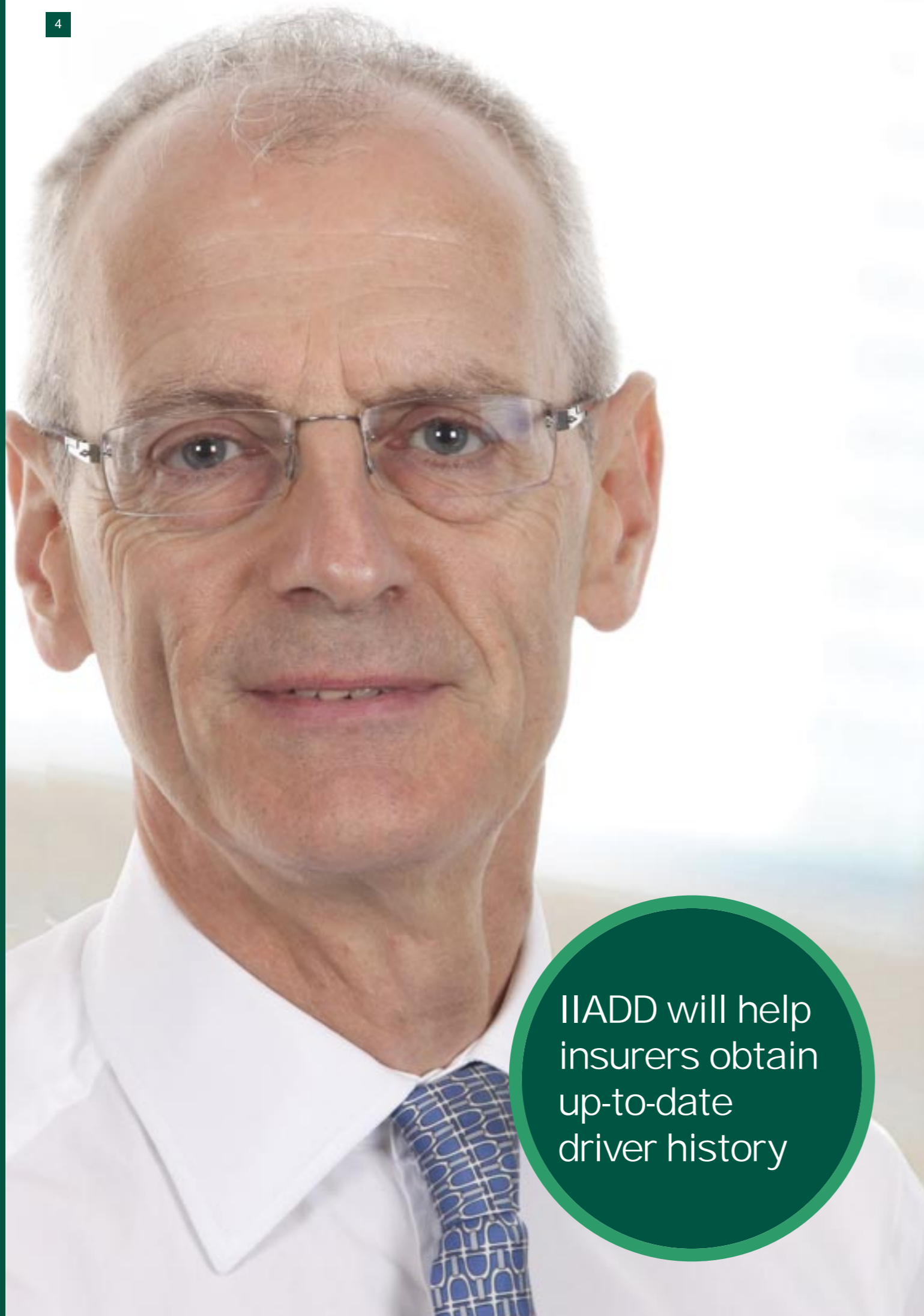






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IIADD will help insurers obtain up-to-date driver history

Chairman's statement

2012 was another successful year for the Motor Insurers' Bureau, as the organisation continued to work on further reducing the level of uninsured driving in the UK and to ensure that the victims of uninsured or hit and run drivers receive fair and prompt compensation. In addition, MIB has continued to support the insurance industry through the provision of support services, particularly for data asset management and anti-fraud initiatives.

Continuous Insurance Enforcement (CIE), introduced in 2011, continues to bring dividends to the members and, together with on-road enforcement, contributes to a sustained reduction in the number of Guarantee Fund claims, a levy return of £25 million to members in the year and the annual levy falling to its lowest level since 2005. There was a smooth transition of CIE from a project into the day-to-day operation of the business and the interaction between MIB and the Driver and Vehicle Licensing Agency (DVLA) worked and is continuing to work well, ensuring that the scheme operates efficiently.

The industry rightly prioritises the fight against motor insurance fraud and one major development in this process is the Insurance Industry Access to Driver Data (IIADD) project. Research by the Association of British Insurers (ABI) has shown that as many as 23% of motorists do not accurately declare their driving history to insurers. IIADD will deliver a process that will enable insurers to obtain up-to-date and accurate driver history at the point of quote. It has taken four years of discussions between the DVLA, Department for Transport and the insurance industry to agree on the scope and obtain funding, but it will be worth the effort when IIADD is delivered in 2014. MIB will manage the technology build on behalf of the industry and is working with the project team to shape the requirements for the overall solution.

A milestone was reached by the police in August when they seized the one millionth uninsured vehicle. This notable event generated substantial positive publicity for MIB and the legislation concerning CIE. It also shows what can be achieved when the government and industry work together to crack down on uninsured driving and the associated and wholly unnecessary risks and costs facing honest motorists. This relationship with the police continues to be of paramount importance to MIB and their efforts are much appreciated.

MIB is heavily involved in the effort to tackle other forms of insurance fraud, which continues to be a major concern for all insurers and the public. This effort is not only through the Motor Insurance Database (MID) but also through its managed services supporting Insurance Database Services Limited (IDSL) and the Insurance Fraud Bureau (IFB).

To counter the spread of the compensation culture, the government launched a consultation at the end of 2012 which proposed various measures to bring down the number and cost of spurious whiplash claims. This consultation complements changes to the law coming into effect in April 2013. It is essential that the government maintains this drive to re-engineer the civil justice system for personal injury claims with the ultimate objective of reducing costs and creating the opportunity for lower motor insurance premiums for the honest motorist.

MIB media campaigns in 2012 reinforced the various initiatives by the government and the insurance industry with social media starting to play a central role in raising awareness and generating interest in the work that is being done to reduce uninsured driving.

The success of MIB in pursuing and achieving its objectives relies on the continued skill and dedication of its people. I would like to thank them on behalf of the Board for their efforts over the past year.

2013 promises to be another challenging year but I am confident that MIB and the Board will fully and expertly support the industry, the government and the police in continuing to reduce uninsured driving and continue to deliver excellent service across all areas of activity.

Keith Morris
Chairman
13 May 2013

Chief Executive's statement

The past year has been a successful one for MIB. There was significant progress in all areas of the business, building on previous initiatives as well as seeking further efficiencies in operational activities, while continuing to enhance relationships across the industry and with other stakeholders.

Remaining focused on our strategic objective of significantly reducing the level and impact of uninsured motoring in the UK, MIB has managed the transition of Continuous Insurance Enforcement (CIE) from a project into the day-to-day operation of the business. The interaction between MIB and DVLA has worked effectively, ensuring that the scheme operates efficiently and is starting to show significant positive results.

Our ever important relationship with the police continues to support them in their pursuit of uninsured drivers. 2012 saw police seizing the millionth uninsured vehicle since they were granted powers in 2005, and the level of uninsured driving in the UK has dropped from an estimated 1.9 to 1.2 million over the same time period. This is largely as a result of the enforcement that has been in place since 2005, through police intervention, and since mid-2011 with the DVLA CIE process. The records on the Motor Insurance Database (MID) are

improving all the time. Awareness programmes across TV, radio and through social media are taking effect to ensure the public understand the requirement to have insurance, the consequences of not doing so and the likelihood of being caught.

The level of Guarantee Fund claims payments for 2012 was £274.2 million against a levy call of £300 million. This was a small increase on payments made in 2011; the main reason being an unusual level of large claims payments in October and November. The actual levy performance continues to be favourable compared to the original forecasts outlined within our long-term financial model and has enabled us to return a £25 million refund in the year to members, which brings the total returned to members since 2007 to £290 million.

The major motor insurance industry-wide project IIADD (Insurance Industry Access to Driver Data) to access DVLA driver licence data was agreed and initiated in the latter stages of 2012 with the completion of a full tender process to find the industry's technology partner for the project. The programme involves a wide range of stakeholders including the Department for Transport, DVLA and the ABI, alongside representatives from a wide selection of organisations in the insurance supply chain. Development will continue throughout 2013 and the project will be delivered in 2014.

Highlights in 2012

I am pleased to report that there have been a number of highlights in 2012. These include:

Strategic outcomes

A levy surplus of
£23.5m and a return
of £25m to members in December

Reduction of
8.7% in new reported
Guarantee Fund claims compared to 2011

Reduction in taxed vehicles
not on MID to
809,000

MID Services

Assisted the police in removing over
136,000
uninsured vehicles from the road

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

Successful delivery of the
askMID
Roadside service

Increased revenue stream
from MID Services to
£990,000
(2011: £910,000)

Customer services and efficiency

Quality audit scores reached an
all-time high of
96.1% (2011: 94.6%)

Continued reduction in the
claims lifecycle of
7% down to 295 days
(2011: 317)

Identified
£16m of fraud
savings (2011: £10.25m)

£8.2m recovered
from uninsured drivers - 7%
above target (2011: £7.5m)

Communications

PR and communications activity delivering in excess of
£15.1m in value of media coverage

Promoting the milestone for police enforcement of the
millionth uninsured vehicle being seized

Establishing the Drive
Insured identity on
Facebook and Twitter to
engage the public

From 2005 to 2012 the level of uninsured driving in the UK has dropped from an estimated 1.9 to 1.2 million

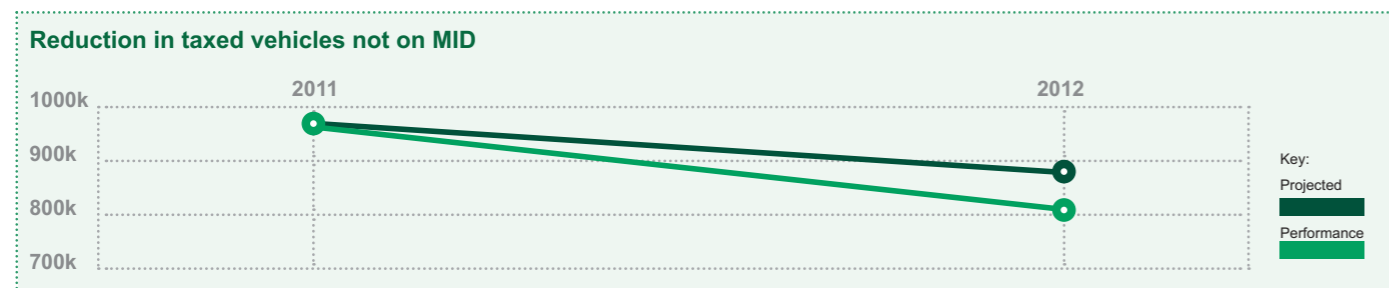
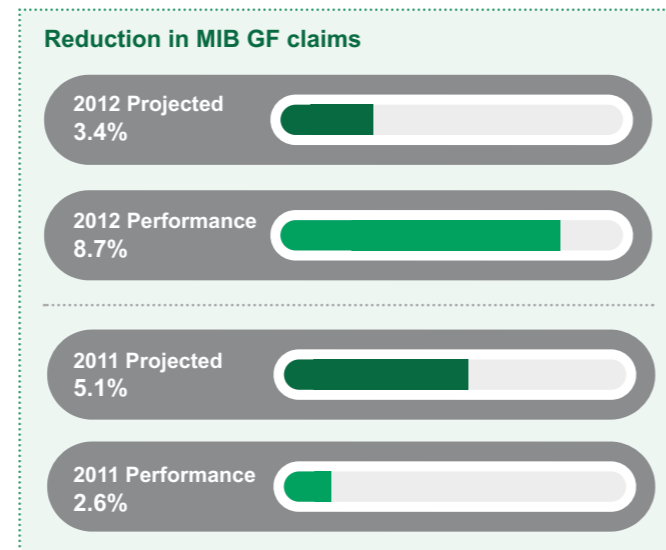
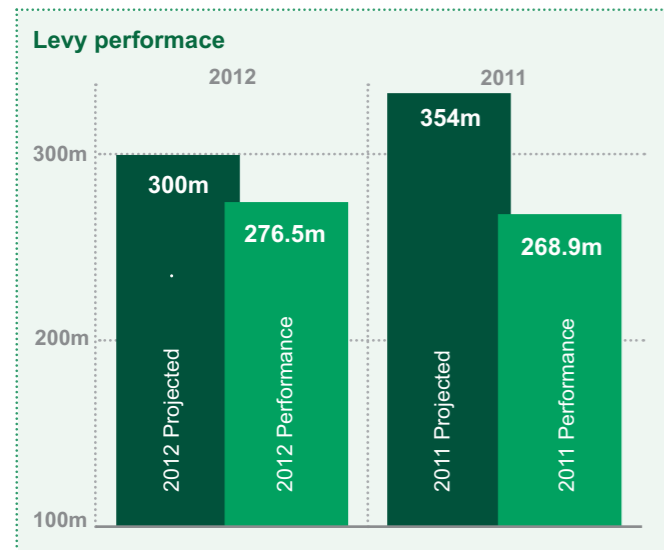
Review of 2012

Strategic outcomes

The actual 2012 levy expenditure was £276.5 million against a levy call of £300 million resulting in a surplus for the year of £23.5 million. There was a substantial improvement in the reduction of reported Guarantee Fund claims numbers of

8.7% compared with 2011. In 2012 the average total in the last three months, for vehicles on VSS but not on MID, reduced by 16.3% compared to the same period in 2011.

	Projected 2012	Performance 2012	Projected 2011	Performance 2011
Levy performance	£300.0m	£276.5m	£354.0m	268.9m
Reduction in MIB GF claims	(3.4%)	(8.7%)	(5.1%)	(2.6%)
Taxed vehicles not on MID	880,000	809,000	n/a	966,000



Customer services and efficiency

Our commitment to improve the customer experience remains a core objective which is measured through a number of Key Performance Indicators (KPIs). In 2012, we have continued to improve the overall level of performance that we provide to the customer by further reducing lifecycles and improving our performance against the Customer Charter.

2012 was the final year of the projected benefits stemming from the delivery of the Claims Transformation Programme (CTP) in 2010. During this period we have experienced a steady reduction in lifecycles and have reduced leakage beyond the targets that were originally set as part of the business case. Whilst the 2012 target for overall lifecycle was not met, largely due to delays experienced at stage 2 on Ministry of Justice (MoJ) cases, a reduction was still achieved from an average of 317 days at the end of 2011 to 295 days at the end of 2012.

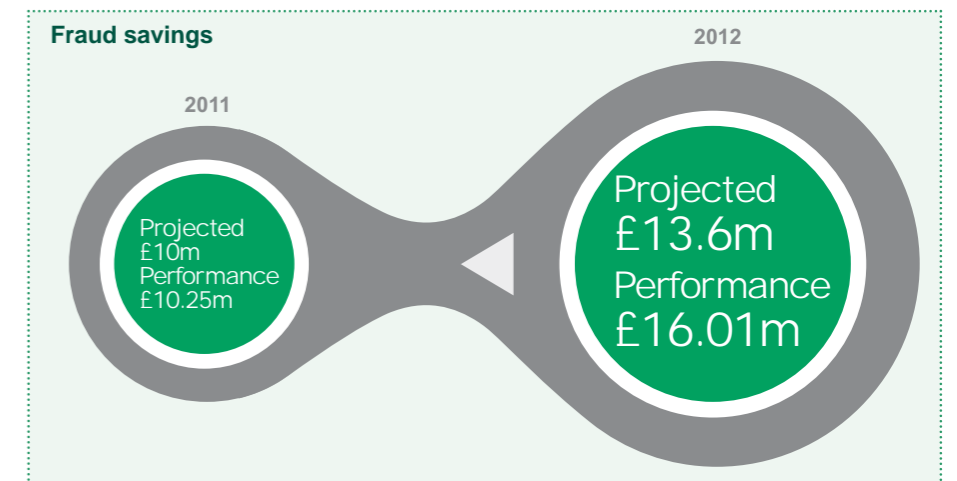
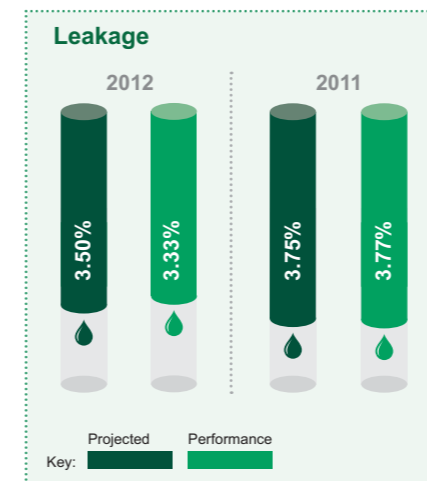
	Projected 2012	Performance 2012	Projected 2011	Performance 2011
Uninsured lifecycle	285	270	301	304
Untraced lifecycle	261	311	274	328
Green Card	277	286	294	300
Total average lifecycle	272	295	287	317

Quality audit scores were further improved in 2012, achieving another all-time high of 96.1% compared to a target of 94.5%.

Over 51,000 cases were settled during 2012 which was 3.4% below the target set. The opportunity to settle more claims was impacted by a greater reduction in incoming Guarantee Fund claims than anticipated. However, the outstanding portfolio reduced by over 6% during 2012 demonstrating that settlements continue to exceed the number of incoming claims.

Our performance against the Customer Charter also improved against 2011 performance with 95% of all incoming post being responded to within 10 days, whilst our Customer Engagement Index achieved a net satisfaction score of 73% against a target of 71.5%.

	Projected 2012	Performance 2012	Projected 2011	Performance 2011
Quality audit scores	94.5%	96.1%	93.5%	94.6%
Settlements (volume)	53,000	51,199	54,964	55,222
Leakage	3.50%	3.33%	3.75%	3.77%
Budget performance	100.0%	99.3%	100.0%	99.9%
Fraud savings	£13.60m	£16.01m	£10.00m	£10.25m
Recovery performance	£7.60m	£8.16m	£4.66m	£7.51m



Further emphasis has been placed on identifying fraud savings through increased dedicated resource and enhanced technology as part of the overall anti-fraud strategy. Fraudulent claims continue to rise within the market with the bill for this being met by honest motorists through their insurance premiums.

MIB has an obligation to not only compensate innocent victims of uninsured and untraced drivers, but to also do what it can within its power to seek reimbursement from those drivers who cause such accidents. It is imperative that those people who choose to drive without insurance realise that there are consequences to their actions and that MIB will seek recovery from them. In 2012, £8.2 million was recovered against a target of £7.6 million, which was an increase of £0.7 million against 2011 recoveries.

Through the on-going development of stronger controls, robust processes and the improved use of intelligence, we have identified record fraud savings in 2012 exceeding the end of year target by over 17%. Overall fraud savings for the year were £16 million which was £5.75 million more than 2011 savings.

MID Services



The MID data supply continued to show improvements in 2012. It was particularly pleasing to see, for the first time, full compliance with all MID1 and MID2 targets.

Even though there was continued pressure on police resources and their operational priorities in the year, the seizure of over 136,000 vehicles was a good result, especially given the reducing pool of uninsured drivers.

Continued specific police operation days throughout the year helped towards the seizure of over 42,000 vehicles following calls to the Police Helpline which is approximately 9% ahead of target. There is clearly a continuing demand from the police to increase the Helpline availability to 24 hour opening, and this is something that we will be examining with insurers during 2013.

	Projected 2012	Performance 2012	Projected 2011	Performance 2011
MID Integrity Index	99.90%	99.83%	99.90%	99.86%
MID1 TTS (YTD)	95.00%	98.80%	95.00%	98.60%
MID2 Policy TTS (YTD)	95.00%	98.10%	95.00%	97.70%
MID2 Vehicle TTS (YTD)	95.00%	95.30%	95.00%	94.40%
Number of police seizures	140,000	136,747	155,000	140,415
Police Helpline seizures	39,000	42,420	40,000	39,152

Communications




During 2012, the awareness campaign was aimed at reaching the uncommitted (can't pay/won't pay) audience as well as being designed to reinforce the behaviour of compliant motorists.

The call to action to visit askMID.com generated significant traffic to the website, representing nearly 1 in 10 vehicle owners in the campaign period alone. Social media is playing a central role in generating interest in the work that is being done to reduce uninsured driving. The public are encouraged to contribute their views and instantly share developments, which is enabling MIB to amplify the value of traditional media coverage by using social media channels such as Twitter and Facebook.

During 2012, a pilot programme was undertaken to engage communities in an attempt to tackle some of the persistent behaviours prevalent in the uninsured hotspot areas of the UK. MIB's relationships with the West Midlands Police and Fire Service are also being harnessed to draw in support from Road Safety Partnerships and local authorities

Learning and development



 Achieving external accreditation against recognised standards is important for MIB. In addition to our existing Investor in People (IIP) and Chartered Insurer accreditations, and as a signatory to the CII Aldermanbury Declaration, the Bureau has made a demonstrable commitment to high standards and professional development. The IIP accreditation also signifies that MIB recognises the importance of learning and development in achieving corporate objectives through investment in our people.

The main focus for 2013 will be on professional excellence. A number of industry initiatives and MIB's core approach are dependent upon the skills, knowledge and expertise of staff and it is paramount that we invest in their professional development to underpin the Bureau's on-going support to the industry. The MIB Qualifications Framework is being implemented to set out clear expectations of qualifications required by job level and will include a robust recruitment and promotions strategy. This will support the achievement of MIB's goals and objectives, both now and in future.

Risk management



The Bureau has invested significant time and resources to establish a robust risk management framework to help manage key business issues, such as information security, in a constructive and vigilant manner. The Risk and Compliance team oversees MIB's risk management controls, in adherence to the principles and guidelines of ISO 31000, across all the Bureau's functions and activities. The team is responsible for helping to ensure that the highest governance standards and processes are maintained and appropriate risk management behaviours are embedded into the business culture of the Bureau.

In addition, the organisation has been formally recognised and certified against the ISO 27001 information security standard. This gives external stakeholders assurance that we are committed to protecting the data assets we have been entrusted to manage, at the same time as enhancing our attention to security across all areas of the business, supported by good processes and trained people.

Other developments

MIB's data asset management activities on behalf of the industry continued in 2012, during which MIB Management Services Ltd (MIB MSL) actively supported the operational delivery of the Claims Portal, formerly known as the Road Traffic Accidents (RTA) Portal, and was directly involved with the technical discussions concerning its future expansion, both in terms of increased limits as well as possible additional classes of business.

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

For the IFB the managed service has continued to provide operational support and has also assisted in the development of the IFB's three-year strategy.


For some time now work has been carried out and discussions undertaken with the Department for Transport (DfT), DVLA and the ABI regarding the provision of a technology solution to enable the insurance industry to access the DVLA driver records through a unified gateway or hub. This will have the benefit of delivering an easier customer journey at the point of quotation, more accurate pricing and, most importantly, help to address the problem of application fraud. During 2012 these talks developed into a full programme of activity to deliver the end to end functionality by mid-2014. MIB will form an integral part of this delivery mechanism alongside the ABI and DVLA. It is a major programme of work to help the motor insurance industry deal with one of the key areas of concern at present.

Management and operational support to IDSL has also been very active during 2012. For both the CUE (Claims and Underwriting Exchange) and MIAFTR (Motor Insurance Anti-Fraud & Theft Register) databases we end the year with substantially enhanced governance controls, a better defined strategy for the future utilisation of the data, together with significant but practical improvements in membership support and improving data integrity.

And finally

Supporting all of these endeavours, and the delivery of tangible positive outcomes, has been our commitment to operating as a centre of excellence, continually aiming to improve standards and promote professional development.

None of this would be possible without the commitment, dedication and enthusiasm of the people who work here. I would like to thank everyone who has contributed to these achievements, for their effort and continued support during 2013 which, no doubt, will be equally challenging and exciting.



Ashton West

Chief Executive
13 May 2013



Directors' report

The Board present their report and the Audited Financial Statements of Motor Insurers' Bureau for the year ended 31 December 2012.

Group status

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

Principal activities

The activities of the Group are:

- 1) In pursuance of agreements with the Secretary of State for Transport:
 - a) To satisfy judgements in respect of any liability required to be covered by contracts of insurance or security under the Road Traffic Acts 1972 and 1988.
 - b) To make awards to persons suffering damage to property or injury or dependants/relatives of persons killed as a result of the use of a motor vehicle on a road, in cases where the driver of the vehicle cannot be traced.
- 2) In accordance with the provisions of the Internal Regulations of the Council of Bureaux to act as:
 - a) A Paying Bureau to guarantee the payment of relevant liability claims arising from accidents in other countries caused by holders of International Certificates of Motor Insurance (Green Cards) issued under the authority of the Bureau, or by users of motor vehicles registered in the United Kingdom.
 - b) A Handling Bureau to deal with Road Traffic Act liability claims arising from accidents 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 2003 (S.I. 2003 No.37) and the Agreement between Compensation Bodies and Guarantee Funds, approved under Commission Decision 2004/20/EC, to act as the compensation body to:

- a) Handle claims made by UK resident victims arising from accidents abroad, where there are no foreign insurers' representatives, or where those representatives fail to act, or where an insurer cannot be identified.
- b) Act as the UK Information Centre and reimburse peer compensation bodies who have paid foreign victims of accidents in the UK, in accordance with the equivalent legal provisions implementing the Fourth Directive 2000/26/EC (now encompassed within 2009/103/EC).
- c) Maintain the Motor Insurance Database (MID) ensuring:
 - i) A fit for purpose database supporting the detection, enforcement and prevention of uninsured driving in the UK.
 - ii) Compliance with current Road Traffic Act legislation (Road Traffic Act 1988 and The Motor Vehicles Third Party Risks Regulations 2001, S.I. No.2266).













Financial position and future prospects

The directors confirm that total expenditure of MIB continues to be reimbursed by contributions received and sums receivable from its members. Further information is available within the Chairman's and Chief Executive's statements. The directors are satisfied with the position of the Group and its performance during this financial year. The performance review of the Group is set within the Chief Executive's statement on pages 7 to 11.

The consolidated statement of comprehensive income on page 30 shows that the Group has neither made a profit nor incurred a loss in the year to 31 December 2012. MIB continues to have the support of its members.

Board of Directors

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

Chairman	Non-executive directors		
			
K Morris Chairman Sabre Insurance 29.09.2005*	T Moss Allianz 12.02.2009*	D Clayden AVIVA 11.09.2009*	I Currie RSA 10.09.2010*
Executive directors			
			
A West Chief Executive Motor Insurers' Bureau 14.04.2003*	A Clarke Ageas 10.09.2010*	M Bacon Equity Red Star 31.03.2011*	S Maddock DLG 09.06.2011*
			
A Sherman Finance Director Motor Insurers' Bureau 09.02.2009*	T Holliday Zurich Insurance 23.03.2012*	D Slater Saga 27.03.2013*	S Baker AXA Insurance 03.04.2013*

*Date of appointment

Resignations

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

Name	Company	Date of appointment	Date of resignation
A Woof	Zurich Insurance	04.05.2006	09.03.2012
D Neave	CIS Insurance	21.11.2007	07.03.2013
L Matras	Groupama Insurance	03.07.2008	28.02.2013
C Staniland	AXA Insurance	03.03.2011	05.04.2012
R Coombe	AXA Insurance	06.06.2012	14.11.2012

Board attendance

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

Name	Board meetings					Audit Committee	
	01/03/12	19/04/12	14/06/12	12/09/12	21/11/12	19/04/12	15/11/12
K Morris	●	●	●	●	●	●	●
A West	●	●	●	●	●	●	●
A Sherman	●	●	●	●	●	●	●
T Moss	●	○	●	●	●	○	○
D Neave	●	○	●	●	●	○	○
L Matras	○	○	●	●	●	○	○
D Clayden	●	○	○	●	●	○	○
A Woof	●	○	○	○	○	○	○
A Clarke	○	●	○	●	●	○	○
I Currie	○	●	○	●	○	○	○
S Maddock	●	●	○	○	○	●	●
C Staniland	●	○	○	○	○	○	○
M Bacon	●	○	●	●	●	○	○
T Holliday	○	○	●	○	●	○	○
R Coombe	○	○	○	○	○	○	○

● = Present ○ = Absent ○ = N/A

Membership details

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

Name	Date of joining
Evolution Insurance Company Limited	12.01.2012
Qudos Insurance A/S	07.02.2012
Liberty Insurance Limited	22.06.2012
HDI-Gerling Industrie Versicherung AG – UK Branch	01.10.2012
ARB Insurance Company Limited	01.11.2012
Automobile Association Insurance Company Limited	06.11.2012

The following companies ceased being members:

Name	Membership ceased
Grafton (Europe) Insurance Company Ltd	24.05.2012

Statement of disclosure of information to auditors

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

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

Employee policy

The Group values the contribution of its employees and recognises that business objectives cannot be achieved without attracting and developing high quality staff. The Group is committed to being an equal opportunities employer and has in place a number of processes to ensure that employees are engaged in the business and are able to develop over time. Employees are kept up to date on activities within the Group through formal and informal meetings, regular briefings, updates on the Group intranet and the publication of the Group newsletter. An employee liaison group is in place to provide an additional forum for communicating with employees.

As an Investor in People, MIB ensures that its employees have access to a wide range of learning and development resources. Opportunities are also provided for them to become professionally qualified through accredited training programmes linked to the Chartered Insurance Institute (CII) and Institute of Leadership and Management.

MIB has Chartered Insurer status from the CII and is committed to developing and maintaining the knowledge and capability of its people.

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

Charitable donations

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

Supplier terms

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



Statement of directors' responsibility

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

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

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

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

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

By order of the Board



A. Downing

Andrew Downing

Company Secretary
13 May 2013

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

Corporate governance statement

A strong corporate governance framework is central to the efficient and effective performance of MIB. It ensures the accountability, responsibility and ethical behaviour of MIB, enabling MIB's stakeholders to have full confidence in it.

The Board

The Board's purpose is to ensure that MIB's long-term strategy promotes the interests of its members, customers, employees and the business community in which MIB operates.

The Board provides direction to ensure that MIB continues to operate with a high level of ethical behaviour under robust risk management practices. The Board supervises MIB management and maintains control over MIB's assets.

Matters referred to the Board are considered by the Board as a whole, ensuring that no sole person has unrestricted powers of decision. Affairs which require the Board's specific approval are documented along with relevant procedures and controls. This information is used to create a framework of those decisions which need to be taken by the Board and those which can be delegated to committees.

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

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

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

Levy Group

The role of the group is to assess the levy requirements, including the amount of the annual levy and the method of apportioning this across the levy members. The group is comprised of a minimum of one non-executive director, one executive director and four representatives from member companies.

Investment Committee

The Investment Committee is made up of a minimum of one non-executive director, one executive director and one member expert. The committee provides investment strategy recommendations and monitors the investment policies and procedures of the Bureau.

Human Resources Group

The Human Resources Group provides guidance to MIB in its exercise of its HR strategies and ensures that MIB's practices and procedures are in line with those operated by members. The group oversees MIB's performance in respect of issues

including equal pay, turnover of staff and sickness levels. The group is made up of a minimum of one non-executive director, one executive director, the Head of HR and one member expert.

Audit Committee

The committee is comprised of three non-executive directors. Both the Audit Manager and Head of Risk and Compliance have reporting lines to the Audit Committee.

The committee's principal functions include:

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

Executive Management Team (EMT)

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

Internal audit

MIB's internal audit function is split along capabilities: generalist and specialist auditors. An in-house audit team of generalist auditors is primarily responsible for performing insurance and business-related audits (including claims handling quality and business leakage), ISO compliance audits and tracing audits on behalf of the Employers' Liability Tracing Office (ELTO).

The claims handling area of the business is also audited by a member company, on an annual basis. In 2012 the member audit was conducted by Aviva.

For specialist areas including Finance and IT, MIB engages the services of independent business auditors, currently KPMG.

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

Risk management

MIB is committed to integrating risk management controls into its key business activities. MIB has a dedicated Risk and Compliance department which coordinates and develops MIB's risk management framework, in adherence to the principles and guidelines of ISO 31000, to help ensure that risk management behaviours are embedded into the culture of the business. The Risk and Compliance team identify and evaluate risks across the entire organisation, with reporting lines to the Chief Executive, Audit Committee and the Board.

Compliance

MIB is committed to conducting its business within the highest possible standards of information security. MIB's achievement of ISO 27001 certification in information security management demonstrates its dedication to reaching these standards in its business activities.

The Risk and Compliance team work to ensure that MIB's business activities are fully compliant with applicable laws and regulations as well as relevant internal rules, policies and procedures. The Risk and Compliance team and the Audit department are responsible for the day-to-day management of compliance at MIB. This compliance is overseen by the MIB Board (supported by its committees).

Health and safety

MIB recognises the critical importance of health and safety within the organisation. The Facilities Manager carries out required risk assessments and ensures that appropriate action to remove or control identified risks is taken. So far as is reasonably practical, MIB's policy is to operate in a manner which poses no risk to the health and safety of employees, contractors, visitors and the general public.

Corporate Social Responsibility (CSR)

MIB takes its CSR responsibilities very seriously. MIB is committed to caring for the environment, having a positive impact on the community, maintaining a positive relationship with its stakeholders and being an employer of choice.

A team of volunteers from across the business form the Corporate Social Responsibility (CSR) team. The team strives to integrate socially responsible behaviour into MIB's core values and business activities.

Targets and reporting mechanisms have been developed to support MIB's CSR strategy. Objectives have been set to undertake activities and adopt good practice within the CSR work streams. The following areas are considered:

Workplace

MIB strives to attract the best individuals by being the employer of choice and to reward the hard work of its employees through award schemes. A strong learning and development programme provides MIB employees with the opportunity for self-growth.

Marketplace

MIB is committed to building and maintaining trust and positive relationships with all the company's stakeholders.

Community

MIB believes that its engagement with the community is an essential part of its business. MIB strives to have a positive impact on the community.

Environment

Environmental issues remain a high priority for MIB and so it works to reduce the impact its business activities have on the environment.

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

CSR highlights of 2012 include:

- Donating over £17,000 to The Children's Trust¹
- Achieving a 48% staff uptake in MIB's 'give as you earn' scheme, with 75% of new starters joining the scheme
- Reducing MIB's carbon footprint by over 84 tonnes from 594 tonnes in 2011 to 510 tonnes in 2012
- Achieving a staff engagement satisfaction score of 71%



¹In line with previous years £3,000 was donated by MIB

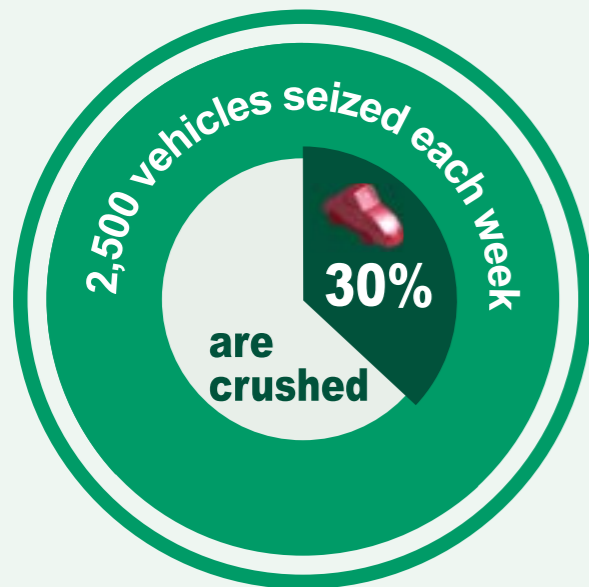
The millionth seizure

MIB works closely with the police and other agencies to reduce the level and impact of uninsured driving in the UK. Since police were granted powers to seize uninsured vehicles in 2005, around 2,500 vehicles are seized each week and it is estimated that 30% of these are crushed.

On 21 August 2012, police in Birmingham reached a milestone seizure, taking the millionth uninsured vehicle off the road as part of an operation to disrupt criminal activity. Bordesley, the area of Birmingham in which the operation took place, was identified by MIB as one of the worst hotspots for uninsured driving.

Police seized the car, a Ford Fiesta, from a 45-year-old man. It was towed and held in a secure compound for two weeks. Had the driver presented the relevant documents within that time he could have reclaimed his vehicle but, as he failed to do so, the car was crushed.

Identifying the hotspot areas has helped police decide where to run operations like this. Bordesley dominated the hotspot ranks in 2012, as the number of motorists without insurance was eight times higher than the national average. The West Midlands made up more than 60% of the top 20 worst postcodes in the country, followed by West Yorkshire with 25%.



Research conducted by Linstock Communications, on behalf of MIB across 2,050 UK adults in these areas, highlighted that a third of people still do not understand the laws on car insurance; thereby risking fines of up to £5,000, points on their license and their cars being seized. Some of the reasons cited for driving without insurance included the cost of motor insurance, not understanding the law and penalties and a belief that they would get away with it.

To tackle these issues, and in anticipation of the millionth seizure, MIB liaised with police and community leaders to engage people in these hotspots, improve their understanding and awareness of the law, as well as the consequences of offending.

Working hand in hand with West Midlands Police, West Midlands Fire Service and Birmingham City Council, MIB helped deliver a range of educational and awareness-raising activities for 16 to 24-year-olds. This programme reinforced the risks to drivers and other road users of driving uninsured, and also offered practical advice to help them obtain insurance and become responsible and safe drivers.






The crackdown on uninsured driving has progressed in recent years with schemes like Continuous Insurance Enforcement (CIE), which identifies owners of uninsured vehicles by comparing the Motor Insurance Database (MID) with DVLA's database of registered keepers. Building public awareness of the law and penalties has also played a significant role in the 40% reduction in uninsured driving.



The West Midlands made up more than 60% of the top 20 worst postcodes in the country, followed by West Yorkshire with 25%

The 5C's of Information Security



-  **C**lear desks & printers ✓
-  **C**onfidential waste disposal ✓
-  **C**ard IDs visible ✓
-  **C**lassify documents ✓
-  **C**omputers locked ✓



Data security is key



ISO 27001 is the international standard for information security management, which outlines how to put in place an independently assessed and certified Information Security Management System (ISMS).

In 2012 MIB introduced ISO 27001 to its headquarters in Milton Keynes, helping the organisation to more effectively secure all financial and confidential data, thereby minimizing the likelihood of it being accessed illegally or without permission.

This further demonstrates the organisation's commitment and compliance to global best practice and proves to customers, suppliers, as well as stakeholders in the government, police and insurance industry that security is paramount to the way MIB operates.

MIB prepared members of staff for the implementation of ISO 27001 through a comprehensive internal communications campaign. This mainly revolved around the Bureau's '5Cs' of information security:

1. **Clear desks and printers**
2. **Confidential waste disposal**
3. **Card IDs visible**
4. **Classify documents**
5. **Computers locked**

Engaging the whole business was crucial to the successful implementation of ISO 27001. The '5Cs' were communicated to staff through posters, MIB's intranet, screensavers and in consultation with MIB's ISO champions, who were drawn from different areas of the business.

To help staff adhere to the principals, MIB provided new lockable waste cabinets for all paper waste and put in place an incident reporting mechanism. ISO training is also now compulsory for all staff, including new starters, and since implementation 99% of staff have successfully completed the information security course and assessment.

MIB's ISO assessment took place in two stages. The first stage, on 10 May 2012, reviewed the Bureau's preparedness for assessment by checking if the necessary ISO 27001 procedures and controls had been developed. The second stage followed a few weeks later and assessed the implementation of the procedures and controls within MIB to make sure that they were working effectively, as required for certification.

The benefits of ISO have included an assessment process that helps MIB continually measure the effectiveness of its ISMS. It also provides independent assessments to ensure that applicable laws and regulations are being observed.

The ISO 27001 certification supports MIB's aspiration to be a centre of excellence and will develop as the business evolves and new data security threats emerge.



MIB fighting fraud

Every year MIB is committed to containing the levy increases. Among other measures, the organisation seeks to achieve this by improving the detection of fraudulent claims made under the Uninsured and Untraced Drivers Agreements.

From 2011 to 2012 the number of identified fraud cases successfully investigated by MIB's Specialist Claims Unit (SCU) increased by 43%. MIB has also forged stronger relations with the Insurance Fraud Bureau (IFB) to allow the sharing of information, intelligence and resources for the benefit of the industry.

Another key initiative has been the introduction of a compulsory fraud scorecard, which is now completed on all MIB claims prior to the admission of liability. This is further improving the detection of opportunistic fraud and has formed part of a wider three-year strategy developed in 2012.

In 2012, the SCU team continued to identify ways to apply sanctions and punishments to fraudsters at all claim levels, and through thorough investigations, persistence and persuasiveness, a number of claims have been defeated in court. MIB also filed its first successful case with the Insurance Fraud Enforcement Department (IFED), a specialist policing unit tackling insurance fraud.

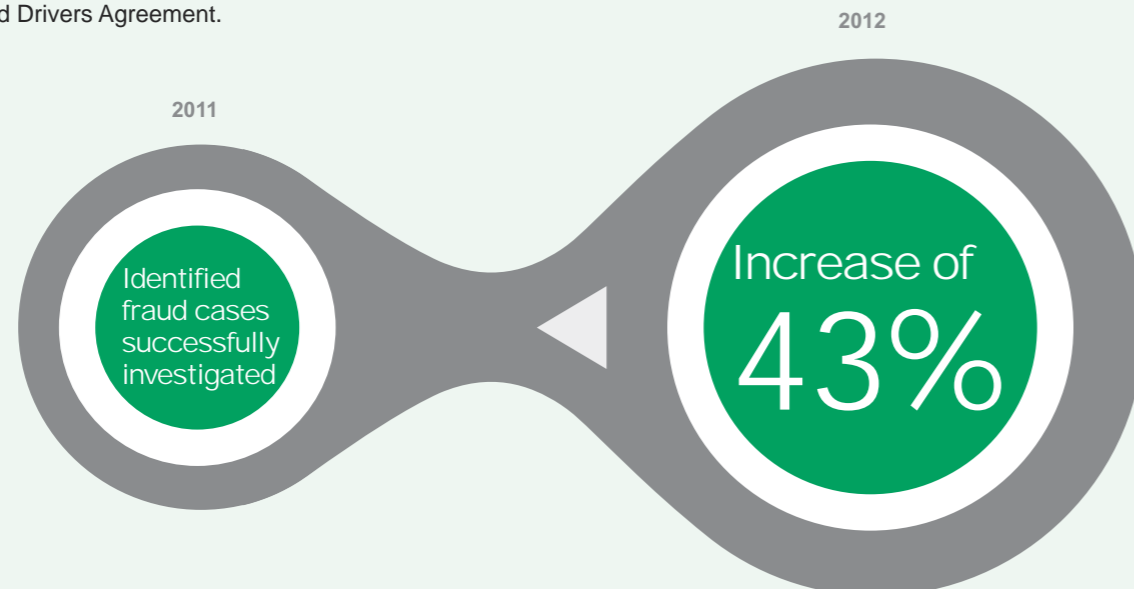
This case involved personal injury claims which were presented on behalf of the 'alleged' driver and her three children, aged between 9 and 13, for whiplash type symptoms. As the vehicle that hit the 'alleged' driver's car, which was pulled over to the side of the road, was confirmed as stolen by an unidentified thief, the claim was referred to MIB under the Untraced Drivers Agreement.

The SCU team cross-referenced the claimant's story with the police report obtained from West Yorkshire Police. As the report clearly stated that the claimant's vehicle was parked and unoccupied at the time of the accident, MIB rejected the claim and referred the case to IFED.

The 'alleged' driver was then interviewed by the police and soon admitted that her account was fictitious. After the collision, she was bombarded by texts and phone calls from claims management companies which finally made her succumb to the prospect of financial gain.

At the point of rejection, the case could have cost MIB £17,000. MIB made no payments during the investigation, while the 'alleged' driver has since had to reimburse her solicitor £50 per month for their services. She also has a criminal record, is entered on the national DNA database and will be listed on the fraud prevention and detection system, SIRA.

What this case highlights is the prevalence and temptation of opportunistic fraud, as well as the advancements made within the industry to deal with this issue. MIB will continue to be vigilant in detecting and preventing fraud against the compensatory fund.



Independent auditors' report

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

We have audited the financial statements of Motor Insurers' Bureau Group for the year ended 31 December 2012, which are set out on pages 30 to 48. The financial reporting framework that has been applied in its preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the reports of the Chairman and Chief Executive to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Simon Gallagher

Senior Statutory Auditor

For and on behalf of
Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

15 May 2013





MIB employees participating in the annual Milton Keynes dragon boat festival

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	Consolidated		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
INCOME					
Leviable premium	3	278,021	117,550	278,021	117,550
Other operating income	5	4,614	3,196	3,395	2,359
Total income		282,635	120,746	281,416	119,909
EXPENDITURE					
Net claims paid		(256,271)	(251,458)	(256,271)	(251,458)
Decrease/(Increase) in claims provision	4	2,643	154,358	2,643	154,358
		(253,628)	(97,100)	(253,628)	(97,100)
Administrative expenses	6	(27,364)	(25,209)	(26,145)	(24,372)
Actuarial gain/(loss) on retirement benefits	9	(2,695)	298	(2,695)	298
Operating profit / (loss)		(1,052)	(1,265)	(1,052)	(1,265)
Financial income	7	4,305	3,116	4,305	3,116
Financial expenses	8	(3,253)	(1,851)	(3,253)	(1,851)
Net income before tax		-	-	-	-
Income tax expense	10	-	-	-	-
Net income after tax		-	-	-	-

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

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

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

Consolidated statement of financial position

As at 31 December 2012

	Notes	Consolidated		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	3,592	3,671	3,592	3,671
Current assets					
Trade and other receivables	15	1,533,288	1,530,799	1,533,184	1,530,522
Cash and cash equivalents	12	6,012	7,813	5,798	7,704
Financial investments	13	58,101	83,936	58,101	83,936
		1,597,401	1,622,548	1,597,083	1,622,162
Total assets		1,600,993	1,626,219	1,600,675	1,625,833
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	9	9,077	6,512	9,077	6,512
Provisions	4	1,349,838	1,291,643	1,349,838	1,291,643
		1,358,915	1,298,155	1,358,915	1,298,155
Current liabilities					
Trade and other payables	14	7,270	32,401	6,952	32,015
Retirement benefit obligations	9	1,211	1,228	1,211	1,228
Provisions	4	233,597	294,435	233,597	294,435
		242,078	328,064	241,760	327,678
Total liabilities		1,600,993	1,626,219	1,600,675	1,625,833

The financial statements on pages 30 to 48 were approved and authorised for issue by the Board of Directors on 13 May 2013 and were signed on its behalf by



Keith Morris – Chairman
13 May 2013



Ashton West – Director
13 May 2013

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

Group Company Number 412787

Consolidated statement of cash flows

For the year ended 31 December 2012

	Notes	Consolidated		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash flows from operating activities					
Cash generated from operations	16	(31,883)	930	(31,988)	918
Interest received		4,304	3,116	4,304	3,116
Interest paid		-	-	-	-
Tax paid		-	-	-	-
Net cash flows from operating activities		(27,579)	4,046	(27,684)	4,034
Cash flows from investing activities					
Purchases of property, plant and equipment	11	(57)	(99)	(57)	(99)
Proceeds from sale of property, plant and equipment		-	-	-	-
Net change in financial investments		25,835	(34,930)	25,835	(34,930)
Net cash flows from investing activities		25,778	(35,029)	25,778	(35,029)
Cash flows from financing activities					
Repayments of borrowings	17	-	-	-	-
Net cash flows from financing activities		-	-	-	-
Net increase/(decrease) in cash and cash equivalents		(1,801)	(30,983)	(1,906)	(30,995)
Cash and cash equivalents at the beginning of the year	12	7,813	38,796	7,704	38,699
Net increase/(decrease) in cash and cash equivalents	17	(1,801)	(30,983)	(1,906)	(30,995)
Cash and cash equivalents at the end of the year	12	6,012	7,813	5,798	7,704

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

Notes to the financial statements

1. Principal accounting policies

Basis of preparation

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

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

In respect of IAS 19, the Group has elected to recognise all cumulative actuarial gains and losses in relation to post-employment defined benefit schemes at the date of transition. In addition, the Group 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 Group does not hold retained equity. The Group has elected to disclose comparative information of the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan, from adoption of IFRS.

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

IFRS 7 – Financial instruments disclosure: the changes apply to accounting periods beginning on or after 1 July 2011 and deal with transfers of financial assets. Disclosures are made, given in a single note to the financial statements, and provided for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset.

IFRS 9 – Financial instruments: the main changes are to the classification and measurement of financial assets and liabilities. There are two categories of financial assets instead of the previous four being those that are carried at amortised cost and those that are not and must be carried at fair value. The measurement of financial assets now has the requirement that all financial assets must initially be measured at fair value plus transaction costs that are directly attributable to its acquisition.

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

IAS 19 – Defined benefit schemes: the main change is the elimination of the corridor approach to the recognition of actuarial gains and losses. Companies must recognise all actuarial gains and losses as they arise. Other changes include requiring all past service costs to be recognised immediately and not spread over any vesting period, and the removal of the current analysis of income and charges and replacing it with three elements, the service cost, net interest income or expense and remeasurements. New disclosure requirements include the inclusion of a sensitivity analysis on actuarial assumptions.

Group status

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

Income

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

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

1. Principal accounting policies continued

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

Net claims paid

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

Consolidation

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

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

Investments in subsidiaries are accounted for at cost less impairment

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

Property, plant and equipment

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

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

Freehold property	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 statement of financial position date and taking into account any adjustments arising from prior years.

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

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

Retirement benefit obligations

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

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

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

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

Investments

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

Cash and cash equivalents

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

Significant judgements

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

i) Provisions

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

provision for claims is recognised in the period in which the under or over provision is discovered, either on final settlement of the claim or on re-estimation of its ultimate cost.

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

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

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

ii) Levy

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

2. Employee costs and numbers

Particulars of employee costs (including executive directors) were as follows:	Consolidated and Company	
	2012	2011
	£'000	£'000
Wages and salaries	10,143	9,196
Social security costs	927	872
Pension contributions – Defined benefit	1,205	1,239
– Defined contribution	523	392
Other staff costs	53	39
	12,851	11,738

Average number of employees (including directors) were:	No.	No.
MIB claims operations (including internal audit)	227	230
MID services (including Contact Centre)	61	49
MIB/MID support	89	76
IFB	22	13
	399	368

Directors' remuneration	Consolidated and Company	
	2012	2011
	£'000	£'000
The remuneration of the directors was as follows:		
Emoluments (including benefits in kind)	372	346
Pension contributions	49	45
	421	391

Highest paid director:		
Emoluments	223	208
Pension contributions	34	33
	257	241

Total accrued pension entitlement per annum for highest paid director	27	21
Total accrued lump sum entitlement for highest paid director	62	47

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

Key management personnel

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

Consolidated and Company		
Emoluments (including benefits in kind)	531	448
Pension contributions	72	52
	603	500
Number of executives at the statement of financial position date	7	5

3. Leivable premium

	Consolidated and Company	
	2012	2011
	£'000	£'000
Levy called	299,607	353,879
Surplus levy return	(25,000)	(85,000)
Movement in uncalled levy	3,414	(151,329)
Leivable premium	278,021	117,550

	Consolidated and Company	
	2012	2011
	£'000	£'000
Movement in uncalled levy		
Decrease / (Increase) in reserves provision	(2,643)	(154,358)
Other movements	6,057	3,029
Movement in uncalled levy	3,414	(151,329)

4. Provisions

Claims provision and expenditure	Consolidated and Company	
	2012	2011
	£'000	£'000
Claims provision at 31 December 2012	1,583,435	1,586,078
Claims provision at 31 December 2011	(1,586,078)	(1,740,436)
Net movement in claims	(2,643)	(154,358)
Claims paid less recoveries	256,271	251,458
Claims expenditure during the year	253,628	97,100
Claims provision at 31 December 2012 – non current	1,349,838	1,291,643
Claims provision at 31 December 2012 – current	233,597	294,435
	1,583,435	1,586,078

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

4. Provisions continued

Process used to determine significant assumptions:

Claim provisions

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

Notified claims

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

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

Claims Incurred But Not Yet Reported (IBNR)

This represents the total liability of unpaid claims that have occurred but have not been reported to the Group at the accounting date. Current and historical data relating to claims, payments and reserves is gathered by accident year up to and including 31 December 2012. The data is used to project the cost of future claims using generally accepted actuarial techniques. The IBNR provision for 2012 is £149m (2011: £146m).

Claims Incurred But Not Enough Reported (IBNER)

The IBNER provision for 2012 is £7m (2011: £11m). This represents a provision for the deterioration or improvement in known estimates in claims relating to accidents which have been notified before the end of the accounting period.

Discounting of long-term provisions

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

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

The discounting of these claims had the following impact on the value of provisions as at 31 December 2012:

	Consolidated and Company	
	2012 £'000	2011 £'000
Gross reserves	249,807	208,966
Net discount with discount factor	39,042	27,617
Net reserves	288,849	236,583

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

Exposure to claims

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

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

5. Other income

	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
General enquiries	11	8	11	8
Sanction fines	6	11	6	11
Electronic vehicle licence fees	739	700	739	700
3rd party MID enquiries	574	508	574	508
Fees for management services	3,226	1,953	2,007	1,116
Recovery from administrators	58	16	58	16
Other income	4,614	3,196	3,395	2,359

6. Administration expenses

	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Claims related fees	3,577	4,256	3,577	4,256
Operational services	22,338	19,847	22,263	19,815
Rechargeable expenses	1,144	807	-	-
Operating lease costs	49	48	49	48
Depreciation	137	141	137	143
Auditors' remuneration – audit	63	56	63	56
– taxation	6	4	6	4
Council of Bureaux fees	50	50	50	50
Interest on bank loan	-	-	-	-
	27,364	25,209	26,145	24,372

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

7. Financial income

	Consolidated and Company	
	2012 £'000	2011 £'000
Bank deposit interest	70	192
UK gilt interest	2,855	2,898
Other interest earned	1,380	26
	4,305	3,116

8. Finance expenses

	Consolidated and Company	
	2012 £'000	2011 £'000
Gilt transactions	127	94
Decrease in market value of gilts	2,627	1,089
Pension costs – IAS 19	499	668
	3,253	1,851

9. Retirement benefit obligations

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

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

Contributions to the scheme are made on the advice of the actuaries with the objective that the benefits be fully funded during the scheme members' average working lives. This valuation indicates that the scheme is 60% funded. The market value of the scheme's assets at the valuation date was £13,171,000. The pension cost for the year was £1,204,651 (2011: £1,239,415). As at 1 January 2013, the continuing pension cost has been set at 20.5% of pensionable salaries (increasing to 25.2% from the 1st April 2013) plus a fixed deficit funding amount of £758,912 per annum. The deficit funding amount is split between the actuarial valuation undertaken as at 1 January 2006 (£243,912) and the actuarial valuation undertaken as at 1 January 2009 (£515,000).

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

	2012	2011	2010	2009	2008
	% pa	% pa	% pa	% pa	% pa
Discount rate	4.3	4.9	5.6	5.7	6.2
Expected rate of future salary increases	3.4	3.5	4.1	4.3	3.4
Expected rate of return on plan assets	3.7	3.7	3.4	3.5	3.5
Expected rate of future pension increases	2.9	3.0	3.7	3.7	2.8
Underlying expected inflation rate	3.0	3.1	3.7	3.7	2.8

The market value of assets in the scheme were £13,171,000 (2011: £11,714,000; 2010: £11,247,000; 2009: £9,545,000; 2008: £8,096,000) with assumed rates of return of 3.7% (2011– 3.7%; 2010 – 3.4%; 2009 – 3.5%; 2008 – 3.5%).

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.

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	Fair value	Expected return	Fair value	Expected return	Fair value
	2012	2012	2011	2011	2010	2010
	%	£'000	%	£'000	%	£'000
Equities	5.9	5,506	5.9	5,114	7.1	3,590
Bonds	3.8	2,100	4.2	1,927	4.9	1,540
Property	4.9	746	4.9	717	6.1	399
Other	0.5	4,819	0.5	3,956	0.5	5,718
Fair value of assets		13,171		11,714		11,247
Present value of liabilities		(23,459)		(19,454)		(19,030)
Related deferred tax		-		-		-
Net pension liability		(10,288)		(7,740)		(7,783)

	Expected return	Fair value	Expected return	Fair value
	2009	2009	2008	2008
	%	£'000	%	£'000
Equities	7.4	2,656	6.8	1,927
Bonds	5.4	1,763	5.0	567
Property	6.4	289	5.8	398
Other	0.5	4,837	2.0	5,204
Fair value of assets		9,545		8,096
Present value of liabilities		(17,129)		(11,560)
Related deferred tax		-		-
Net pension liability		(7,584)		(3,464)

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

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Deficit at 1 January 2012	(7,740)	(7,783)	(7,584)	(3,464)	(2,508)
Current service cost	(732)	(896)	(1,016)	(570)	(730)
Contributions	1,378	1,309	1,792	724	766
Other finance costs	(499)	(668)	(616)	(422)	(58)
Actuarial gain/(loss)	(2,695)	298	(359)	(3,852)	(934)
Deficit at 31 December 2012	(10,288)	(7,740)	(7,783)	(7,584)	(3,464)

Analysis of the amount charged to administrative expenses:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Current service cost	732	896	1,016	570	730
Past service cost	-	-	-	-	-
Gains on settlements and curtailments	-	-	-	-	-
Total operating charge	732	896	1,016	570	730

Analysis of the amount credited to other finance costs:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Expected return on assets	(454)	(398)	(360)	(295)	(636)
Interest on liabilities	953	1,066	976	717	694
Other finance costs	499	668	616	422	58
Total charge for year	1,231	1,564	1,632	992	788

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

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

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Actuarial return less expected return on assets	93	(802)	(152)	678	(2,452)
Experience gains and losses arising on liabilities	(283)	120	53	(4,530)	1,518
Changes in assumptions underlying the present value of the liabilities	(2,505)	980	(260)	-	-
Total actuarial gain/(loss)	(2,695)	298	(359)	(3,852)	(934)

Amounts recognised in the statement of financial position: -

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of funded obligations	(23,459)	(19,454)	(19,030)	(17,129)	(11,560)
Fair value of assets	13,171	11,714	11,247	9,545	8,096
Net liability recognised in the statement of financial position	(10,288)	(7,740)	(7,783)	(7,584)	(3,464)

The Group expects to contribute £1,283,000 to the defined benefit scheme in 2013. Actual return on plan assets for 2012 was £1,122,000 (2011: £816,000).

10. Taxation

	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
UK corporation tax	-	-	-	-
Adjustment in respect of prior periods	-	-	-	-
	-	-	-	-
Factors affecting the tax charge for the period				
Income on ordinary activities before taxation	-	-	-	-
Standard rate of corporation tax of 20% (2011:20%)	-	-	-	-
Effects of:				
Non-deductible expenses	4	4	4	4
Depreciation in excess of capital allowances	-	(46)	-	(46)
Tax losses carried back	-	-	-	-
Utilisation of tax losses	-	-	-	-
Losses carried forward	-	42	-	42
Other deductions	(4)	-	(4)	-
	-	-	-	-

The Group has a deferred tax asset of approximately £87,000 (2011: £87,000) which is not recognised on the grounds that there is insufficient evidence that the asset will be recoverable against suitable taxable income.

11. Property, plant and equipment – Consolidated and Company

	Freehold property £'000	Fixtures & fittings £'000	Computers £'000	Total £'000
Cost				
At 1 January 2012	3,892	613	1,513	6,018
Additions	-	2	55	57
Disposals	-	-	-	-
At 31 December 2012	3,892	615	1,568	6,075
Depreciation				
At 1 January 2012	464	573	1,309	2,346
Charge for year	-	15	122	137
Disposals	-	-	-	-
At 31 December 2012	464	588	1,431	2,483
Net book value				
At 31 December 2012	3,428	28	136	3,592
At 31 December 2011	3,428	40	203	3,671

12. Cash and cash equivalents

	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash at bank and in hand	6,012	7,813	5,798	7,704
	6,012	7,813	5,798	7,704

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

13. Financial investments– Consolidated and Company

	2012 £'000	2011 £'000
UK government gilts	58,101	83,936

The carrying amounts of these assets approximate their fair value. UK government gilts are valued at bid market price as at 31 December 2012.

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

14. Trade and other payables

	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade payables	411	1,797	323	1,557
Advanced levy payments	3,832	3,432	3,832	3,432
Levy refund due to members	-	25,000	-	25,000
Accrued expenses	1,595	861	1,595	861
Other payables	1,432	1,311	1,202	1,165
	7,270	32,401	6,952	32,015

15. Trade and other receivables

	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Additional levy receivable	1,529,117	1,525,777	1,529,117	1,525,777
Other trade receivables	2,801	2,350	1,667	1,616
Prepayments	504	462	504	461
Other receivables	866	2,210	1,896	2,668
	1,533,288	1,530,799	1,533,184	1,530,522

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

	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Inflows from operating activities				
Operating profit / (loss)	(1,052)	(1,265)	(1,052)	(1,265)
Depreciation charges	137	141	137	141
Interest paid	-	-	-	-
Profit on sale of tangible fixed assets	-	-	-	-
(Increase) / Decrease in trade and other receivables	(2,495)	153,604	(2,660)	153,273
Increase / (Decrease) in trade and other payables	(25,124)	4,702	(25,064)	5,021
Increase / (Decrease) in provisions and other liabilities	(96)	(154,401)	(96)	(154,401)
Finance costs	(3,253)	(1,851)	(3,253)	(1,851)
	(31,883)	930	(31,988)	918

17. Reconciliation of opening to closing net debt - Consolidated

	At 01.01.11 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.11 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.12 £'000
Cash and cash equivalents	38,796	(30,983)	-	7,813	(1,801)	-	6,012
Bank overdraft	-	-	-	-	-	-	-
	38,796	(30,983)	-	7,813	(1,801)	-	6,012
Debt due within 1 year	-	-	-	-	-	-	-
Debt due after 1 year	-	-	-	-	-	-	-
Net debt	38,796	(30,983)	-	7,813	(1,801)	-	6,012

Reconciliation of opening to closing net debt - Company

	At 01.01.11 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.11 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.12 £'000
Cash and cash equivalents	38,699	(30,995)	-	7,704	(1,906)	-	5,798
Bank overdraft	-	-	-	-	-	-	-
	38,699	(30,995)	-	7,704	(1,906)	-	5,798
Debt due within 1 year	-	-	-	-	-	-	-
Debt due after 1 year	-	-	-	-	-	-	-
Net debt	38,699	(30,995)	-	7,704	(1,906)	-	5,798

18. Operating lease commitments

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

	Consolidated and Company	
	2012 £'000	2011 £'000
Within 1 year	99	69
Later than 1 year and less than 5 years	197	217
Total operating lease commitments	296	286

19. Subsidiaries

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

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

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

20. Related parties

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

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

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

During the year the Group provided management services to Claims Portal Limited, a company incorporated in England and Wales in which A Sherman is a director, totalling £1,797,318 (2011: £1,370,366). Additionally, MIB has provided a guarantee to a third party supplier in respect of fees due from Claims Portal Limited, a company 50% owned by a subsidiary of MIB (MIB Portal Services Limited), where the estimated annual fees payable are in the order of £1,000,000. This contract expires in 2015.

As at 31 December 2012 the Group was owed £1,404,304 (2011: £1,021,395) from Claims Portal Limited.

During the year the Group provided management services to the Insurance Fraud Bureau, an entity registered in Jersey in which A West is a director, totalling £2,996,816 (2011: £1,457,301).

As at 31 December 2012 the Group was owed £480,347 (2011: £344,331) from Insurance Fraud Bureau.

During the year the Group provided management services to Insurance Database Services Limited, a company incorporated in England and Wales in which A West is a director, totalling £913,833 (2011: £514,309).

As at 31 December 2012 the Group was owed £67,869 (2011: £144,908) from Insurance Database Services Limited.

21. Financial risk management

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

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

The Group has a risk management function that manages and continuously monitors the financial risks relating to the Group's operations. The Group's senior management meets regularly to review and, if appropriate, approve the implementation of optimal strategies for effective

management of financial risk. The process includes documentation of policies, including limits, controls and reporting structures.

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

Credit risk

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

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

The Group's trade receivables largely consist of levy due from insurers. In order to write motor business, insurers must become a member of MIB and adhere to the terms and conditions laid out in its Memorandum and Articles of Association. The terms require each member to pay a levy to

MIB, calculated on the basis of the volume and class of business written over each financial period. The majority of the levy is collected by monthly direct debit with a right to charge interest for any late payment. Ultimately, should an insurer default or become bankrupt or insolvent, the debt can be passed to the general market for reimbursement. Therefore, non-payment of levy from a member presents a negligible risk to the Group.

The Group has the right to call an additional levy from members should it wish to do so. The additional levy receivable of £1,529m (2011: £1,526m) represents the estimated value of all current and "incurred but not reported" claims which can be called upon within 12 months of the statement of financial position date. Whilst this represents a significant amount within the statement of financial position, the risk of non-payment is considered unlikely given that the overall premium income generated by the motor insurance market in 2012 was £14bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

Liquidity risk

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

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

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

21. Financial risk management continued

Cash in hand and bank deposits	Consolidated		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Total cash in hand	6,012	7,813	5,798	7,704

Market risk

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

At the date of the statement of financial position, the Group held cash deposits with banks which were available on demand. The remainder of investments were invested in government fixed interest gilts. During the year, a number of

cash deposits held with banks and building societies for a maximum period of 365 days matured and were reinvested in government fixed interest gilts. The following table illustrates the change in bank deposit interest receivable in a change in interest rate upon inception of +2% and -2% with effect from beginning of the year based on weighted averages.

	2012	2012	2012	2011	2011	2011
	Actual £'000	+2% £'000	-2% £'000	Actual £'000	+2% £'000	-2% £'000
Interest receivable	71	416	(274)	192	862	(477)

Reserving and foreign exchange risk

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

The Group is potentially exposed to currency risk arising from the recording and reporting of accidents occurring outside the UK under the Green Card Agreement. Accidents occurring in an EU participating country are reported to the Group with an estimate of an appropriate reserve in that country's base currency, primarily the Euro. This amount is converted to Sterling at the spot rate at the time of notification and recorded within the Group's reserves. Any notification of a change in reserve thereafter is appropriately adjusted, with

the total reserve amount for that claim being converted at the new spot rate. However, there are claims where a reserve is not provided by the participating country. In this instance, a standard reserve amount is set. Claims are eventually settled in the appropriate currency, which is then converted and recorded in Sterling at the spot rate applicable at the date of transaction.

The value of Green Card claims with such exposure is £50m (2011: £28m) of which £6.13m represents cases where a standard reserve amount has been set (2011: £0.94m). Therefore, the maximum potential exposure to currency risk is £43m, which represents 2.7% of the overall case reserves. If Sterling was to either strengthen or weaken by 25 points against the Euro at the statement of financial position date, the potential impact on reserves would be a reduction of £11.9m (2011: £7.4m) or an increase of £7.9m (2011: £4.8m), based on an exchange rate of 1.233195 (2011: 1.197170) Euros to £1 Sterling.

Capital management

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

Glossary

askMID.com

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

Claims leakage

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

Claims lifecycle

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

Continuous Insurance Enforcement (CIE)

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

Employers' Liability Database (ELD)

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

Employers' Liability Tracing Office (ELTO)

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

Green Card

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

Guarantee Fund

MIB's handling of claims is governed by agreements with government as well as the Road Traffic Act 1988 and subsequent regulations. The Bureau awards compensation, where it cannot be claimed from another source, for death, injury and property damage as a result of an accident with a motor vehicle, on a road or a public place. MIB's claims handling experts managed more than 25,000 claims in 2012 for accidents involving uninsured vehicles and seek to settle the claims fairly and promptly.

IDSL, CUE and MIAFTR

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

The Motor Insurance Anti-Fraud and Theft Register (MIAFTR) is a register that logs all total loss and theft of vehicle claims on computer at the Association of British Insurer's office. Both companies and Lloyd's participate in the scheme which assists in the tracing and recovery of vehicles.

Insurance Fraud Bureau (IFB) and Cheatline

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

Levy

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

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

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

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

Ministry of Justice (MoJ) RTA PI Claims Process

The RTA PI Claims Process Portal (www.rtapiclaimsprocess.org.uk) was put in place to support the Ministry of Justice (MoJ) Pre-Action Protocol for Low Value Personal Injury Claims in Road Traffic Accidents for claims valued between £1,000 and £10,000. Now operating as Claims Portal, it provides a swift, electronic exchange of all relevant claim information and related documentation - including medical records - between lawyers and

insurers/compensators. This streamlined flow of information helps to reduce operational costs and enables the insurer/compensator to agree settlement more promptly.

Motor Insurance Database (MID)

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

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

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

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

MIB Management Services Limited (MIB MSL)

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

Tracing Services Limited (TSL)

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



