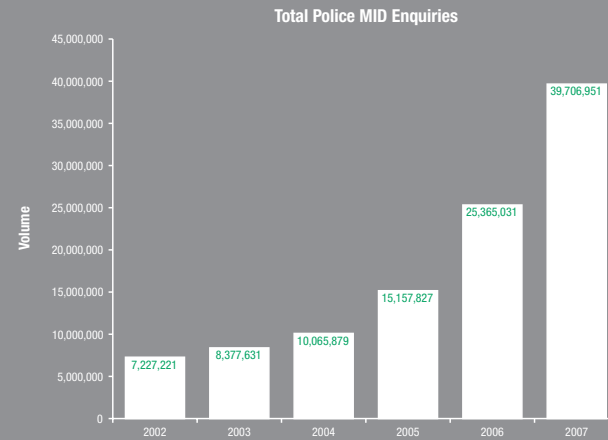
The value of Green Card claims with such exposure is £38m (2006: £41.7m) of which £3m represents cases where a standard reserve amount has been set (2006: £2.3m). Therefore, the maximum potential exposure to currency risk is £35m, which represents 2% of the overall case reserves. If Sterling was to either strengthen or weaken by 10 points against the Euro at the balance sheet date, the potential impact on reserves would be a reduction of £2.4m (2006: £2.7m) or an increase of £2.8m (2006: £3.1m), based on an exchange rate of 1.3556 Euros to £1 Sterling.

Capital Management

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



**THE POLICE ACCESS
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NIGHT, ON AVERAGE
ONCE A SECOND**



GLOSSARY

Levy

The UK Government has a responsibility to compensate victims of road accidents caused by uninsured or untraced drivers. The MIB performs this task on behalf of the Government via the Uninsured Drivers' Agreement and the Untraced Drivers' Agreement. Organisations that write motor insurance business are required to become members of the MIB and contribute towards compensating victims by means of a levy.

The amount of levy is set annually by independent actuaries' estimation of the likely cost of settling claims plus business running costs, net of expected investment returns. This becomes the levy call and members are required to contribute based on the amount and type of business they have written. In theory, the bigger the market share a member has, the higher the amount of levy payable.

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" at the balance sheet date. This is the amount that can be levied to members within twelve months of the balance sheet date but only such sums will be called up in order to discharge liabilities for claims and supplementary agreement costs. As the Company makes neither a profit nor a loss, the additional levy uncalled is treated as income so as to meet our additional obligations arising from the movement in reserves.

The leviable premium, as shown in the Income and Expenditure Statement, represents the sum of the levy call and the levy uncalled during the year.

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). Under Department for Transport compliance targets, every UK insurer is required to submit details of all insured vehicles to varying targets.

The MID has now become a weapon to help combat crime as enforcement agencies can now detect, capture and seize uninsured vehicles from our roads.

Guarantee Fund

The Motor Insurers' Bureau is a compensatory body and as such will consider claims for property damage and personal injury where compensation cannot be claimed from another source. The Bureau's obligation is to handle claims in accordance with the agreements between MIB and the Government. MIB is restricted to paying compensation in respect of liability for property damage or injury arising from an accident that has occurred either on a road or a public place in accordance with the Road Traffic Act 1988 and subsequent regulations.

Green Card

As the UK Green Card Bureau, the MIB acts as though it was the insurer of foreign registered vehicles in the UK. The MIB will handle claims against foreign motorists so long as the foreign registered vehicle comes from a country within the Green Card System and with which the MIB has an Agreement (The MIB currently has agreements with every country in the system). If the foreign vehicle is insured and the insurer has an agent in the UK, that agent will deal with the claim, under the MIB's ultimate control. If civil legal proceedings become necessary the MIB, or the foreign insurer's agent, must accept service of proceedings on behalf of the foreign motorist.

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 "life cycle of a claim."

Claims Leakage

Claims leakage is the preventable outflow of cash related to the claims settlement process. These preventable events include inefficient processing, improper payment, human error and poor decision-making, among others. The Company has its own specific definition which is as follows:

"Leakage is 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".



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