

# ANNUAL REPORT & ACCOUNTS 2014



Motor Insurers' Bureau  
Consolidated Financial Statements  
for the year ended 31 December 2014

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

Registered Number: 412787

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# Chairman’s statement

It has been another successful year for MIB. The Board has continued to focus on the strategic aim of achieving a reduction in the level and impact of uninsured driving in the UK coupled with ensuring that the victims of uninsured and ‘hit and run’ drivers receive fair and prompt compensation.



Steve Maddock  
MIB Chairman

I am therefore pleased to report that the levy collected from members continues to reduce with a further refund of £20m resulting in a collection of £247m against a collection high of £417m in 2008. Looking forward the levy for 2015 shows a further small reduction to £244m.

Work continues to address the issue of uninsured driving with the issuing of the 2 millionth Insurance Advisory Letter (IAL) sent as part of Continuous Insurance Enforcement (CIE) and the extension of the Police Helpline hours following a successful pilot in 2013, resulting in 9,400 additional calls and 1,489 additional seizures during the extended hours.

"The Board remains focussed on ensuring a safe and secure organisation, delivering value to members and providing excellent service."



However, more work needs to be done if the success of recent years is to be maintained. New claims received showed a year on year increase for the first time since MIB started work with the police on vehicle seizures in 2005. There are contributing factors such as the increase in the vehicle parc and more vehicle miles driven but we must press on. We will enhance our police engagement, expand the use of media messaging and undertake research into ‘hit and run’ accidents. The latter now form a larger proportion of the Guarantee Fund claims than those arising from pure uninsured driving.

MIB has developed data asset management services which are adding value to insurers particularly in their determination to address insurance fraud. A major success in 2014 was the commencement of the MyLicence service with 81% of members having now subscribed. This is a significant step forward in addressing motor insurance application fraud.

Two new industry projects involving MIB management and IT build capability also started this year. Firstly the Ministry of Justice (MoJ) initiative, MedCo, designed to help ensure truly independent medico-legal reporting in cases involving soft tissue injuries arising from motor accidents.

The second project, the build of the askCUE web-service facility, enables claimant representatives to check the number of previous personal injury claims made by their clients.

Both initiatives have benefited from the MIB’s IT infrastructure and capability, significantly contributing to the achievement of the MoJ’s Public Policy objective – the continued fight against fraud.

The MIB must be a safe Bureau. It is essential that data security is embedded in the DNA of the organisation. It is pleasing to report that the ISO 27001 Information Security Management System and the ISO 22301

**MyLicence**  
Faster Quotes. Fairer Premiums. Fighting Fraud.  
*The smarter way to insure using your driving licence number*

"A major success in 2014 was the commencement of the MyLicence service with **81% of members having now subscribed**. This is a significant step forward in addressing motor insurance application fraud."

Business Continuity Management System certifications were both re-assessed and confirmed during the year. The Board remains focussed on ensuring a safe and secure organisation, delivering value to Members and providing excellent service. It is in this context that a governance and Board effectiveness review is being undertaken in the first half of 2015.

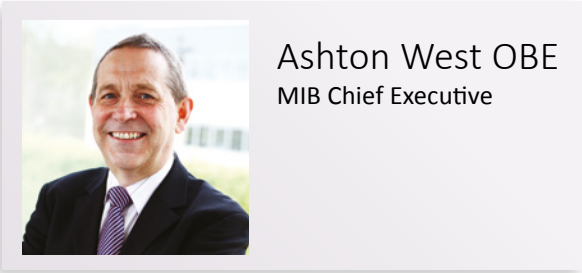
After my first year as Chairman of the MIB I am struck more now than ever before by the commitment, engagement and positive attitude of the whole team at the Bureau. Ashton West’s fantastic award of an OBE in the 2015 New Year Honours for services to road safety was very much a personal award and a well deserved one, but it also reflects very well on the work that has been done and the progress that has been made in the

last 10 years by everyone at MIB.  
  
So I would like to thank them all on behalf of the Board for their efforts and look forward to working closely with them during 2015.

Steve Maddock – Chairman  
22 May 2015

# Chief Executive’s statement

Overall it has been a challenging but predominantly successful year for MIB in terms of delivery of the core service and extending the range of services provided. A very positive result was the welcome continuing reduction in the levy collected from Members together with a further refund of £20.0m. The levy for 2015 now stands at £244.0m against £417.0m collected in 2008.



In addition the major industry project to deliver the IT system for the new MyLicence service was completed. The system was functional only slightly later than planned and was completed well within budget although the contractual negotiations slightly delayed the commencement of the use of the service. This has been another successful multi-million pound public-private sector initiative with the Driver and Vehicle Licensing Agency (DVLA), following on from Continuous Insurance Enforcement (CIE) which builds upon the strong relationship with this government agency. A number of insurers and intermediaries are now benefiting from the facility.

Last year also saw the emergence of two new industry projects involving MIB project management and IT

build capability. The askCUE PI web service facility will enable claimant representatives to check the number of previous personal injury claims made by their clients. The MedCo service is a Ministry of Justice (MoJ) initiative which is another web service facility for claimant representatives to identify, through a random allocation process, a medical practitioner or medical reporting agency (MRO) to undertake a medico-legal report. Both of these are part of the MoJ reform of the civil justice process for personal injury claims.

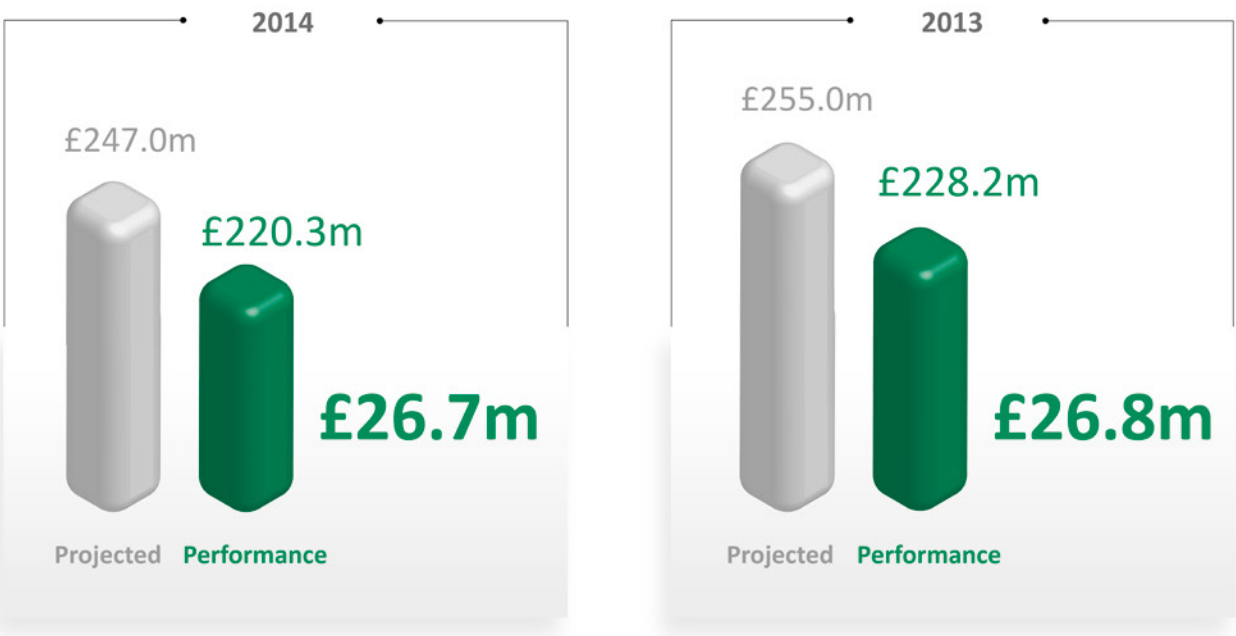
On a less positive note, the lead indicator of new claims received ended the year showing a slight year on year increase although the picture is quite complicated. Uninsured Driver Agreement claims continued to reduce whereas the number of Untraced Driver Agreement claims was greater than the previous year and formed a significantly larger proportion of the Guarantee Fund new claims intake (60%).

With the number of new claims not reducing as expected the claims services have found attainment of some of the key performance indicators challenging but it is pleasing to see that quality scores have remained high and leakage remained at an acceptable level.

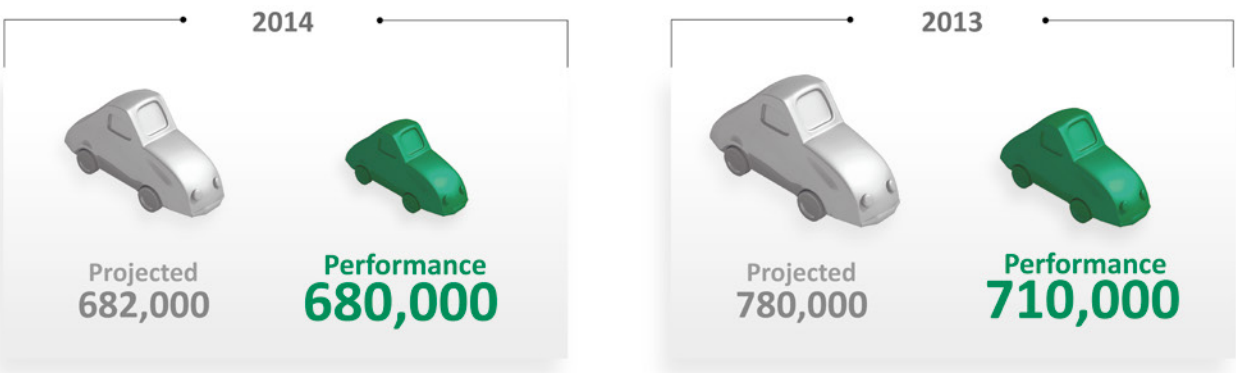
“The askCUE PI web service facility will enable claimant representatives to check the number of previous personal injury claims made by their clients.”



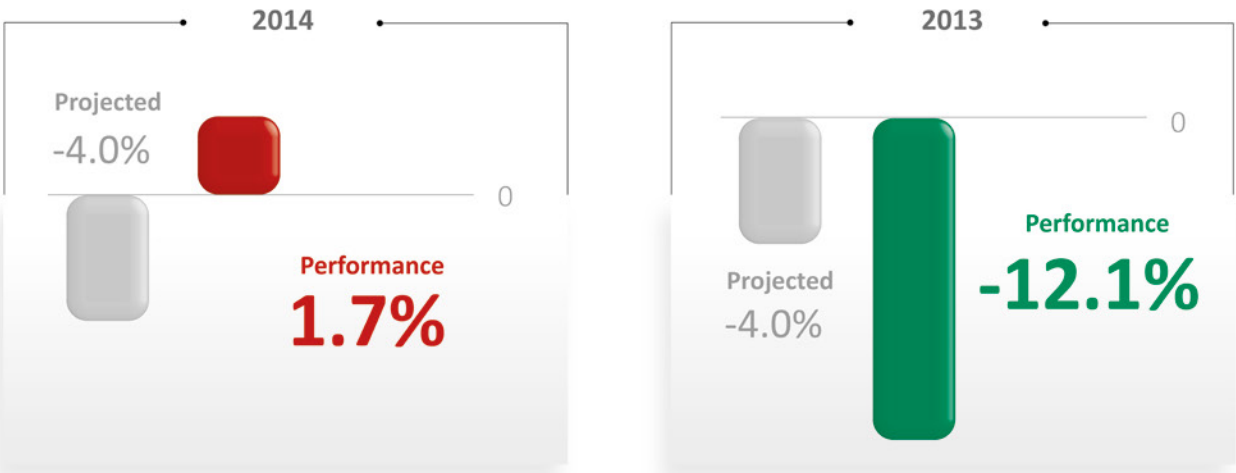
## Levy performance



## Taxed vehicles not on MID



## Increase/(decrease) in MIB GF claims





# Chief Executive’s statement (continued)



## Uninsured driving

It is very pleasing to report another year where the amount paid out in claims is lower than the amount projected and therefore ultimately collected from Members. The levy expenditure was £220.3m resulting in a surplus for the year of £26.7m. The work with actuaries has also resulted in MIB notifying members that the 2015 levy will be set at £244.0m, a £3.0m reduction on the levy for 2014.

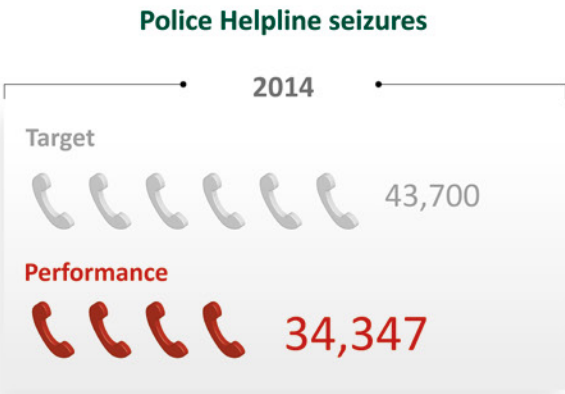
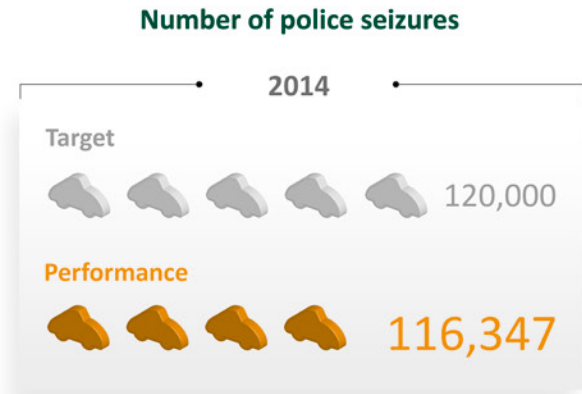
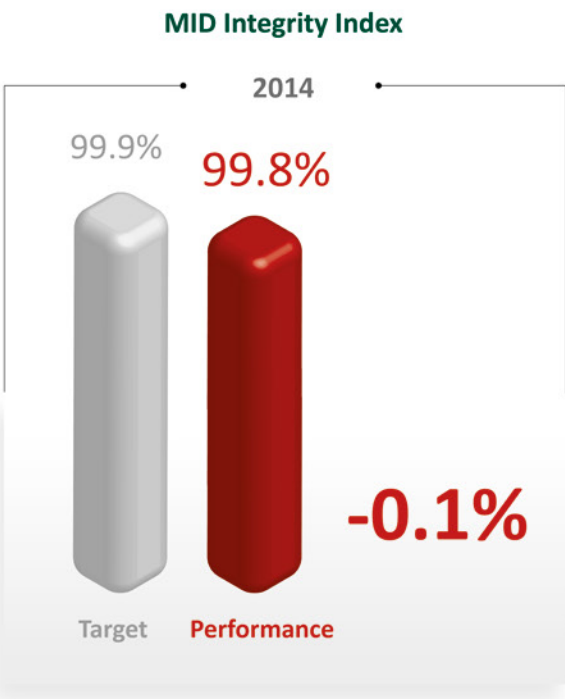
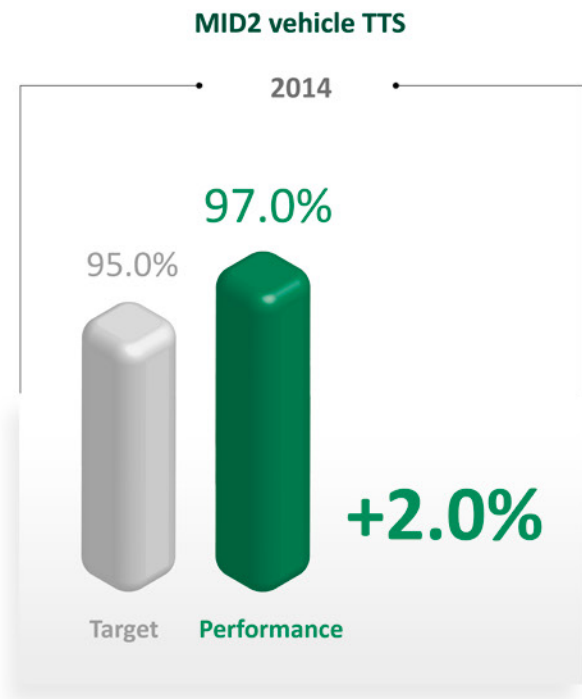
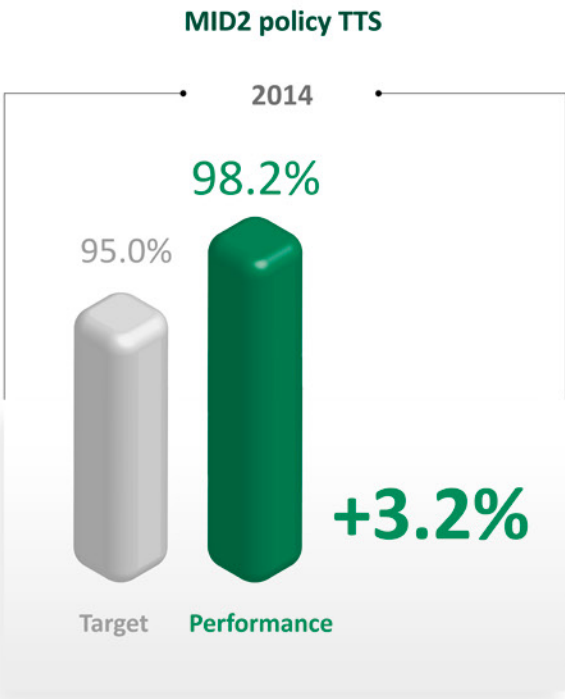
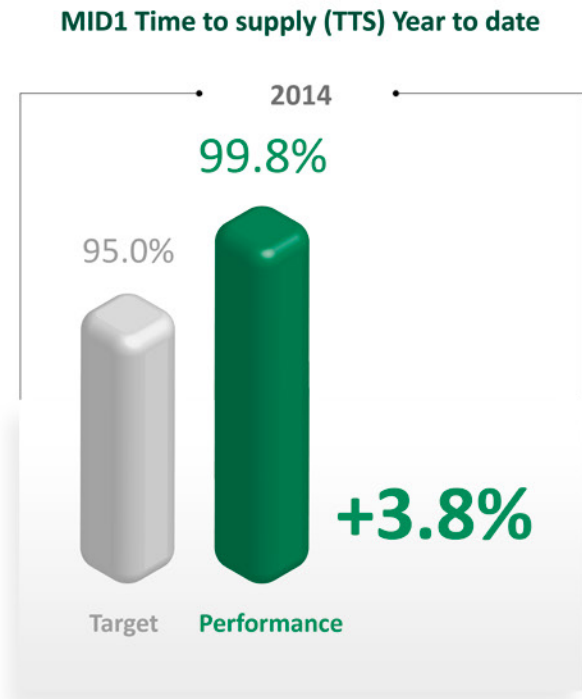
Unfortunately the intake of new Guarantee Fund claims is not so encouraging and 2014 showed a slight increase on 2013. The cause of this is not entirely clear although it has almost certainly been impacted by reduced Police activity. This is observable from reduced vehicle seizures and a lower volume of calls to the Police Helpline.

The number of uninsured vehicles seized during 2014 fell short of target, but, more significantly, reduced by 14.0% compared to 2013. Calls into the Police Helpline (PHL) reduced by a similar margin compared to 2013. The on-going austerity measures within the Police forces have led to less dedicated road traffic policing on our roads, and, as a consequence, have affected seizure rates and calls into the PHL. A campaign to reinvigorate police engagement is planned for 2015 to encourage the Police to retain uninsured driving high on their agendas.

The Police Helpline extended hours was rolled out in September and Continuous Insurance Enforcement (CIE) has maintained targeted levels of activity throughout the year.

Another complicating factor is the increasing volume of claims arising from ‘hit and run’ incidents and in particular those involving property damage only. These cases would not have been seen prior to the introduction of the 2011 Untraced Drivers Agreement and it would seem that the impact is still being felt. The Motor Insurance Database (MID) is a key weapon in tackling uninsured driving on our roads. Therefore, it is imperative that the process by which data is uploaded to the MID is as timely and accurate as possible in order to prevent wrongful vehicle seizures. In 2014 data supply performance significantly exceeded targets with MID2 vehicles most notably showing an improvement by remaining consistently ahead of target.

During the year, work was undertaken with all insurers to further improve data quality in particular with those that reported a higher proportion of wrongful seizures. The MID Integrity Index, by which the level of wrongful seizures as a result of an industry error is measured, finished at 99.8% against a target of 99.9%. Work will continue with the market during the course of 2015 to ensure the required performance level is attained.



# Chief Executive's statement (continued)

## MIB claim services

Overall performance has been satisfactory with most quality indicators having been achieved. The quality audit scores continued to improve with performance achieving a record high score of 94.5% and although the leakage result rose fractionally, it remains at an acceptable level of 3.6%.

In 2014 we significantly improved our performance against the Customer Charter where 98% of all correspondence was appropriately responded to within 10 days. This is a key element within the operation as it ensures that the customer remains fully informed about the progress of their claim.

The number of complaints continued to reduce with 2014 being the lowest ever received in any year. The Customer Engagement Index (CEI) target, which is a measure of customer net satisfaction, was 75.0% for 2014. Unfortunately performance fell short of that at 71.5% which was largely due to the third quarter's results being out of line with the rest of the year. The adverse results were affected mainly by responses from claimant representatives whereas the net score for direct applicants remained high. Following extensive communications direct with claimant representatives, no obvious reasons were identified from the analysis to support the decline in results for the third quarter.


Lifecycle improved marginally from 2013 although actual performance did not meet the target. A significant degree of focus had been put into reducing the overall lifecycle during the second half of 2014 and this will continue in 2015 through further process improvement initiatives.

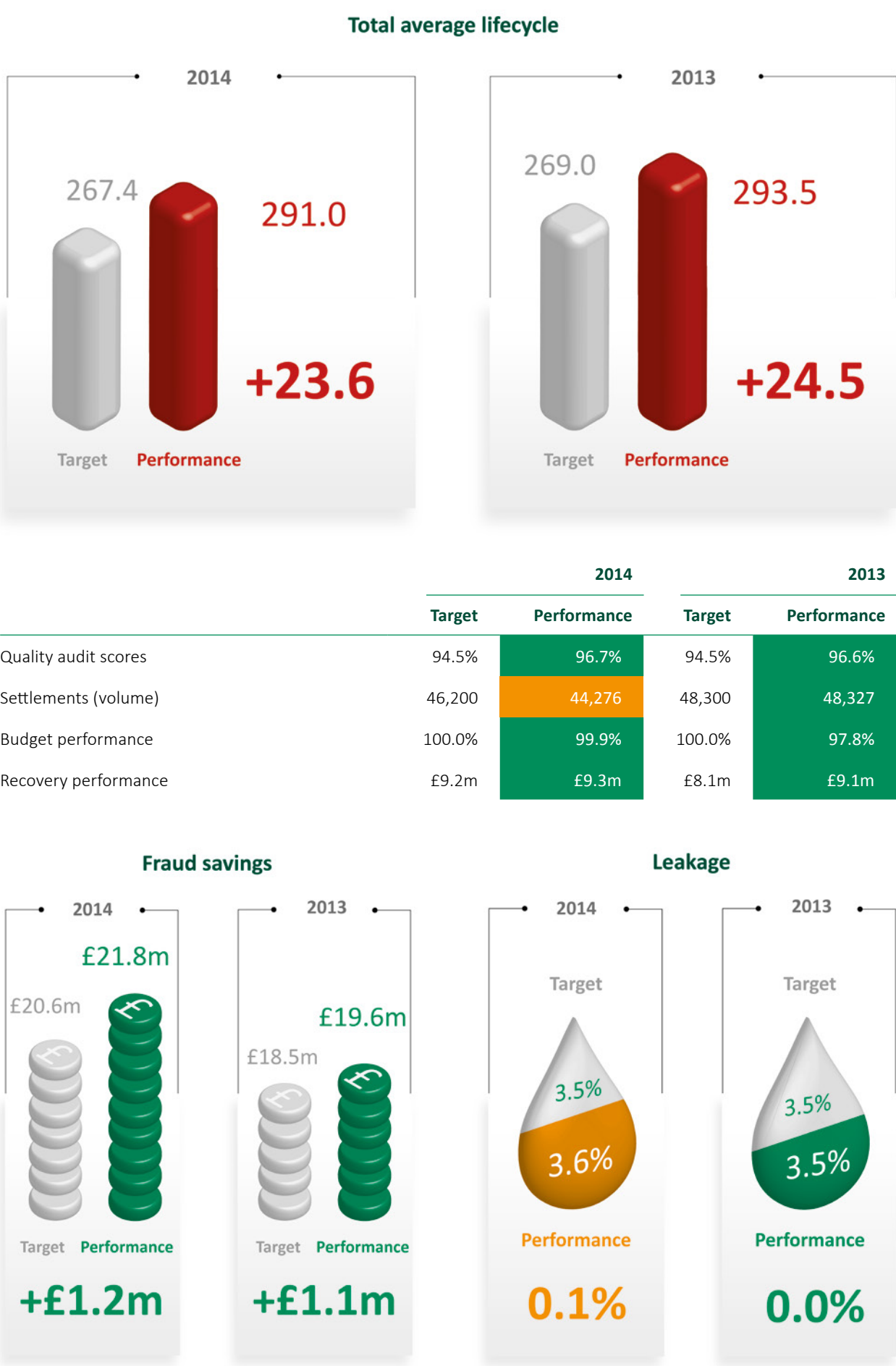
Overall settlements for the year fell 4.2% short of the target. Whilst settlements within Green Card exceeded target, Guarantee Fund settlements ended 8.3% below target. As a result, and also because the number of incoming Guarantee Fund claims was greater than planned, the overall claim portfolio increased by 0.1% compared to 2013.

Recorded fraud savings exceeded the target of £20.6m by £1.2m which was a good result as a number of factors have adversely influenced savings including the volume of lower value claims submitted to the MIB and increasing arbitrator appeal rates.

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 2014, £9.3m was recovered which was an increase of £0.2m against 2013 recoveries.

"98% of all correspondence was appropriately responded to within 10 days. This is a key element within the operation as it ensures that the customer remains fully informed about the progress of their claim."





# Chief Executive’s statement (continued)

## MIB non-claim services

The key development this year has been the completion of the MyLicence hub technology initiative aimed at providing an improved customer journey, fairer premiums and helping to fight application fraud. Following signature of the contract with DVLA in December the first users began using the system to support their quote process. Rollout for the remainder of the market is now underway and the programme will run throughout 2015 to embed widespread adoption and deliver the intended benefits across the market.

The askMID range of services for consumers has continued to provide fast, efficient access to the MID data which can now also be accessed conveniently from the roadside using a smart phone.

## Non-MIB management services

This now represent an increasingly large component of the MIB activity with 16.6% of resources charged out to these services. Probably the key activities during the year were managing the new IT Portal tender process for Claims Portal Ltd, continuing the system development work for the Employers' Liability Tracing Office (ELTO) to improve the Employers' Liability Database performance and the launch of the new MIAFTR database on-time and within budget for Insurance Database Services Ltd (IDSL).

## Risk management

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

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

In addition, all areas of the business remain certified to the ISO 27001 Information Security Management System standard.

## Internal Audit

The Internal Audit team has expanded with further focus on MIB processes and increased assurance activity arising from responses to requests from the companies where MIB is providing management services.

“Non-MIB management services now represent an increasingly large component of the MIB activity with 16.6% of resources charged out to these services.”

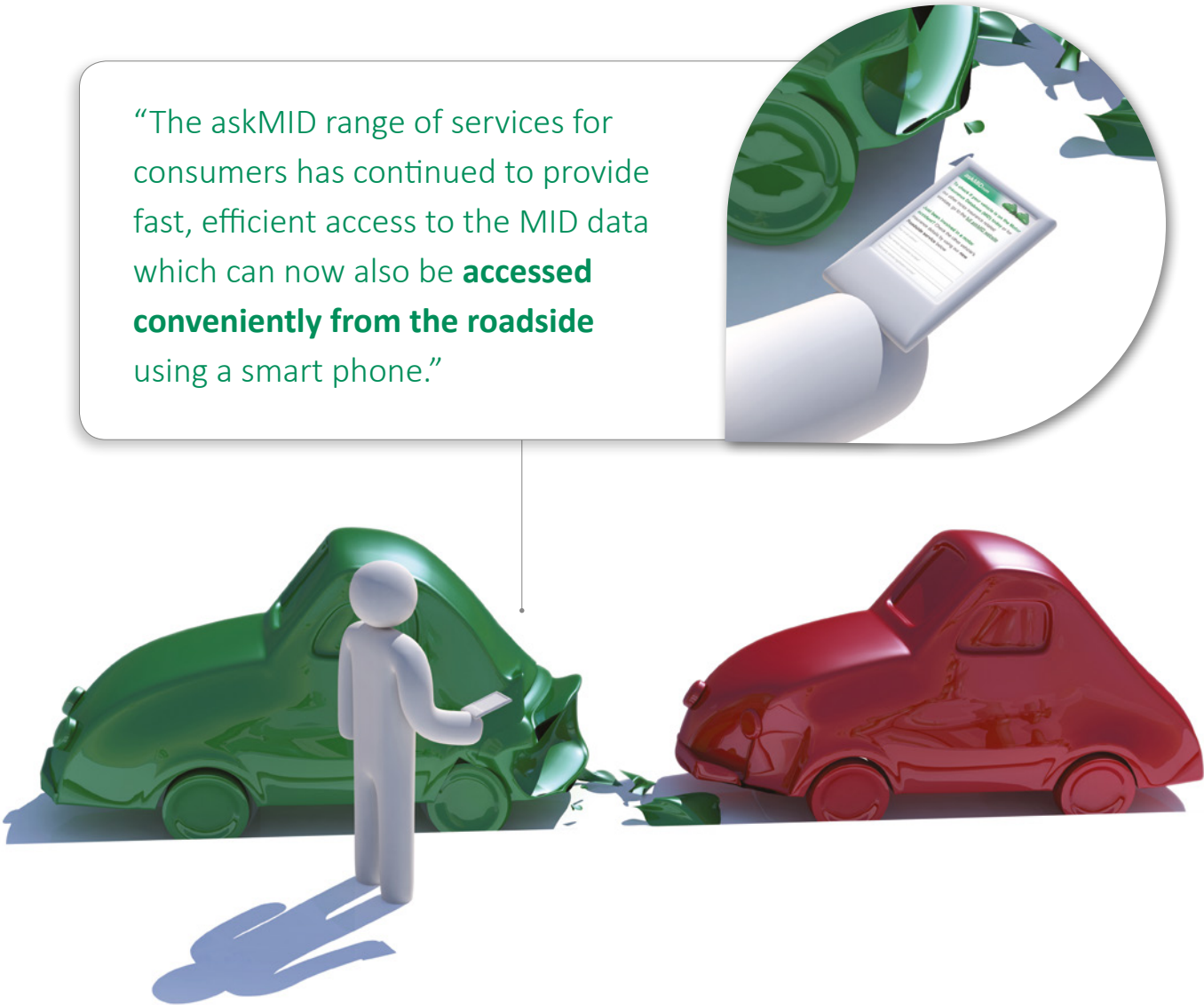
## People

As always, the importance of engagement and people development is recognised and employees are supported to meet their career aspirations. MIB remains committed to maintaining the Chartered Insurer status, supporting the CII Aldermanbury Declaration and maintaining the Investors in People (IiP) accreditation.

The MIB Qualification Framework (MQF), which was launched in March 2013, remained an area of focus for 2014. Employees joining the organisation or seeking promotion are required to have or commit to study for a qualification that is at the appropriate level for the role they are applying for.

Employees are supported with their qualification studies through the availability of accredited in-house training programmes that are linked to either the CII or the Institute of Leadership and Management.

“The askMID range of services for consumers has continued to provide fast, efficient access to the MID data which can now also be **accessed conveniently from the roadside** using a smart phone.”



In 2014 the skills and knowledge required within the organisation, particularly at management level, have been reviewed and assessed taking into account the changing needs of the organisation. Development programmes and bespoke Personal Development Plans (PDP's) have been created to fulfil the learning needs identified.

## And finally

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

All of this can only be achieved through the constant effort, support and enthusiasm of the people who work here. I would like to thank everyone who has contributed to these successes for their endeavours and continued support during 2015 which almost certainly will be equally interesting and challenging.

Ashton West OBE – Chief Executive  
22 May 2015



# Strategic report

The Board present their report and the audited financial statements of the Motor Insurers' Bureau for the year ended 31 December 2014.

## Group status

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

## Principal activities

- In pursuance of agreements with the Secretary of State for Transport:
  - 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.
  - To investigate, and where appropriate, make awards to persons suffering damage to property or injury or dependants/relatives of persons killed as a result of the use of a motor vehicle on a road, in cases where the driver of the vehicle cannot be traced.
- In accordance with the provisions of the Internal Regulations of the Council of Bureaux to act as:
  - 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.
  - A Handling Bureau to deal with Road Traffic Act liability claims arising from accidents in the United Kingdom caused by drivers of foreign registered vehicles on a temporary visit to the United Kingdom, in possession of valid Green Cards and/or vehicles registered in a signatory country of Section III of the Internal Regulations.
- 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:
- Handle claims made by UK resident victims arising from accidents abroad, where there are no foreign insurers' representatives, or where those representatives fail to act, or where an insurer or the responsible driver cannot be identified.
  - 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).
  - Maintain the Motor Insurance Database (MID) ensuring:
    - A fit for purpose database supporting the detection, enforcement and prevention of uninsured driving in the UK.
    - 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 out within the Chief Executive's statement on pages 6 to 13.
- The consolidated statement of comprehensive income on page 32 shows that the Group has neither made a profit nor incurred a loss in the year to 31 December 2014. MIB continues to have the support of its members.
- The income included within the consolidated statement of comprehensive income of £307.7m comprises the cash levy called of £246.6m plus the movement in uncalled levy of £61.1m which represents the movement in claims provisions; see note 3 for detail.

## Board of Directors

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

### Chairman



**S Maddock**  
Direct Line Group  
Chairman - 04.03.2014 •  
Non-Executive Director  
09.06. 2011 •

### Executive Directors



**A West OBE**  
Chief Executive  
Motor Insurers' Bureau  
14.04.2003 •



**A Sherman**  
Finance Director  
Motor Insurers' Bureau  
09.02.2009 •

### Non-Executive Directors

• Date of appointment



**D Clayden**  
QBE Insurance  
11.09.2009 •



**I Currie**  
RSA  
10.09.2010 •



**A Clarke**  
Ageas  
10.09.2010 •



**M Bacon**  
Equity Red Star  
31.03.2011 •



**T Holliday**  
Zurich Insurance  
23.03.2012 •



**D Slater**  
Acromas  
27.03.2013 •



**S Baker**  
AXA Insurance  
03.04.2013 •



**S Treloar**  
Aviva  
04.03.2014 •

### Resignations

Name	Title	Company	Date of appointment	Date of resignation
K Morris	Chairman	Sabre Insurance	29.09.2005	04.03.2014
T Moss		Allianz	12.02.2009	12.02.2015

### Appointments

Directors appointed to the Group after the year end are as follows: **None**



# Strategic report (continued)

## Board attendance

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

Name	Board meetings				Audit Committee	
	04/03/14	29/05/14	11/09/14	20/11/14	01/05/14	05/11/14
S Maddock	●	●	●	●	●	●
A West	●	●	●	●	●	●
A Sherman	●	●	●	●	●	●
D Clayden	○	●	○	●	●	●
I Currie	●	●	○	●	●	●
A Clarke	●	●	●	●	●	○
M Bacon	●	●	○	●	●	●
T Holliday	●	●	●	○	●	●
D Slater	●	●	○	●	●	●
S Baker	●	○	●	●	●	●
S Treloar	●	○	●	●	●	●
K Morris	●	●	●	●	●	●
T Moss	●	●	●	●	○	●

● = Present   ○ = Absent   ● = N/A

## Membership details

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

Name	Date Joining
Casualty & General Insurance Company (Europe) Limited	15.01.2014
Liberty Global Insurance Company Limited	13.05.2014
UK General Insurance (Ireland) Limited	27.06.2014
DCC Group Insurances Limited	16.09.2014
Gable Insurance AG	20.10.2014
Liberty Mutual Insurance Europe	01.12.2014

The following companies ceased being members:

Name	Membership ceased
Ansvar Insurance	01.01.2014
Ecclesiastical Insurance Office plc	01.07.2014

The following companies ceased being members due to merger: **None**



## 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 importance of people development is recognised at MIB; putting this as one of the Bureau’s priorities provides support to employees when they are striving to deliver the strategic objectives and assists them to meet their career aspirations.

Employees are able to develop their skills and knowledge if they wish to and this provides a robust platform that supports employee engagement. Levels of engagement are monitored within the organisation and the MIB benchmark engagement levels against the insurance industry. The objective is to maintain employee engagement levels at or above the benchmark for the insurance industry and this was achieved in 2014.

The Bureau is committed to being an equal opportunities employer with a diverse workforce and an aim to provide a working environment where all employees are valued and respected. It has in place a number of processes to ensure that employees are engaged in the business and understand the activities within the organisation. Employees are kept up to

date through formal and informal meetings, regular briefings, updates on the Bureau’s intranet and the publication of the internal newsletter. An employee liaison group is in place to provide an additional forum for communicating with employees.

The approach to work is driven by the MIB values and supports the vision of making the Bureau a centre of excellence. The professional approach and high standard of delivery has been recognised by stakeholders and commended during 2014 and individual successes have been celebrated through monthly and annual awards presentations.

## Charitable donations

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

## Supplier terms

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

# Directors' report

## Statement of Directors' responsibility

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the

financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

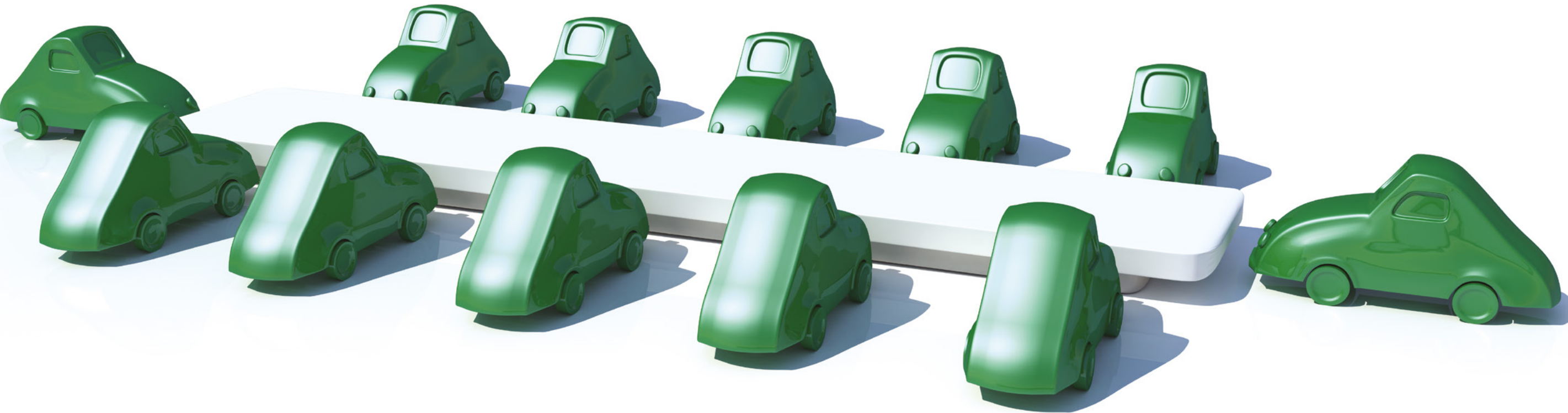
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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



Wendy Budd  
Company Secretary

Registered Office  
Linford Wood House, 6-12 Capital Drive, Linford Wood,  
Milton Keynes, MK14 6XT  
22 May 2015





# Corporate governance statement

A robust corporate governance framework is essential to the efficient and effective performance of MIB. It ensures the accountability, responsibility and ethical behaviour of MIB, enabling MIB’s customers and business partners to have full confidence in it.

## The Board

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

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

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

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

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

## Audit Committee

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

The Committee’s functions include:

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

## Human Resources Group

The Human Resources Group oversees MIB’s HR strategies and ensures that its practices and procedures are in line with those operated by members. The Group also monitors 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 two Non-Executive Directors, two Executive Directors, the Head of HR and representatives from members.

## Investment Committee

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

## Levy Group

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

## Executive Management Team (EMT)

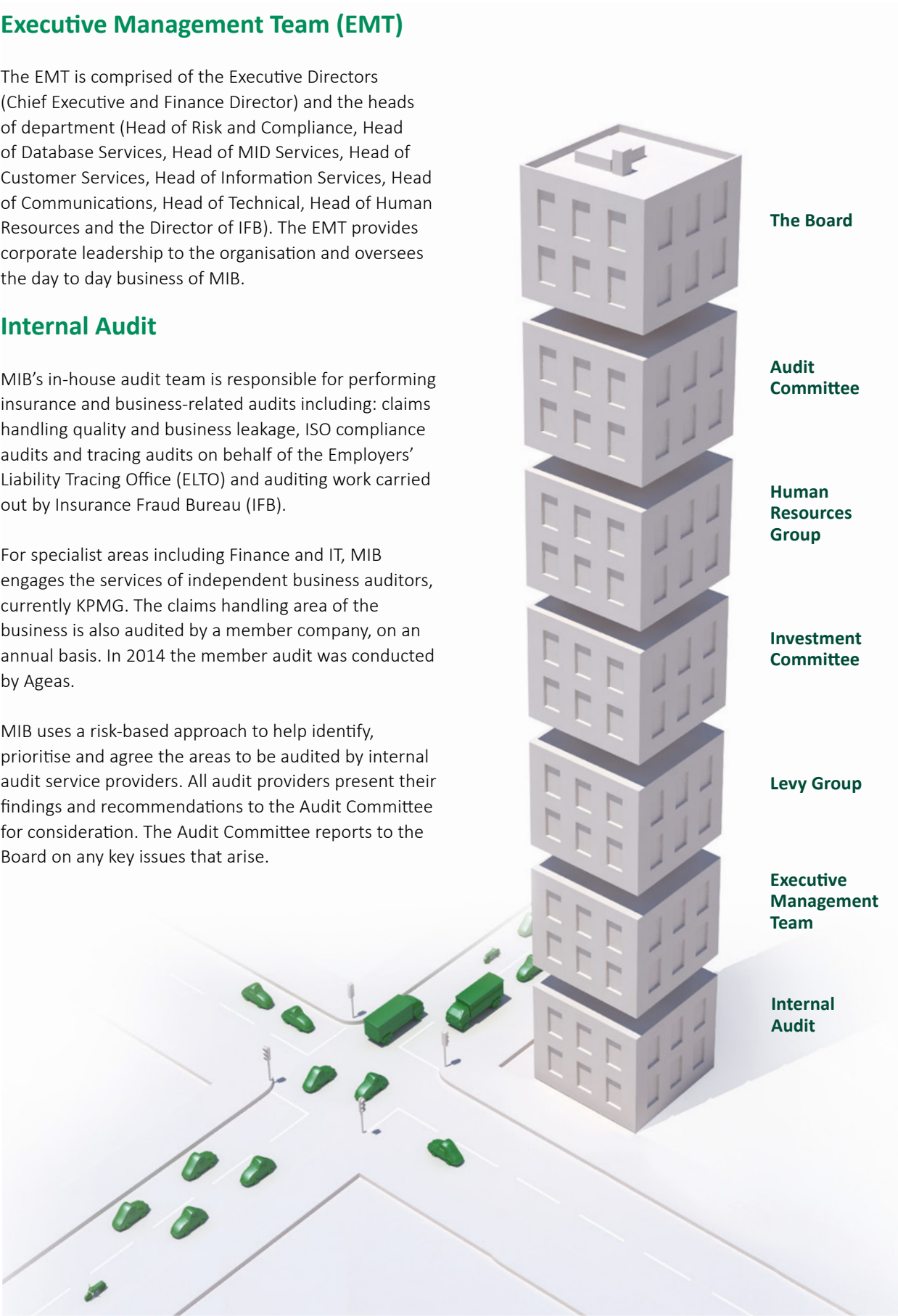
The EMT is comprised of the Executive Directors (Chief Executive and Finance Director) and the heads of department (Head of Risk and Compliance, Head of Database Services, Head of MID Services, Head of Customer Services, Head of Information Services, Head of Communications, Head of Technical, Head of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

## Internal Audit

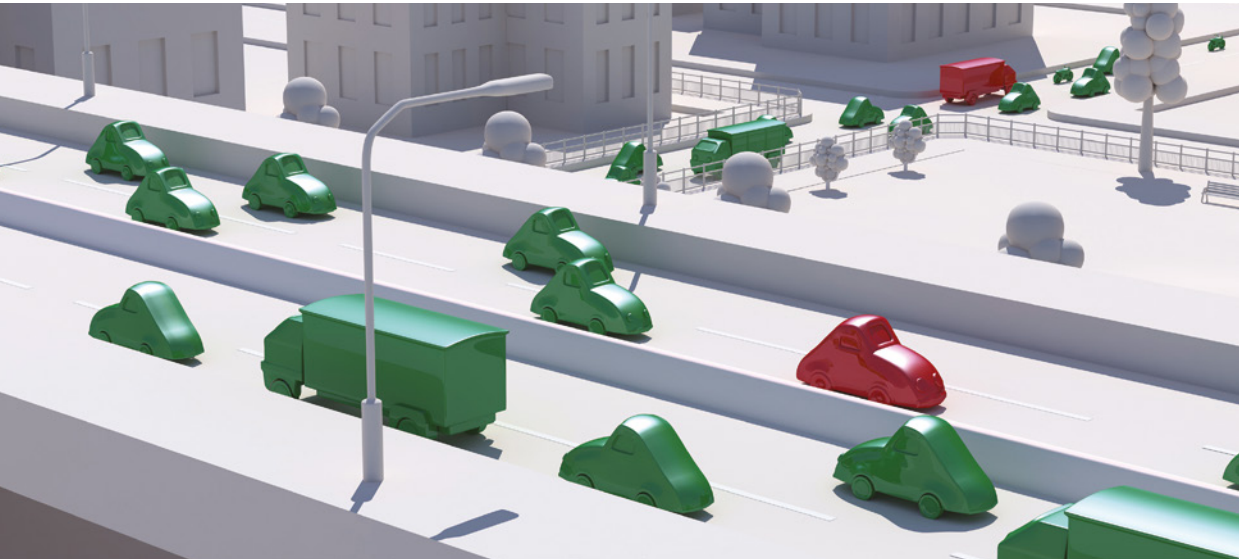
MIB’s in-house audit team is responsible for performing insurance and business-related audits including: claims handling quality and business leakage, ISO compliance audits and tracing audits on behalf of the Employers’ Liability Tracing Office (ELTO) and auditing work carried out by Insurance Fraud Bureau (IFB).

For specialist areas including Finance and IT, MIB engages the services of independent business auditors, currently KPMG. The claims handling area of the business is also audited by a member company, on an annual basis. In 2014 the member audit was conducted by Ageas.

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



# Corporate governance statement (continued)



## Risk management

Good risk management is essential to the success of the Bureau. The Bureau is fully committed to ensuring that its risk management framework remains appropriate, effective and in line with the principles and good practice guidelines of the ISO 31000 risk management standard. The ISO framework provides MIB with a systematic approach to managing the risks it faces. By having risk management behaviours embedded within the culture and integrated into the key business activities the Bureau is able to respond to change effectively as new threats and opportunities emerge.

The day to day operation of the risk management framework sits with the Risk and Compliance team, and is overseen by the MIB Board.

## Compliance

MIB successfully renewed its ISO 27001 Information Security Certification and ISO 22301 Business Continuity certification during 2014. Compliance with the ISO 27001 and 22301 standards provide MIB with a systematic approach to manage the use, sharing and storing of data. The standards include controls over people, processes and IT systems. They also help evidence legal and best practice compliance and demonstrate to all customers and business partners of the MIB that they are committed to protecting the confidentiality, integrity and availability of the data, for which MIB are responsible.

## Health and safety

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

## Corporate Social Responsibility (CSR)

MIB is passionate about its commitment to Corporate Social Responsibility (CSR). MIB's CSR strategy has long been focused on four key areas: Community, Workplace, Marketplace and Environment. The team of spirited volunteers from across the business continue to drive and support the strategy, working hard to ensure CSR principles always remain part of the business operations and core values.

## Workplace

MIB continues to strive for excellence across the business with new learning initiatives being implemented and recognising hard work through the award schemes. Employee engagement continues to be a focus for MIB and engagement levels remained high throughout 2014.

## Marketplace

Partnership working is crucial to MIB's success and MIB continue to work at enhancing relationships with the diverse range of stakeholders. For example, promoting use of the MID enquiry services to the public, police and solicitors was a key focus in 2014. MIB have also been working with the ABI and DVLA to successfully deliver the MyLicence secure enquiry service in December 2014.

## Community

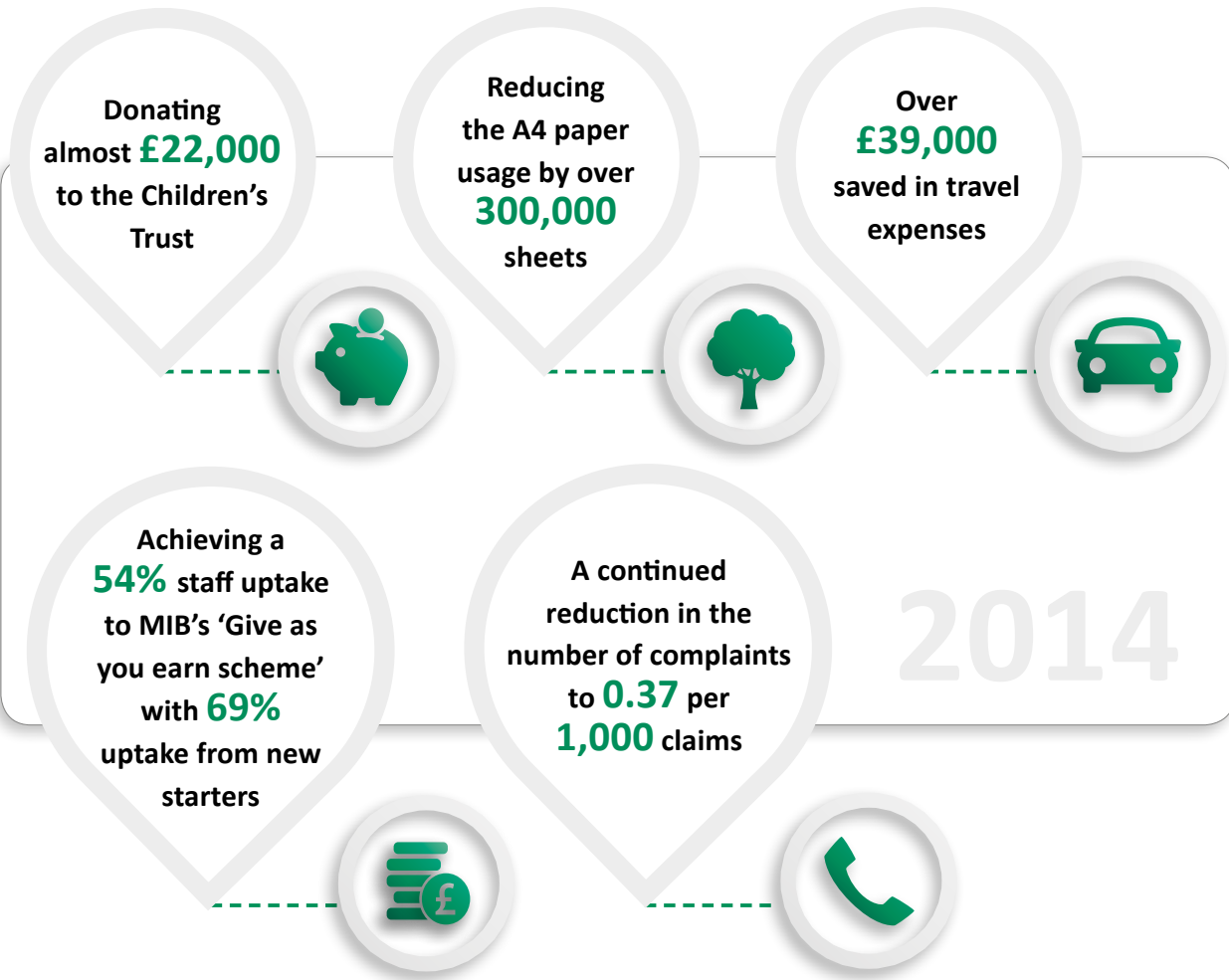
During 2014 MIB continued to develop the long-standing relationship with The Children's Trust and used the fundraising and volunteering skills to assist an important charity whose aims are synergistic with MIB's mission to reduce the level and impact of uninsured driving in the UK.

## Environment

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

In 2014 MIB made it a priority to improve the printing practices and over the last year have successfully managed to significantly reduce the organisation's use of paper and will continue to prioritise this throughout 2015. MIB have also worked hard to encourage a reduction in business travel by promoting greater use of video and teleconferencing facilities and this has helped to reduce the travel expenses dramatically in the year.

## CSR highlights of 2014 include:





# The impact of uninsured and untraced driving

"The crash in which I was involved happened some time ago. With my incident having been investigated and resolved, I've seen an end to my own personal saga, to my great relief." **Vicky Shaw, Journalist.**

This quote reflects on the impact of one of the 23,000 claims handled by MIB last year. Journalist Vicky Shaw was inspired to write about the work of the MIB after being involved in a collision with an untraced driver.

Vicky's article appeared in several newspapers, where she said: "Drivers with no insurance or who can't be traced are a menace to all law-abiding road users. Not only do they push up the costs for all motorists by adding to the premiums that everyone pays, but they injure some 26,500 people every year and kill around 130."

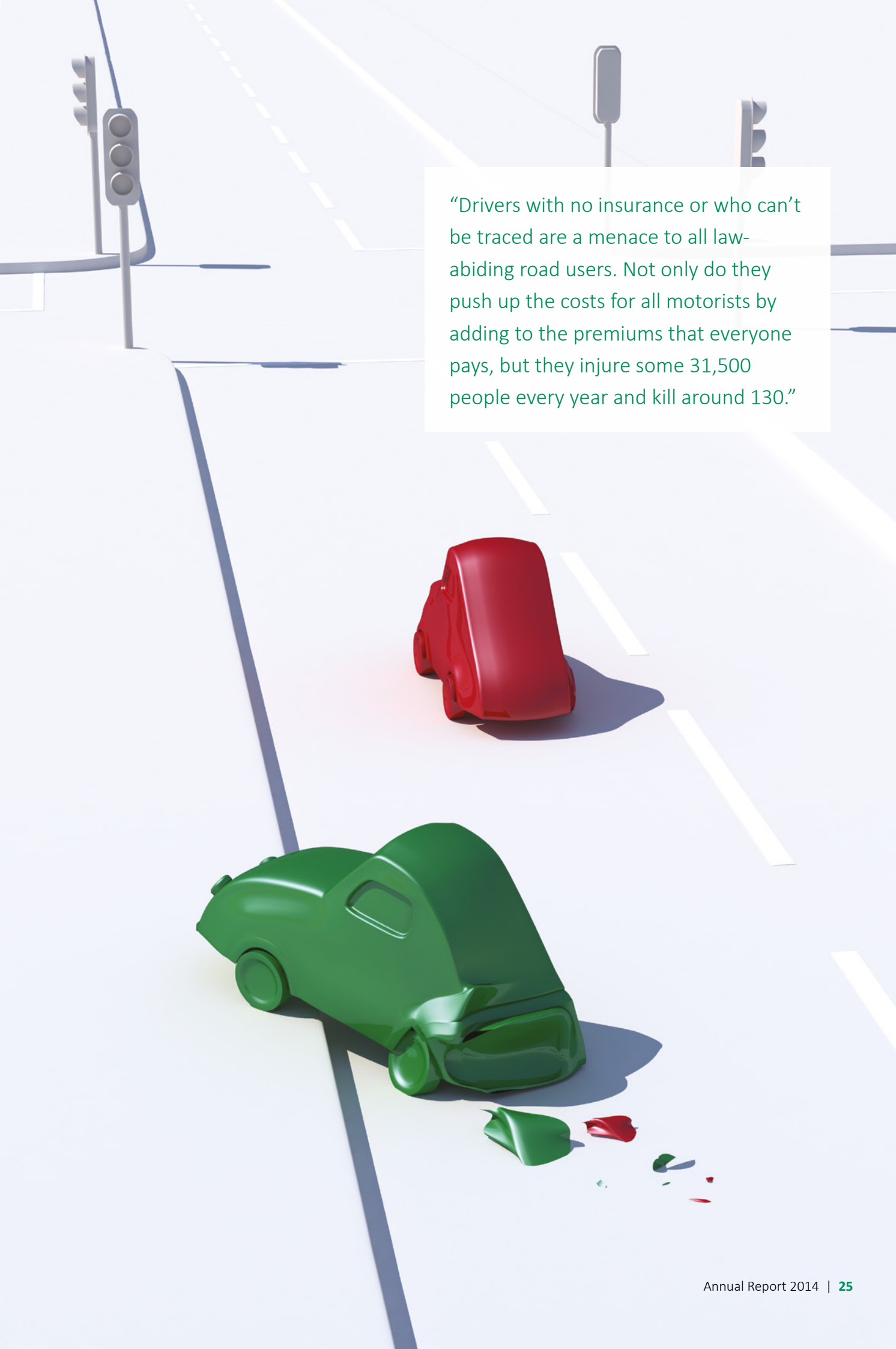
Providing high quality Claims Services are at the heart of what MIB does and the trend in the number of claims we receive gives us a good indication of the levels of uninsured and untraced driving. However, MIB's latest claims figures show an increase in the number of uninsured and untraced claims we have received and this is extremely worrying.

Ashton West, Chief Executive of MIB, explained: "Part of the increase in 2014 was a result of some specific facts pertinent to untraced property damage claims but this does not fully account for the increase that we are experiencing. Firstly environmental factors may have increased our exposure to claims, for example, lower petrol prices have contributed to a greater number of miles being driven and the overall vehicle parc has increased."

Another factor is that there has been a change in the use of police resources with the potential for less focus on uninsured driving. We have clearly seen a reduction in the number of calls being made to our Police Helpline and less vehicles being seized. In addition, the industry has not undertaken any significant media campaigns for the last two years.

"Providing high quality Claims Services are at the heart of what MIB does and the trend in the number of claims we receive gives us a good indication of the levels of uninsured and untraced driving."

As part of our commitment to addressing the situation, along with our strategic partners, we will be running two public awareness campaigns in 2015 aimed at young drivers, their families and friends. We will also be enhancing the services we provide to police forces and carrying out further research to try to understand in greater detail why people drive without insurance.



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# Risk and compliance and information security

In today’s world of ‘big data’ and the changing views of society concerning the use of data, MIB is working to ensure its governance arrangements are appropriate and effective. Given that MIB’s role has evolved in recent years to include information management services for the insurance industry, this is more important than ever.

MIB manages and controls the Motor Insurance Database (MID) which holds in excess of 38 million records. By using the information on the MID and working closely with the DVLA, in November, we issued the 2 millionth Insurance Advisory Letter (IAL) under the Continuous Insurance Enforcement (CIE) initiative to an uninsured driver. The IAL process is one example of how new uses of data have developed and how important it is to ensure the data we manage is accurate, secure and kept up to date.

As our work clearly involves the management of other people’s data the three elements of good governance: information security, business continuity and risk management are fundamental.

MIB primarily demonstrates compliance and good practice in these three key areas through its ISO 27001 certification for information security management and its ISO 22301 certification for business continuity management. In addition, we have developed an enterprise risk management framework in line with the principles of the ISO 31000 standard on risk management.

Kaushik Patel, Head of Data Services, explained: “The ISO framework is extremely important as it provides us with a systematic approach to managing the key governance risks we face. It also includes a review of processes and IT systems via a structured risk management process.”

Good risk management lies at the heart of our information security, business continuity and enterprise risk management systems. These systems allow us to adapt and develop our controls and processes to match changes in our business and technology and meet the expectations of our customers and stakeholders.

## Information security

One of the ultimate aims of ISO 27001 is to safeguard personal and company data by proactively minimizing the potential impact of risks. The range of services

that we provide to the wider insurance industry has continued to expand so that almost 16% of resources are now charged out to Non-MIB Management Services Client Companies. In addition, the information security requirements for services such as MyLicence need to be assessed.

As part of our ISO 27001 compliance process we methodically catalogue what, where and how our information is kept; identify the existing controls in place to protect the information and any weaknesses in those controls; develop action plans to address any identified control weaknesses; and track those action plans through to implementation.

## Business continuity

There are a number of services including ELTO and askMID which need to be available at all times. Whether it’s a minor or major threat to a service, MIB needs to be robust enough to recuperate quickly; managing disruptions, so that the impact on our customers is minimised.

The ISO 22301 standard uses a process of regular risk assessments to help ensure our business continuity management system stays up-to-date. The risk assessment process means that we are able to monitor performance, whilst gaining a clearer understanding of our business and easily identifying areas for improvement.

## Risk management

The ISO 31000 standard helps MIB to identify where risks may occur. It helps ensure the accountability, responsibility and ethical behaviour of MIB, enabling MIB’s customers and stakeholders to have full confidence in how we are conducting our business. The process covers all strategic, management and operational tasks of MIB throughout projects, functions, and processes. MIB’s risk management framework has helped establish a strong foundation for decision making and encouraged proactive management in all areas of the business.

Fiona Salusbury, Information Security and Compliance Officer, declared: “All institutions, regardless of size, must resist the temptation to under-invest in the processes and controls needed to prevent greater risks and reputational damage.”

"In today’s world of ‘big data’, the three elements of good governance: **information security, business continuity and risk management are fundamental.**"





# MyLicence – automating the collection of driver records

MIB is a key delivery partner in the MyLicence service, which went live in December 2014. The initiative is a major public/private digital sharing partnership in the motor insurance industry and presents a radical change in the way that insurance providers gain access to DVLA driver data.

MyLicence is a joint initiative between MIB, the DVLA, the Department for Transport and the insurance industry, which is represented by the ABI. It allows the motor insurance industry to have instant access to accurate DVLA driver data via a secure MIB Hub and the use of a driving licence number (DLN). It is expected that the MIB Hub will receive and respond to tens of millions of insurer requests each day.

By the policyholder and any named drivers providing their DLN, insurers are able to securely check their driving conviction and endorsement history at the point of quote, at mid-term adjustment, and at renewal. This means that insurers are better equipped to assess quote requests, determine risk levels and where an insurance policy is provided, offer the appropriate price. Having a real-time data link to the DVLA helps insurers provide fairer premiums for all and tackle motor insurance fraud at the earliest possible stage in the insurance purchase process.

Recent data mapping with the DVLA showed that up to 23% of motorists fail to accurately disclose their driving record, including disqualifications; 16% of policyholders under-declare convictions and 7% over-declare. MyLicence will give insurers the capability to offer policies based on facts rather than relying solely on driver declaration.

Neil Drane, Head of Enforcement Services, said: “MyLicence is a great example of the public and private sector working together to enhance the delivery of a service. Not only does it have clear benefits for insurers, it is the first real step towards making the insurance quote and renewal process as easy as possible for consumers.”

With this unique way of sharing data, MIB has had to ensure that risk and compliance was integral

throughout the development of the service and that standards are maintained to ensure data is protected and risks are minimised. MIB established a Security Assurance Framework to assist with this.

Kaushik Patel, Head of Data Services, explained: “What it really comes down to is making sure the right people have access to the appropriate level of data at the appropriate times, and that there is a robust vetting process in place for all users signing up to the service.”

**"23% of motorists fail to accurately disclose their driving record, including disqualifications; 16% of policyholders under-declare convictions and 7% over-declare"**

All organisations that need to use the MIB Hub to obtain DVLA driver data, or to receive DVLA driver data via an authorised third party must go through the MIB Hub registration and due diligence process. Once their registration is approved, they must then sign a User Agreement thereby binding them to robust security and compliance requirements.

All MyLicence service users are subject to an ongoing Compliance Review Programme. This acts as a way of ensuring that MIB meets its obligations in protecting the data it controls and gives assurance to a wide range of stakeholders that these obligations are being met.

A high level of Risk and Compliance standards are essential to give insurers the confidence they need to sign up to the MyLicence service and help transform the insurance quote process for millions of motorists.

"A high level of Risk and Compliance standards are essential to **give insurers the confidence** they need to sign up to the MyLicence service and help **transform the insurance quote process for millions of motorists.**"





# 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 2014 which are set out on pages 32 to 51. 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 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB’s) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 December 2014 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

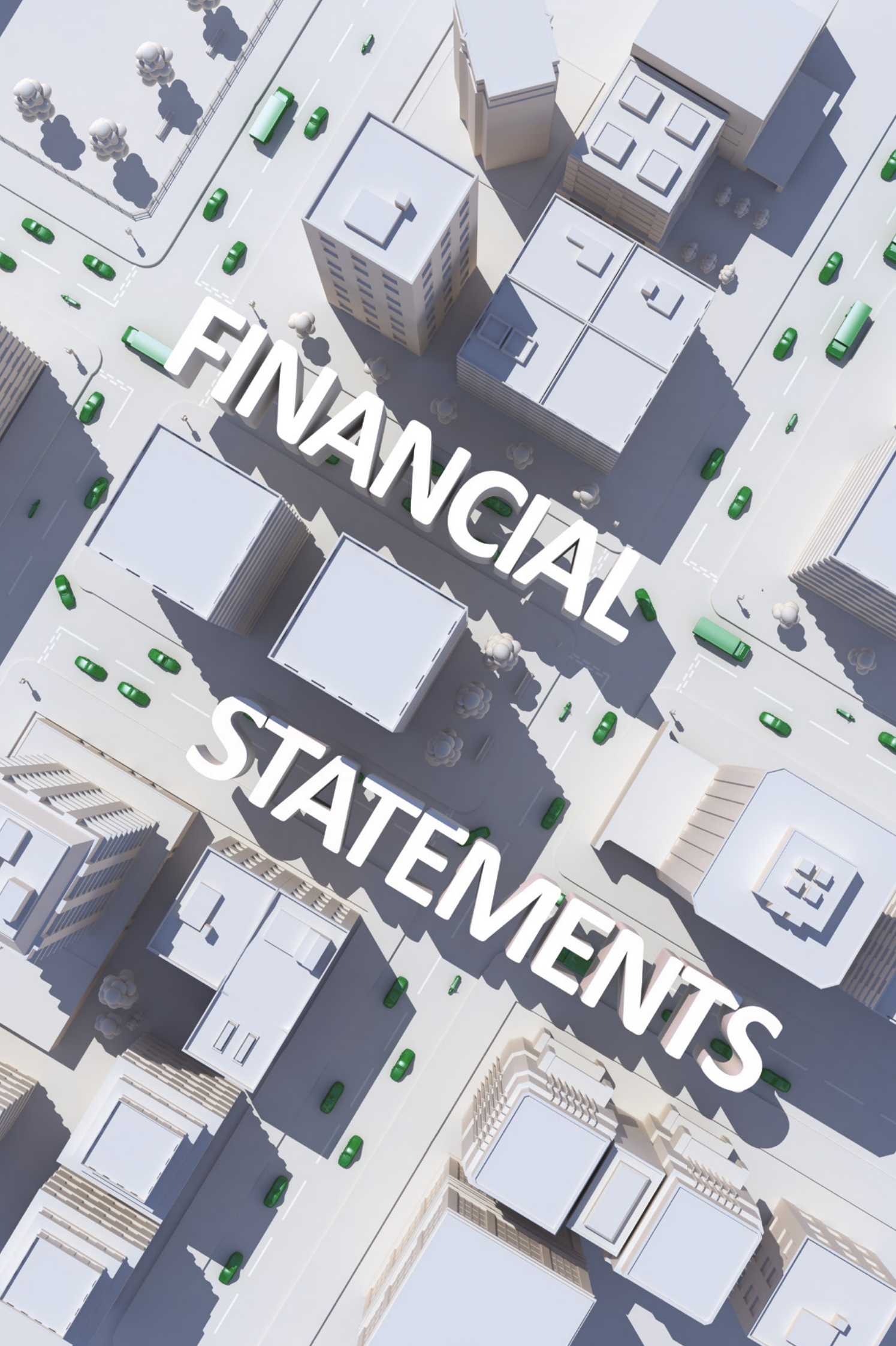
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law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

**Simon Gallagher**  
Senior Statutory Auditor

For and on behalf of  
Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street  
London  
EC1A 4AB

27 May 2015





# Consolidated statement of comprehensive income

For the year ended 31 December 2014

		Consolidated		Company	
	Notes	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Income					
Leviable premium	3	307,670	137,943	307,670	137,943
Other operating income	5	5,506	5,030	3,802	3,394
Total income		313,176	142,973	311,472	141,337
Expenditure					
Net claims paid		(196,512)	(205,067)	(196,512)	(205,067)
Decrease/(Increase) in claims provision	4	(84,115)	87,886	(84,115)	87,886
		(280,627)	(117,181)	(280,627)	(117,181)
Administrative expenses	6	(29,941)	(28,425)	(28,237)	(26,789)
Actuarial gain / (loss) on retirement benefits	9	(3,436)	842	(3,436)	842
Operating profit / (loss)		(828)	(1,791)	(828)	(1,791)
Financial income	7	2,767	4,751	2,767	4,751
Financial expenses	8	(1,939)	(2,956)	(1,939)	(2,956)
Net income before tax		-	4	-	4
Income tax expense	10	-	(4)	-	(4)
Net income after tax		-	-	-	-

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

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

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

# Consolidated statement of financial position

As at December 2014

		Consolidated		Company	
	Notes	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	3,645	3,709	3,645	3,709
Current assets					
Trade and other receivables	15	1,519,330	1,437,934	1,519,465	1,438,712
Cash and cash equivalents	12	4,538	9,152	4,339	8,195
Financial investments	13	72,275	60,653	72,275	60,653
		1,596,143	1,507,739	1,596,079	1,507,560
Total assets		1,599,788	1,511,448	1,599,724	1,511,269
Liabilities					
Non-current liabilities					
Retirement benefit obligations	9	11,501	8,114	11,501	8,114
Provisions	4	1,360,829	1,271,081	1,360,829	1,271,081
		1,372,330	1,279,195	1,372,330	1,279,195
Current liabilities					
Trade and other payables	14	7,344	6,506	7,280	6,327
Retirement benefit obligations	9	1,279	1,279	1,279	1,279
Provisions	4	218,835	224,468	218,835	224,468
		227,458	232,253	227,394	232,074
Total liabilities		1,599,788	1,511,448	1,599,724	1,511,269

The financial statements on pages 32 to 51 were approved and authorised for issue by the Board of Directors on 22 May 2015 and were signed on its behalf by

  
Steve Maddock – Chairman

  
Ashton West OBE – Director

The accompanying notes form an integral part of these financial statements.  
**Group Company Number 412787**

# Consolidated statement of cash flows

For the year ended 31 December 2014

		Consolidated		Company	
	Notes	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash flows from operating activities					
Cash generated from operations	16	4,294	1,176	5,052	433
Interest received		2,763	4,747	2,763	4,747
Interest paid		-	-	-	-
Tax paid		-	4	-	4
Net cash flows from operating activities		7,057	5,927	7,815	5,184
Cash flows from investing activities					
Purchases of property, plant and equipment	11	(50)	(232)	(50)	(232)
Proceeds from sale of property, plant and equipment		-	-	-	-
Net change in financial investments		(11,621)	(2,555)	(11,621)	(2,555)
Net cash flows from investing activities		(11,671)	(2,787)	(11,671)	(2,787)
Cash flows from financing activities					
Repayments of borrowings	17	-	-	-	-
Net cash flows from financing activities		-	-	-	-
Net (decrease)/increase in cash and cash equivalents		(4,614)	3,140	(3,856)	2,397
Cash and cash equivalents at the beginning of the year	12	9,152	6,012	8,195	5,798
Net (decrease)/increase in cash and cash equivalents	17	(4,614)	3,140	(3,856)	2,397
Cash and cash equivalents at the end of the year		4,538	9,152	4,339	8,195

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

# Notes to the financial statements

## 1. Principal accounting policies

### Basis of preparation

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

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

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

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

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

IFRS 9 – Financial instruments: the main changes are to the classification and measurement of financial assets and liabilities. There are three categories of financial assets instead of the previous four being those that are carried at amortised cost, those that are not and must be carried at fair value through the profit and loss and those being measured as fair value through other comprehensive income if the entity had a mixed business model. The measurement of financial assets 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: applicable for adoption from 1 January 2014 - the fundamental shift is that IFRS 10 is drafted on the basis that one

entity is the subsidiary of another when it is controlled by that second entity. It is not driven by indicators of control and takes a "substance" approach. One entity is deemed to control another where it is exposed to, or has rights to, variable returns from its involvement with that other entity and has the ability to affect those returns through its power over the investee.

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

### Group status

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

### Income

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

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



# Notes to the financial statements (continued)

## 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	Revalued triennially
Fixtures and fittings	5 years
Motor vehicles	3 years
Computers	3 years

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

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

### Leases

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

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

### Taxation

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

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

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

### Retirement benefit obligations

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

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

For the defined benefit pension scheme, the assets are measured at their market value at the statement of financial position date and the liabilities of those

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

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

This is a small departure from the requirements of IAS19 which requires certain expenditures to be passed through the Statement of Other Comprehensive Income, on the basis that the MIB is a not for profit organisation with no retained earnings on its Statement of Financial Position the expenditure is therefore expensed in the year it occurs.

### 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.



# Notes to the financial statements (continued)

## 1. Principal accounting policies

(continued)

### Cash and cash equivalents

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

### Significant judgements

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

#### i) Provisions

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

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

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

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

#### ii) Levy

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

## 2. Employee costs and numbers

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

	Consolidated and Company	
	2014 £'000	2013 £'000
Wages and salaries	11,114	10,509
Social security costs	1,124	1,000
Pension contributions – Defined benefit	1,247	1,267
– Defined contribution	948	792
Other staff costs	107	92
	14,540	13,660
Average number of employees (including Directors) were:	No.	No.
MIB claims operations (including internal audit)	216	210
MID services (including Contact Centre)	67	66
MIB/MID support	100	101
IFB	33	32
	416	409

### Directors' remuneration

The remuneration of the Directors was as follows:	£'000	£'000
Emoluments (including benefits in kind)	431	389
Pension contributions	44	63
	475	452
Highest paid Director:		
Emoluments	275	235
Pension contributions	11	42
	286	277
Total accrued pension entitlement per annum for highest paid Director	34	32
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	
	2014 £'000	2013 £'000
Emoluments (including benefits in kind)	697	609
Pension contributions	129	108
	826	717
Number of executives at the statement of financial position date	8	7



# Notes to the financial statements (continued)

## 3. Leviable premium

	Consolidated and Company	
	2014 £'000	2013 £'000
Levy called	246,552	252,947
Surplus levy return	(20,000)	(20,000)
Movement in uncalled levy	81,118	(95,004)
<b>Leviable premium</b>	<b>307,670</b>	137,943

### Movement in uncalled levy

	Consolidated and Company	
	2014 £'000	2013 £'000
Increase / (decrease) in reserves provision	84,115	(87,886)
Other movements	(2,997)	(7,118)
<b>Movement in uncalled levy</b>	<b>81,118</b>	(95,004)

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

The Group has the right to call an additional levy from members should it wish to do so. The additional levy receivable shown in Note 15 of £1,514m (2013: £1,433m) 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 2014 is likely to be in the order of £16bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

## 4. Provisions

Claims provision and expenditure	Consolidated and Company	
	2014 £'000	2013 £'000
Claims provision at 31 December 2014	1,579,664	1,495,549
Claims provision at 31 December 2013	(1,495,549)	(1,583,435)
<b>Net movement in claims</b>	<b>84,115</b>	(87,886)
Claims paid less recoveries	196,512	205,067
<b>Claims expenditure during the year</b>	<b>280,627</b>	117,181
Claims provision at 31 December 2014 – non current	1,360,829	1,271,081
Claims provision at 31 December 2014 – current	218,835	224,468
	<b>1,579,664</b>	1,495,549

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.

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 2014. The data is used to project the cost of future claims using generally accepted actuarial techniques. The IBNR provision for 2014 is £145.0m (2013: £124.0m).

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

The IBNER provision for 2014 is (£11.5m) (2013: (£22.0m)). 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 2014:

	Consolidated and Company	
	2014 £'000	2013 £'000
Gross reserves	323,762	290,540
Net discount with discount factor	58,164	49,876
<b>Net reserves</b>	<b>381,926</b>	340,416

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

### Exposure to claims

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

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

# Notes to the financial statements (continued)

## 5. Other income

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
General enquiries	20	11	20	11
Sanction fines	-	7	-	7
Electronic vehicle licence fees	29	748	29	748
3rd party MID enquiries	655	608	655	608
Fees for management services	4,750	3,656	3,045	2,020
Recovery from administrators	52	-	52	-
<b>Other income</b>	<b>5,506</b>	<b>5,030</b>	<b>3,801</b>	<b>3,394</b>

## 6. Administration expenses

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Claims related fees	3,108	3,386	3,108	3,386
Operational services	24,762	23,140	24,746	23,042
Rechargeable expenses	1,688	1,538	-	-
Operating lease costs	120	104	120	104
Depreciation	113	116	113	116
Auditors' remuneration – audit	70	56	70	56
– taxation	6	7	6	7
Council of Bureaux fees	74	78	74	78
	<b>29,941</b>	<b>28,425</b>	<b>28,237</b>	<b>26,789</b>

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	
	2014 £'000	2013 £'000
Bank deposit interest	62	65
UK gilt interest	2,564	2,294
Other interest earned	141	2,392
	<b>2,767</b>	<b>4,751</b>

## 8. Finance expenses

	Consolidated and Company	
	2014 £'000	2013 £'000
Gilt transactions	76	65
Decrease in market value of gilts	1,396	2,414
Pension costs – IAS 19	467	477
	<b>1,939</b>	<b>2,956</b>

## 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 2014.

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 55.7% funded. The market value of the scheme's assets at the valuation date was £16,044,000. The pension cost for the year was £1,247,010 (2013: £1,266,925). As at 1 January 2014 the continuing pension cost has been set at 25.2% of pensionable salaries plus a fixed deficit funding amount of £758,912 per annum. The deficit funding amount is split between the actuarial valuation undertaken as at 1 January 2006 (£243,912) and the actuarial valuation undertaken as at 1 January 2009 (£515,000).

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

	2014 % pa	2013 % pa	2012 % pa	2011 % pa	2010 % pa
Discount rate	3.6	4.6	4.3	4.9	5.6
Expected rate of future salary increases	3.5	3.9	3.4	3.5	4.1
Expected rate of future pension increases	3.0	3.3	2.9	3.0	3.7
Underlying expected inflation rate	3.1	3.5	3.0	3.1	3.7

The market value of assets in the scheme were £16,044,000 (2013: £14,727,000; 2012: £13,171,000; 2011: £11,714,000; 2010: £11,247,000).

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

and property is based on a number of factors including:

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

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

	Fair Value				
	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Equities	6,304	6,029	5,506	5,114	3,590
Bonds	2,763	2,651	2,100	1,927	1,540
Property	914	824	746	717	399
Other	6,063	5,223	4,819	3,956	5,718
<b>Fair value of assets</b>	<b>16,044</b>	<b>14,727</b>	<b>13,171</b>	<b>11,714</b>	<b>11,247</b>
Present value of liabilities	(28,824)	(24,120)	(23,459)	(19,454)	(19,030)
Related deferred tax	-	-	-	-	-
<b>Net pension liability</b>	<b>(12,780)</b>	<b>(9,393)</b>	<b>(10,288)</b>	<b>(7,740)</b>	<b>(7,783)</b>



# Notes to the financial statements (continued)

## 9. Retirement benefit obligations (continued)

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Deficit at 1 January 2014	(9,393)	(10,288)	(7,740)	(7,783)	(7,584)
Current service cost	(783)	(803)	(732)	(896)	(1,016)
Contributions	1,299	1,333	1,378	1,309	1,792
Other finance cost	(467)	(477)	(499)	(668)	(616)
Actuarial gain/(loss)	(3,436)	842	(2,695)	298	(359)
<b>Deficit at 31 December 2014</b>	<b>(12,780)</b>	<b>(9,393)</b>	<b>(10,288)</b>	<b>(7,740)</b>	<b>(7,783)</b>

Analysis of the amount charged to administrative expenses:

Current service cost	783	803	732	896	1,016
Past service cost	-	-	-	-	-
Gains on settlements and curtailments	-	-	-	-	-
<b>Total operating charge</b>	<b>783</b>	<b>803</b>	<b>732</b>	<b>896</b>	<b>1,016</b>

Analysis of the amount credited to other finance costs:

Interest income on plan assets	-	-	(454)	(398)	(360)
Administration costs (excl. asset management costs)	33	36	-	-	-
Interest on liabilities	434	441	953	1,066	976
<b>Other finance costs</b>	<b>467</b>	<b>477</b>	<b>499</b>	<b>668</b>	<b>616</b>
<b>Total charge for year</b>	<b>1,250</b>	<b>1,280</b>	<b>1,231</b>	<b>1,564</b>	<b>1,632</b>

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:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Return on plan assets less interest income on plan assets	(80)	126	93	(802)	(152)
Experience gains and losses arising on liabilities	876	194	(283)	120	53
Changes in assumptions underlying the present value of the liabilities	(4,232)	522	(2,505)	980	(260)
<b>Total actuarial gain/(loss)</b>	<b>(3,436)</b>	<b>842</b>	<b>(2,695)</b>	<b>298</b>	<b>(359)</b>

Amounts recognised in the statement of financial position:

Present value of funded obligations	(28,824)	(24,120)	(23,459)	(19,454)	(19,030)
Fair value of assets	16,044	14,727	13,171	11,714	11,247
<b>Net liability recognised in the statement of financial position</b>	<b>(12,780)</b>	<b>(9,393)</b>	<b>(10,288)</b>	<b>(7,740)</b>	<b>(7,783)</b>

The Group expects to contribute £1,342,224 to the defined benefit scheme in 2015. Actual return on plan assets for 2014 was £614,000 (2013: £711,000).

## 10. Taxation

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
UK corporation tax	-	(4)	-	(4)
Adjustment in respect of prior periods	-	-	-	-
	-	(4)	-	(4)

Factors affecting the tax charge for the period

Income on ordinary activities before taxation	-	4	-	-
Standard rate of corporation tax of 21.5% (2013: 23.25%)	-	1	-	1

Effects of:

Non-deductible expenses	1	2	1	2
Depreciation in excess of capital allowances	(1)	(40)	(1)	(40)
Tax losses carried back	-	-	-	-
Utilisation of tax losses	-	-	-	-
Losses carried forward	-	33	-	33
Other deductions	-	-	-	-
	-	(4)	-	(4)

The Group has a deferred tax asset of approximately £82,000 (2013: £112,000) 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
<b>Cost</b>				
At 1 January 2014	3,892	694	1,721	6,307
Additions	-	18	32	50
Disposals	-	-	-	-
<b>At 31 December 2014</b>	<b>3,892</b>	<b>712</b>	<b>1,753</b>	<b>6,357</b>
<b>Depreciation</b>				
At 1 January 2014	464	601	1,533	2,598
Charge for year	-	27	87	114
Disposals	-	-	-	-
<b>At 31 December 2014</b>	<b>464</b>	<b>628</b>	<b>1,620</b>	<b>2,712</b>
<b>Net book value</b>				
<b>At 31 December 2014</b>	<b>3,428</b>	<b>84</b>	<b>133</b>	<b>3,645</b>
At 31 December 2013	3,428	93	188	3,709

# Notes to the financial statements (continued)

## 12. Cash and cash equivalents

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash at bank and in hand	4,538	9,152	4,339	8,195
	4,538	9,152	4,339	8,195

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

	2014 £'000	2013 £'000
UK Government gilts	72,275	60,653

The carrying amounts of these assets approximate their fair value. UK Government gilts are valued at bid market price as at 31 December 2014.

Additionally, the company owns £1 investment in each of its four subsidiaries. See note 19 for detail.

## 14. Trade and other payables

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	227	837	163	740
Advanced levy payments	3,896	2,892	3,896	2,892
Levy refund due to members	-	-	-	-
Accrued expenses	1,390	1,519	1,390	1,519
Other payables	1,831	1,258	1,831	1,176
	7,344	6,506	7,280	6,327

## 15. Trade and other receivables

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Additional levy receivable	1,514,021	1,433,241	1,514,021	1,433,241
Other trade receivables	3,979	3,302	3,416	2,716
Prepayments	542	563	542	563
Other receivables	788	828	1,486	2,192
	1,519,330	1,437,934	1,519,465	1,438,712

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

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Inflows from operating activities</b>				
Operating profit / (loss)	(828)	(1,791)	(828)	(1,791)
Depreciation charges	113	116	113	116
Interest paid	-	-	-	-
Profit on sale of tangible fixed assets	-	-	-	-
(Increase) / Decrease in trade and other receivables	(81,395)	95,352	(80,751)	94,470
Increase / (Decrease) in trade and other payables	838	(764)	952	(625)
Increase / (Decrease) in provisions and other liabilities	87,505	(88,781)	87,505	(88,781)
Finance costs	(1,939)	(2,956)	(1,939)	(2,956)
	(4,294)	1,176	5,052	433

## 17. Reconciliation of opening to closing net debt

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

	At 01.01.13 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.13 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.14 £'000
Cash and cash equivalents	6,012	3,140	-	9,152	(4,614)	-	4,538
Bank overdraft	-	-	-	-	-	-	-
	6,012	3,140	-	9,152	(4,614)	-	4,538
Debt due within 1 year	-	-	-	-	-	-	-
Debt due within 1 year	-	-	-	-	-	-	-
<b>Net debt</b>	<b>6,012</b>	<b>3,140</b>	<b>-</b>	<b>9,152</b>	<b>(4,614)</b>	<b>-</b>	<b>4,538</b>

### Reconciliation of opening to closing net debt - Company

	At 01.01.13 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.13 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.14 £'000
Cash and cash equivalents	5,798	2,397	-	8,195	(3,856)	-	4,339
Bank overdraft	-	-	-	-	-	-	-
	5,798	2,397	-	8,195	(3,856)	-	4,339
Debt due within 1 year	-	-	-	-	-	-	-
Debt due within 1 year	-	-	-	-	-	-	-
<b>Net debt</b>	<b>5,798</b>	<b>2,397</b>	<b>-</b>	<b>8,195</b>	<b>(3,856)</b>	<b>-</b>	<b>4,339</b>



# Notes to the financial statements (continued)

## 18. Operating lease commitments

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

	Consolidated and Company	
	2014 £'000	2013 £'000
Within 1 year	144	140
Later than 1 year and less than 5 years	163	158
<b>Total operating lease commitments</b>	<b>307</b>	298

## 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 £1,592,931 (2013: £1,764,209). 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 2014 the Group was owed £1,795,874 (2013: £1,920,842) from Claims Portal Limited.

During the year the Group provided management services to the Insurance Fraud Bureau Limited, a company registered in England and Wales in which A West is a Director, totalling £2,981,370 (2013: £3,433,410).

As at 31 December 2014 the Group was owed £281,311 (2013: £181,351) from Insurance Fraud Bureau Limited.

During the year the Group provided management services to Insurance Database Services Limited, a company incorporated in England and Wales in which A West is a Director, totalling £817,662 (2013: £720,282).

As at 31 December 2014 the Group was owed £81,728 (2013: £77,516) 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.

# Notes to the financial statements (continued)

## 21. Financial risk management (continued)

### 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 shown in Note 15 of £1,514m (2013: £1,433m) 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 2014 is likely to be in the order of £16bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

### Liquidity risk

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

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

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

### Cash in hand and bank deposits

	Consolidated		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Total cash in hand	4,538	9,152	4,339	8,195

### 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.

	2014 Actual £'000	2014 +2% £'000	2014 -2% £'000	2013 Actual £'000	2013 +2% £'000	2013 -2% £'000
Interest receivable	62	434	-	65	424	-

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

### Reserving and foreign exchange risk

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

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

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

The value of Green Card claims with such exposure is £62m (2013: £62m) of which £1.9m represents cases where a standard reserve amount has been set (2013: £2.6m). Therefore, the maximum potential exposure to currency risk is £57m, which represents 4.0% of the overall case reserves. If Sterling was to either strengthen or weaken by 25 points against the Euro at the statement of financial position date, the potential impact on reserves would be a reduction of £21.2m (2013: £15.5m) or an increase of £6.9m (2013: £10.2m), based on an exchange rate of 1.287045 (2013: 1.203104) 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 (continued)

## MedCo

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

## MyLicence

MyLicence went live in December 2014 and is a joint initiative between the DVLA, the Department for Transport, and the insurance industry which is represented by the ABI and the Motor Insurers' Bureau (MIB).

MyLicence gives insurers access to accurate data from the DVLA on motoring entitlements, convictions and penalty points when providing quotes for insurance policies.







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