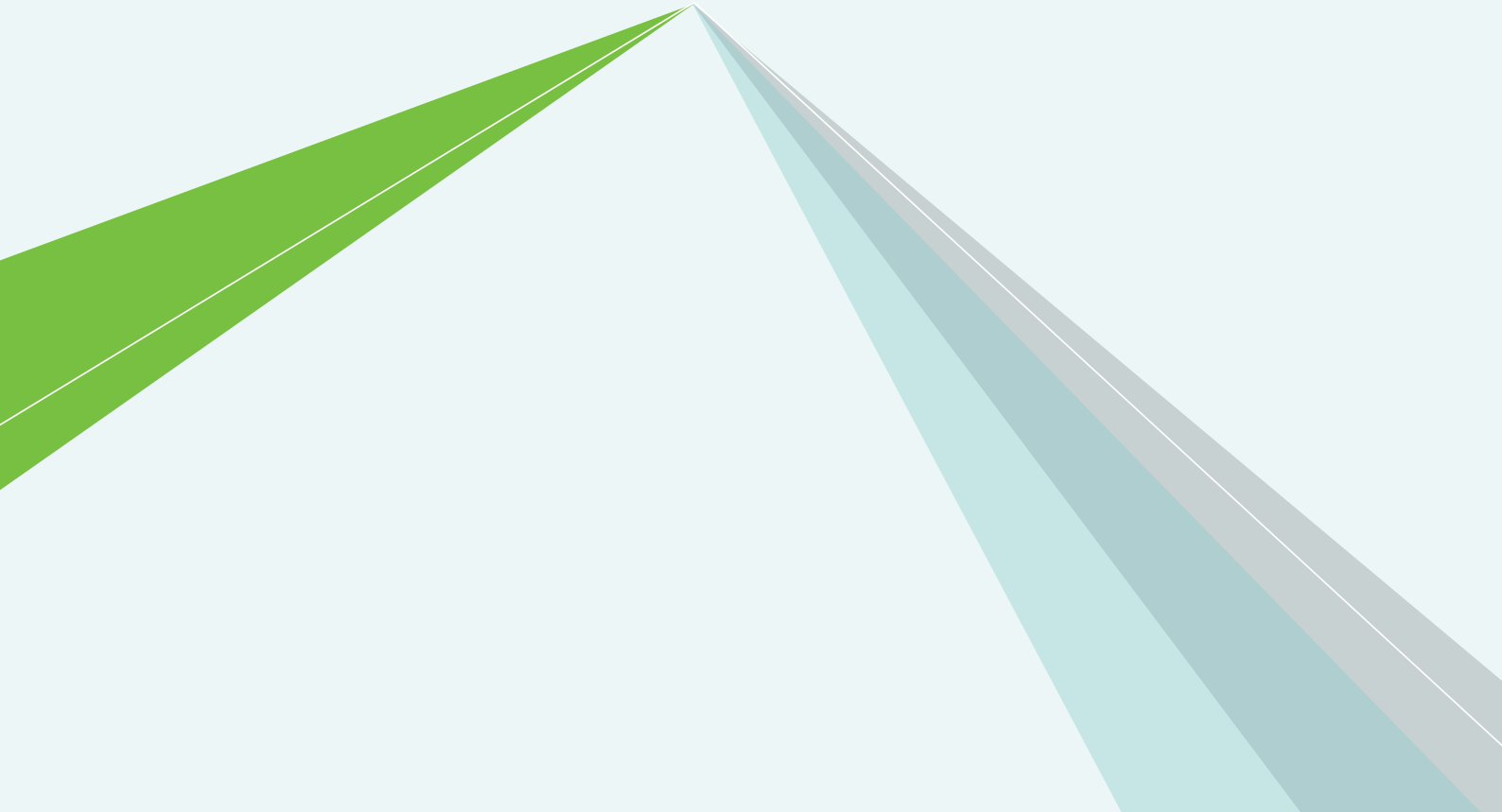


# Annual Report and Accounts 2017





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# Chairman's statement

**Steve Maddock** | MIB Chairman

There are a number of key strategic issues impacting commercial insurers which are also affecting MIB. The outcome of the Government's work to address the calculation applied to lump sum compensation will have a similar financial impact on MIB as it does to insurers. However, other aspects of the proposed changes within the Civil Liability Bill together with how the market responds to personal injury claims arising from the use of vehicles in terrorist attacks also involve MIB in the development of potential solutions, a factor which recognises the increasing breadth and importance of the organisation. The detailed performance review of the Bureau is contained in the Chief Executive's statement including the full range of achievements and issues faced.

“

This sensible new framework proposed for the personal injury discount rate would deliver a system that is fair for premium payers, claimants and taxpayers.”





## Also included within the Civil Liability Bill

are a package of measures to disincentive minor, exaggerated and fraudulent road traffic accident related soft-tissue injury claims.

In my previous statement I highlighted the announcement made on 27 February 2017 by the then Lord Chancellor that the discount rate for personal injury claims would reduce from 2.5% to -0.75% per annum effective from 20 March 2017. I also referred to the Ministry of Justice (MoJ) subsequent announcement on 30 March 2017 of a consultation into the personal injury discount rate framework and the uncertainty this created around MIB's claims provisions and future levy calls.

On 21 March 2018 the Government published the Civil Liability Bill which, as drafted, contains a change in the requirement to set the discount rate by reference to "low risk" rather than "very low risk" investments. This probably means an investment that returns a positive rate which claimants actually invest in, rather than the return on index linked gilts which are negative at present.

This sensible new framework proposed for the personal injury discount rate would deliver a system that is fair for premium payers, claimants and taxpayers. It is now important that Parliament agrees these proposals swiftly so consumers can start to see the benefits.

**"Whilst the discount rate remains at minus 0.75% per annum, MIB will continue to calculate its claims provisions using this rate."**

However, whilst the discount rate remains at minus 0.75% per annum, MIB will continue to calculate its claims provisions using this rate and, although the short term impact is less significant, continue to factor this in to our levy call.

Also included within the Civil Liability Bill are a package of measures to disincentive minor, exaggerated and fraudulent road traffic accident related soft-tissue injury claims. The vast majority of these claims are known as whiplash claims. Despite previous Government reforms, improvements in vehicle safety and a reduction in the number of reported accidents, the number of personal injury claims following a road traffic accident remains 50% higher than in 2006. This has led to higher car insurance premiums for motorists and higher levies.

# Chairman's statement:

(continued)

The Ministry of Justice (MoJ) and Association of British Insurers (ABI) have engaged MIB for support in delivering technology solutions for the whiplash reforms and, whilst the challenges are complex, we are committed to delivering a solution that both achieves the objectives of the reforms and provides a customer journey that meets today's expectations in a digital world.

Terrorist attacks during the course of 2017 involving the use of a vehicle have given rise to consideration as to whether such random, unpredictable acts of violence should be borne by the market as a whole (i.e. by the MIB central fund) or, as is currently the case because of the MIB's Articles of Association, by an individual insurer who happens to have insured the vehicle involved, but clearly not for terrorist purposes.

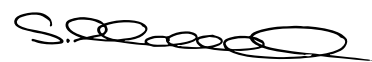
In the first quarter of 2018 MIB consulted with its Members on this issue. Both the consultation and the response to this consultation can be found on the MIB website. As a result of the responses received, at the time of writing this report, MIB intends to put a Written Special Resolution to its Members to change the Articles to mutualise this risk for events occurring from 1 January 2019. In order for this change to be made it requires agreement by 75% (by voting rights) of the membership.

If this change is agreed and, regrettably, there are further such terrorist activities this would mean that the MIB levy would increase to meet the cost of compensation. However, this is not an increased cost to the totality of our Members but simply a spreading of such across the market rather than it falling on individual Members.

Succession planning is a key area for the Board and, having been informed by Ashton West of his intention to retire from MIB I'm delighted that someone of Dominic Clayden's calibre has taken over. Dominic joined MIB as CEO on 14 May 2018 to continue to drive our strategy forward. Dominic is a qualified solicitor and was formerly Group Chief Claims Officer at QBE Insurance and prior to this Claims Director at Aviva. Additionally he has for a number of years been an MIB Non-Executive Director and I look forward to working closely with Dominic in the future.

I would like to offer my sincere thanks to Ashton for the contribution that he has made over the last 15 years. Under his outstanding leadership, MIB has achieved an incredible amount to tackle uninsured driving on Britain's roads and to have made the organisation what it is today – a trusted and respected partner of all the participants of the UK insurance infrastructure.

Finally, I would like to thank the management and staff for their significant contribution in 2017 and look forward to their ongoing support to deliver a successful 2018. I would also like to thank my fellow directors for the considerable contribution they have made in support of the Bureau.



**Steve Maddock**  
Chairman  
31 May 2018

“The Ministry of Justice (MoJ) and Association of British Insurers (ABI) have engaged MIB for support in delivering technology solutions for the whiplash reforms.”



personal injury claims following  
a road traffic accident are

**50%**

higher than in 2006





“

“In this digital age, ensuring that MIB can meet the changing expectations and aspirations of our customers and stakeholders is crucial if we are to remain relevant in the years ahead. This will require digital services delivery and a highly engaged workforce.”

# Chief Executive's statement

Ashton West | Director  
Chief Executive to 13.05.2018



## Introduction

As anticipated in last year's Annual Report and Accounts, 2017 saw MIB launch its comprehensive Digital Transformation Programme embracing all elements of the business. The initial focus has been workplace, workspace, HR as a service and IT service management; other elements in relation to claims as a service, cloud infrastructure and data infrastructure are planned to follow. This has been a focus for the business throughout the year and will continue into 2019 and beyond.

In this digital age, ensuring that MIB can meet the changing expectations and aspirations of our customers and stakeholders is crucial if we are to remain relevant in the years ahead. This will require digital services delivery and a highly engaged workforce.

Overall, the business again performed well achieving a significant majority of its key performance indicators. From a financial perspective the most significant development was the change in the discount rate in March 2017 from 2.5% to -0.75%, which had an initial adverse impact of some £310m on the outstanding reserves although it had a relatively minimal impact on the payments during the year.

The MIB levy for 2017 was set at £256m (£244m base levy plus £12m for De-Regulation Act claims). We paid £252m in claims and expenses during the year despite the change in the discount rate. However, the 2018 levy was increased to £298m largely to reflect the impact of the discount rate but also a further predicted increase in De-Regulation Act claims from £12m to £19m.

As for most businesses, Brexit has brought its challenges, many of which are still to be fully understood. Significant uncertainties remain around the implications of the Vnuk judgement and the extent to which cross border travel will remain without border insurance checks. Whilst MIB and ABI have worked hard to try and convince the European Commission to mitigate some of the consequences, costs and burdens created by Vnuk, the reality is that we still do not know how this will impact compulsory insurance requirements in the UK in the future and therefore the potential financial consequences flowing from this.

Sadly, 2017 witnessed a spate of terrorist atrocities throughout Europe, with three in the UK, all involving the use of a motor vehicle to inflict injuries on innocent people. Since then, MIB has been working with the ABI, the motor insurance industry and other stakeholders to understand whether the current regime for responding to claims arising from these incidents is appropriate from an insurance perspective. The MIB Board issued a formal consultation on the matter to the membership in the first quarter of 2018, the responses from which were carefully considered by the Board in March. As a result a formal resolution will be presented to the membership to remove the terrorism claims from Article 75. Any vote in favour of this resolution will require 75% of the membership by voting share to support the resolution for the change to be implemented.



# Chief Executive's statement:

(continued)

## Enforcement Services

For more than a decade MIB saw a consistent fall in the number of claims reported which had been caused by uninsured drivers. The progress we've made in reducing the problem of uninsured driving in the UK has been well beyond our original goals. However, in more recent years this downward trend has plateaued and the last 12 months produced a 3.7% increase in uninsured claims.

Although the number of claims reported in a year is influenced by a complex collection of factors, clearly one of these is the number of people driving uninsured. It is difficult to identify any objective external evidence of an increase in their numbers on UK roads. In fact the number of taxed vehicles not recorded on the Motor Insurance Database (MID) fell again in 2017 by 5.9% which is a pleasing result.

However claims resulting from 'hit and run' accidents now consistently outnumber those arising from uninsured driving and their number increased by 5.8% in the year. We began a further project with University of Leicester in 2017 on raising awareness of the impact of 'hit and run' incidents on victims although the full results will not be known until 2019.

The Motor Insurance Database (MID) is crucial to CIE and the latest upgrade was completed during 2017. Designed to enhance its performance as a vital police tool, improvements focussed on data reliability and faster access.

Police engagement plays a crucial role in the success of tackling uninsured driving and MIB now has two dedicated police liaison officers. In addition we have extended access to the Police Helpline for roadside officers to include Bank Holidays. During 2017 we ran two successful Operation Drive Insured campaigns, each was a concentrated week of action with MIB supporting the police to take uninsured drivers off the road. In the two weeks a combined total of over 3,800 vehicles were seized and further campaigns are planned in 2018.

**"The progress we've made in reducing the problem of uninsured driving in the UK has been well beyond our original goals."**

Taxed vehicles not recorded on the Motor Insurance Database (MID) fell by

**5.9%**

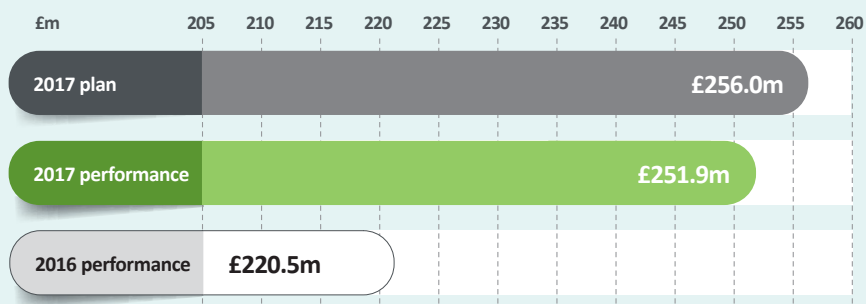




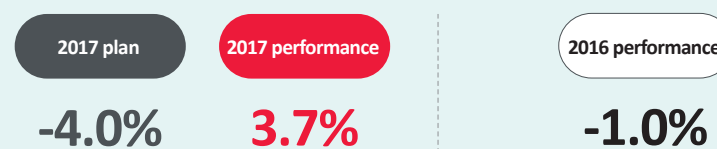
As pressure increases on the uninsured, there is a growing problem of drivers using fraudulently obtained insurance policies to avoid being stopped and seized. To help address this, a collaboration pilot was set up between MIB, police forces, Aviva and Direct Line Group (DLG). This collaboration gave roadside police direct access to Aviva's and DLG's fraud teams whenever they suspected a fraudulently obtained policy was in play. Such was the success, it won Collaboration of the Year at the 2017 Insurance Post Fraud Awards and the approach has since been adopted by several other insurers.

## MIB Enforcement Services performance

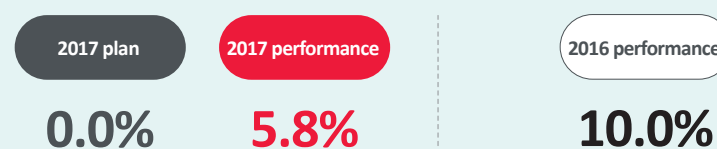
### Levy performance



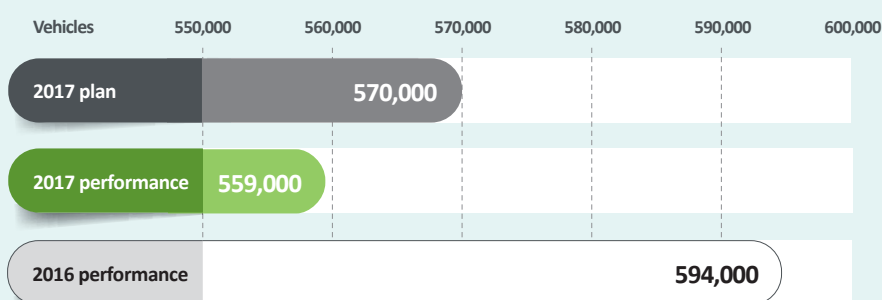
### Increase / (decrease) in uninsured driving claims



### Increase / (decrease) in hit and run claims



### Reduction in taxed vehicles not on MID



# Chief Executive's statement:

(continued)

Last year also saw the development of a new approach to enforcement, known as Operation Tutelage. Piloted by Thames Valley and Hampshire Police, the Tutelage model uses an intelligence led strategy to identify uninsured vehicles and has so far returned a 75-80% insurance compliance rate. During 2018 MIB will be exploring with the police the potential for developing this into the national framework.

A vital part of our strategy is the public awareness work in order to reinforce our enforcement activity. The 'Protection' video for the Gone in Seconds awareness campaign continued to perform significantly above expectations yielding 65% more impressions (38.3m) over forecast.

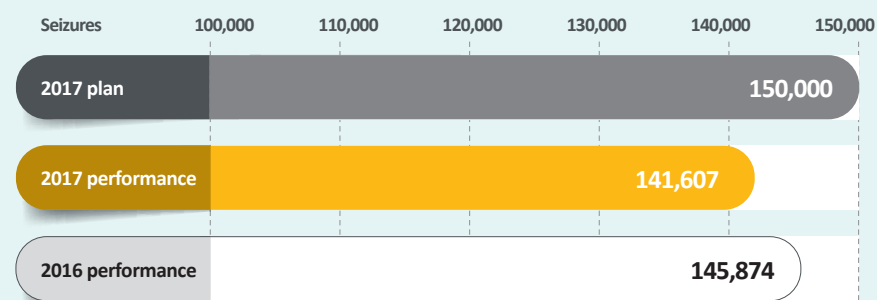
In late June, the 'Own Worst Nightmare' video was launched and both campaigns have been well received and endorsed across the insurance industry. Improvements have been made to our social media activity across Facebook and Twitter through the use of scheduled activity, graphics and video.



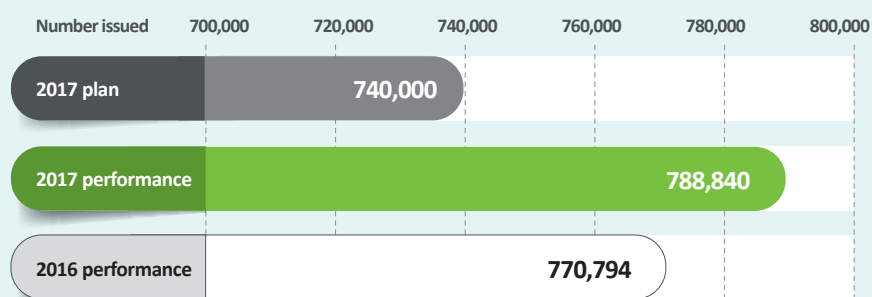
## 75-80%

insurance compliance rate  
as a result of the new  
Tutelage model

### Number of police seizures



### CIE IALs issued



## Claims Services

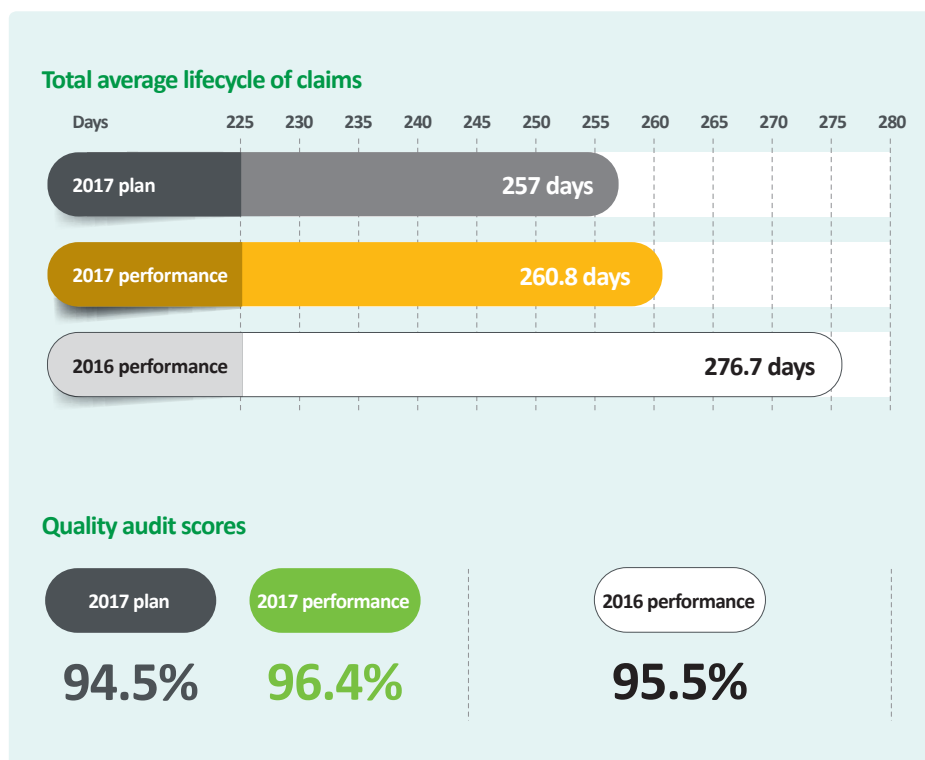
In 2017, the number of untraced and uninsured claims was higher than anticipated with significantly higher numbers of uninsured claims in the first half of the year which then levelled off as the year developed leaving an overall increase of 3.7%. The untraced claims also increased but mainly during the second half of the year to end the year 5.7% above 2016 levels. As a result, we did not see the reduction in the claims portfolio that we had planned for. Despite this, our key metrics for quality audit, leakage and customer engagement all performed above target.

Although we didn't quite meet our target on reducing the lifecycle of claims, overall the results showed significant improvement. Following the completion of our untraced claims transformation project, the improvements we are seeing on the lifecycle of newly reported claims show the intended efficiencies coming to fruition.

The growth in claim numbers has required increased resources and we were pleased to start a new apprentice scheme during the year, the first ever for the MIB claims team. Continuing our investment in people and expertise will be key to achieving our portfolio aims in 2018.

Fraudulent claims continue to receive an appropriate level of focus particularly through our Specialist Claims Unit and it was another strong year for detecting fraudulent claims with £25m of fraud savings recorded during the year.

## MIB Claims Services performance



# Chief Executive's statement:

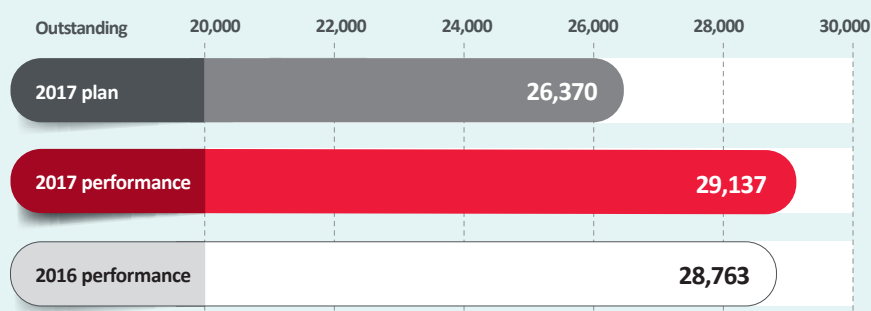
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## Claims Services (continued)

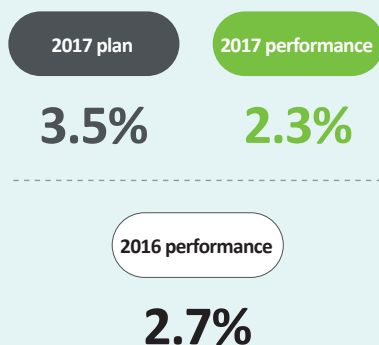
In November, the High Court delivered its judgement in the RoadPeace challenge against the Government and the MIB Agreements. We welcomed that judgement which upheld the legitimacy of the MIB Agreements, dismissing the complaints raised by RoadPeace. MIB released new versions of its Agreements in 2015 and 2017 which were welcomed by many and seen as improvements on the previous versions. Last year's judgement means that they have been considered as fit for purpose.

In another unrelated judgement the Court of Appeal in May 2017 ruled in the case of Cameron vs Hussain that insurers would have to satisfy judgements obtained against unidentified and unnamed drivers purely on the basis that they insured the vehicle. In light of the potential ramifications of this decision for MIB and for the wider market, we are seeking to join an action in the Supreme Court to overturn this decision. The Supreme Court will hear the case in the final quarter of 2018.

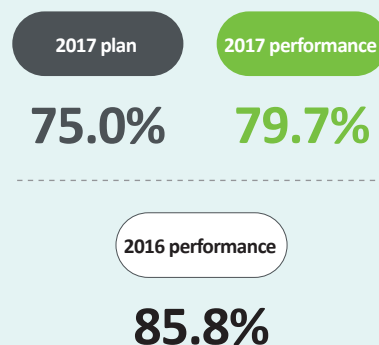
### Outstanding portfolio



### Leakage



### Customer engagement index



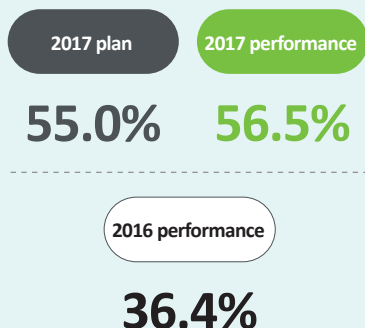
## MIB Non-Claims Services

The data management services that MIB provides to the industry form a crucial part of a number of cross-industry initiatives, many of which help to address insurance fraud. Fraud has a major impact on the industry and takes many forms, from opportunistic to organised criminal activity, and cuts across all general insurance products in both claims and applications processes. The sharing and exchange of data is an essential aspect in both detection and prevention of fraudulent activity so it is vital that shared data is available, accessible, reliable and secure.

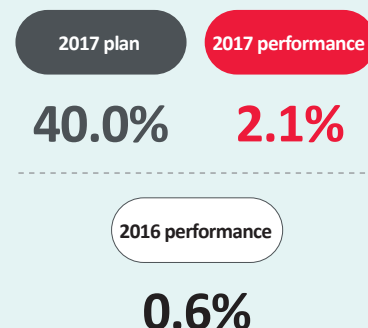
“Fraud has a major impact on the industry and takes many forms, from opportunistic to organised criminal activity”.

## MIB Non-Claims Services performance

### MyLicence service take up



### NCD service take up



### MIB Hub services availability



# Chief Executive's statement:

(continued)

MIB non-claims services include the following services/databases:

- **MyLicence** – a service to ensure accurate driver histories and entitlements are captured at the point of quote.
- **No Claims Discount (NCD)** – helps ensure that no claims discount data is shared across the industry and reduces 'paper chase'.
- **AskMID** – provides fast access to the MID data including from the roadside using a smart phone.
- **askCUE PI** – provides information to claimant lawyers as specified in the Civil Procedure Rules (CPR) to claimant lawyers.
- **Claims and Underwriting Exchange (CUE)** – enables insurers to access details of incidents/claims to combat claims and application fraud.
- **Motor Insurance anti-Fraud & Theft Register (MIAFTR)** – used to monitor vehicles written-off for insurance purposed, trace and recover stolen vehicles and help detect fraud.

During 2017 CUE Travel was launched as an additional product line within CUE. This is another step in meeting the Insurance Fraud Taskforce (IFT) recommendations on data sharing and fraud prevention, and comes at a time when there is concern that fraud within the travel insurance sector is increasing. The new MIAFTR system was also implemented during the year to incorporate the new salvage codes introduced to ensure the system is fit for purpose and reflects the increasing complexity of new vehicles and the impact that has on safe repair.

In 2018 there are plans to develop the CUE database to give the public access to their claims data so they are able to quickly and simply check their records. There are also plans to build on the launch of CUE Travel.

“During 2017 CUE Travel was launched as an additional product line within CUE. This is another step in meeting the Insurance Fraud Taskforce (IFT) recommendations on data sharing and fraud prevention”





## MIB Non-Claims Services performance (continued)

### askMID potential improper enquiries

2017 plan

2017 performance

0.5%

0.0%

2016 performance

0.7%

### askMID service availability

2017 plan

2017 performance

99.0%

99.9%

2016 performance

99.9%

### askCUE PI potential improper enquiries

2017 plan

2017 performance

0.9%

0.8%

2016 performance

1.4%

### askCUE PI service availability

2017 plan

2017 performance

99.5%

100.0%

2016 performance

99.9%

### CUE & MIAFTR customer satisfaction

2017 plan

2017 performance

55.0%

66.0%

2016 performance

50.0%

### MIAFTR availability

2017 plan

2017 performance

99.5%

100.0%

2016 performance

100.0%



# Chief Executive's statement:

(continued)

## Non-MIB Managed Services

MIB continues to provide managed services to a range of client companies including:

- Insurance Fraud Bureau (IFB)
- Employers' Liability Tracing Office (ELTO)
- Claims Portal Ltd.
- MedCo Registration Solutions (MedCo)

## Risk management

With the increasing breadth of service activity for MIB, there is an enhanced focus on effective 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.

## General Data Protection Regulations (GDPR)

New data protection legislation, in the form of the GDPR and new Data Protection Act, came in to force on 25 May 2018. MIB established a project and GDPR governance forum in 2017, which included all the Executive Committee and other key Heads of Business to oversee its response to the new legislation. In addition, MIB has taken advice from external lawyers and sought external assurance regarding the programme.

## Non-MIB Managed Services performance

	2017 Plan	2017 Performance	2016 Performance
IFB customer satisfaction	82.0%	81.1%	81.0%
IFB budget	100.0%	87.8%	91.1%
Claims Portal budget	100.0%	94.1%	87.7%
Claims Portal system availability	99.0%	99.9%	99.9%
MedCo system availability	95.0%	100.0%	n/a
ELTO user satisfaction	60.0%	57.1%	57.0%
ELTO member satisfaction	70.0%	75.1%	69.0%
ELTO budget	100.0%	99.3%	99.9%
ELTO system availability	99.5%	99.9%	100.0%

### Internal audit

The Internal Audit team provides assurance to the MIB Board and Executive Committee that the risk of MIB not achieving its business goals and strategy are being effectively managed and that appropriate controls are in place and applied to mitigate this risk. In addition, the team delivers audit services agreed with third parties and MIB's client companies, including the commencement of Data Assurance reviews in 2017 for ELTO members.



“MIB established a project and GDPR governance forum in 2017, which included all the Executive Committee and other key Heads of Business to oversee its response to the new legislation.”

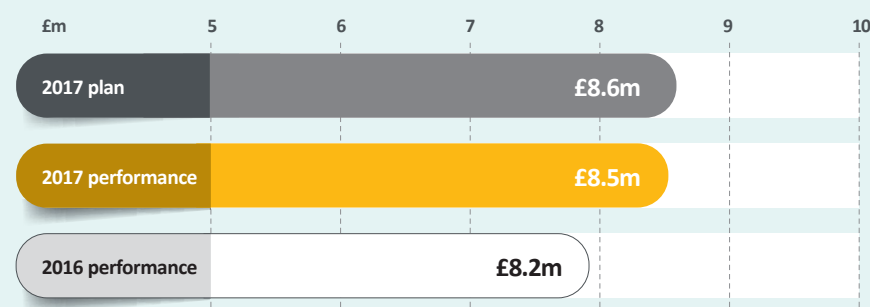


# Chief Executive's statement:

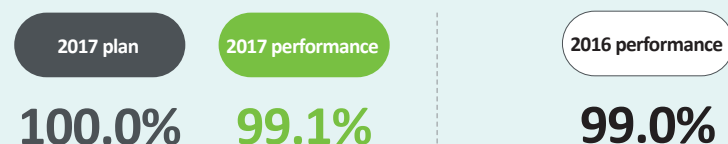
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## MIB business support services performance

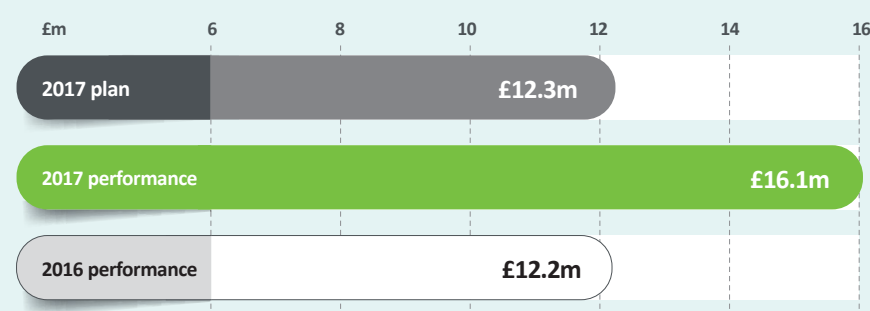
### Recovery performance



### Budget performance



### Comms performance (Advertising Value Equivalent)



## People

People are at the heart of our organisation and we are passionate about creating a culture that encourages our staff to grow and develop. By developing our peoples' capability and expertise, MIB has earned a reputation as a knowledgeable, dependable and secure organisation. MIB holds the 'Investor in People' accreditation which is important recognition and acknowledgement of the learning and development support offered to all employees.

We remain committed to maintaining our Chartered Insurer status and focuses on ethical conduct and customer service. This is reinforced in the MIB values that direct employees in the way they deliver their work.

MIB recognises the importance of working to ensure equality for all, regardless of gender. We are also passionate about preparing our people for the next steps in their career. In this vein we are proud to have signed up to the HM Treasury's Women in Finance Charter and published our Gender Pay Gap report which can be read on our website.

We continue to monitor how people feel about working life at MIB through our annual employee engagement survey and it was pleasing to see that the results for 2017 were higher than 2016. There are still some areas to improve on when benchmarking ourselves against the insurance industry and this remains a focus for 2018.

Our commitment to ensuring we keep pace with the ever-changing digital environment has seen the launch of the new self-service HR platform me@mib, which is one of the first projects delivered as part of the wider Digital Transformation Programme. This is already proving to have a positive impact on everyday working life at MIB with the 2017 annual performance review process and annual salary review process being undertaken digitally.

As we undergo a period of significant change at MIB we are fully focused on ensuring we are communicating and supporting our people effectively to take them on this journey with us. We have put in place additional feedback opportunities to enable everyone to input into our new digital world.

### A final word...

Every day I witness genuine enthusiasm, commitment and focus from people in delivering excellent services to our customers and achieving our goals. We all take great pride in living the values that are at the heart of MIB's ethos.

Like many businesses, MIB is experiencing a significant degree of change, whether from the internal changes driven by our Digital Transformation Programme or the pressures from external forces that shape our business. We do not underestimate the impact that change has on people and I would like to thank everyone for their hard work and support as well as their continued co-operation during the current change programme.

This is, of course, my last report as Chief Executive of MIB. It has been a wonderful journey, working with amazing people and overseeing a business transformation that, I believe, has produced an organisation that we can all be proud to work in. It is improving road safety through assisting in the removal of uninsured drivers from our roads, helping control insurance costs, delivering real value to the insurance industry and other stakeholders whilst operating transparently and with the highest ethical principles.

I want to thank everyone for their support over the years and wish the new CEO, Dominic Clayden and the whole team continued success for the future direction and development of the organisation.



### Ashton West OBE

Director

Chief Executive to 13.05.2018

31 May 2018

**“People are at the heart of our organisation and we are passionate about creating a culture that encourages our staff to grow and develop.”**



# Strategic report:

The Board presents its report and the audited financial statements of the Motor Insurers' Bureau for the year ended 31 December 2017:

## Group status

The Directors confirm that MIB remains a Group limited by guarantee, without a share capital.

## Principal activities

The activities of the Group are: -

- 1) In pursuance of agreements with the Secretary of State for Transport:
  - a) To satisfy judgements in respect of any liability required to be covered by contracts of insurance or security under the Road Traffic Acts 1972 and 1988 but not so covered by insurance.
  - b) To investigate, and where appropriate, make awards to persons suffering damage to property or injury or dependants/relatives of persons killed as a result of the use of a motor vehicle on a road, in cases where the driver of the vehicle cannot be traced.
- 2) In accordance with the provisions of the Internal Regulations of the Council of Bureaux to act as:
  - a) A Paying Bureau to guarantee the payment of relevant liability claims arising from accidents in other countries caused by holders of International Certificates of Motor Insurance (Green Cards) issued under the authority of MIB, or by users of motor vehicles registered in the United Kingdom.
  - b) A Handling Bureau to deal with Road Traffic Act liability claims arising from accidents in the United Kingdom caused by drivers of foreign registered vehicles on a temporary visit to the United Kingdom, in possession of valid Green Cards and/or vehicles registered in a signatory country of Section III of the Internal Regulations.
- 3) As required by the Motor Vehicles (Compulsory Insurance) (Information Centre and Compensation Body) Regulations 2003 (S.I. 2003 No.37) and the Agreement between Compensation Bodies and Guarantee Funds, approved under Commission Decision 2004/20/EC, to act as the Compensation Body to:
  - a) Handle claims made by UK resident victims arising from accidents abroad, where there are no foreign insurers' representatives, or where those representatives fail to act, or where an insurer or the responsible driver cannot be identified.
  - b) Act as the UK Information Centre and reimburse peer Compensation Bodies who have paid foreign victims of accidents in the UK, in accordance with the equivalent legal provisions implementing the Fourth Directive 2000/26/EC (now encompassed within 2009/103/EC).
- c) Maintain the Motor Insurance Database (MID) ensuring:
  - i) A fit for purpose database supporting the detection, enforcement and prevention of uninsured driving in the UK.
  - ii) Compliance with current Road Traffic Act legislation (Road Traffic Act 1988 and The Motor Vehicles Third Party Risks Regulations 2001, S.I. No.2266).
- 4) In accordance with the Articles of Association provide value added services including:
  - a) The maintenance of the Claims and Underwriting Exchange (CUE) and the Motor Insurance Anti-Fraud & Theft Register (MIAFTR).
  - b) Data asset management and analytical services on behalf of Members and the insurance industry.
  - c) The provision of managed services.

## Financial position and future prospects

The Directors confirm that total expenditure of MIB continues to be reimbursed by contributions received and sums receivable from its Members. Further information is available within the 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 8 to 21.

The consolidated statement of comprehensive income on page 45 shows that the Group has neither made a profit nor incurred a loss in the year to 31 December 2017. MIB continues to have the support of its Members.

The income included within the consolidated statement of comprehensive income of £514.9m comprises the cash levy called of £254.8m plus the movement in uncalled levy of £250.7m 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 (to 13.05.18)  
Motor Insurers' Bureau  
14.04.2003 •



**D Clayden**  
Chief Executive (from 14.05.18)  
Motor Insurers' Bureau  
11.09.2009 • (Appointed  
Non-Executive Director)



**A Sherman**  
Chief Financial Officer  
Motor Insurers' Bureau  
09.02.2009 •

### Non-Executive Directors

• Date of appointment



**A Clarke**  
Ageas  
10.09.2010 •



**S Baker**  
AXA Insurance  
03.04.2013 •



**S Fernandes**  
Liverpool Victoria  
15.12.2015 •



**J Abboud**  
Allianz Insurance  
11.03.2016 •



**G McChesney**  
Zurich  
24.11.2017 •

### Appointments

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

Executive Directors: **D Clayden** **14.05.2018**  
Non-Executive Directors: **K Helgesen, RSA** **29.03.2018**

### Resignations

R Townend	08.05.2017 → 29.03.2018
I Currie, RSA	10.09.2010 → 29.03.2018
D Slater, Acromas	27.03.2013 → 16.03.2018
C Fresneau, Zurich Insurance	07.09.2015 → 09.10.2017
M Bacon, Equity Red Star	31.03.2011 → 08.05.2017
L Rix, Aviva	17.06.2016 → 08.05.2017

# Strategic report: (continued)

## Board attendance

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

Name	Board meetings				Audit and Risk Committee	
	23.03.17	23.05.17	27.09.17	24.11.17	04.05.17	02.11.17
S Maddock	●	●	●	●	●	●
A West	●	●	●	●	●	●
D Clayden	○	○	●	○	●	●
A Sherman	●	●	●	●	●	●
I Currie	●	○	○	●	●	●
A Clarke	●	○	●	●	●	●
M Bacon	○	●	●	●	●	●
D Slater	●	●	●	●	●	●
S Baker	●	●	○	●	●	●
C Fresneau	●	●	●	●	○	●
S Fernandes	●	●	●	●	●	●
J Abboud	●	●	○	●	●	●
L Rix	○	●	●	●	●	●
R Townend	●	○	●	●	●	●

● = Present ○ = Absent ● = N/A

## Committee Members

Name	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Investment Committee	Levy Group
S Maddock	●	●	●	●	●
A West	●	●	●	●	●
D Clayden	●	●	●	●	●
A Sherman	●	●	●	●	●
A Clarke	Chair	●	●	●	●
S Baker	●	●	●	●	●
S Fernandes	●	●	●	●	●
J Abboud	●	●	Chair	●	●

● = Member

## Membership details

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

Name	Date of joining
Sofinsod Insurance DAC	15.05.2017
XL Insurance Company SE	09.06.2017

The following companies ceased being Members:

Name	Membership ceased
Horizon Insurance Company Limited	31.12.2017

## Employee policy

MIB is committed to delivering excellence and views technical competence as one of the foundations of this. To increase professional qualifications within the organisation it has in place the MIB Qualifications Framework which links promotion and progression to the requirement to have a level of academic or vocational qualification.

The learning and development initiatives delivered in 2017 were focussed on ensuring that MIB provides the skills and knowledge required for its people to carry out their duties within the changing environment in which they work. Engaging colleagues with our Digital Transformation Programme was, and continues to be a high priority; in particular the office move and new ways of working that are currently being planned and will be introduced over the coming years. We have increased our investment in employee communications to ensure there are plenty of opportunities for two-way engagement, feedback and involvement.

MIB promotes diversity and aims to provide a working environment where all employees are valued, respected and feel cared for. Wellbeing is high on the people agenda and there is an annual programme of initiatives including lunch time health and wellbeing seminars.

Employees are rewarded for their contribution through instant, monthly and annual awards and attention is given to activities that support engagement and retention.

## Charitable donations

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

## Supplier terms

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

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

“

“The Directors are responsible for preparing the Strategic report, Directors’ report and the financial statements in accordance with applicable law and regulations.”

# Directors’ report

Wendy Budd | Company Secretary

## 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.

### 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.

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  
31 May 2018

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





# Corporate governance statement

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

## The Board

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

The Board provides direction to MIB, supervising MIB management and maintaining control over MIB's assets. They ensure MIB operates ethically and with robust corporate governance practices to determine the nature and extent of the principal risks our organisation is willing to take in achieving strategic, financial and operational success

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

- Matters reserved for the Board and Board Committees' Terms of Reference
- Risk Appetite
- Group Policy Framework, which comprises policies that the Board approves

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

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

"The Board provides direction to MIB, supervising MIB management and maintaining control over MIB's assets."

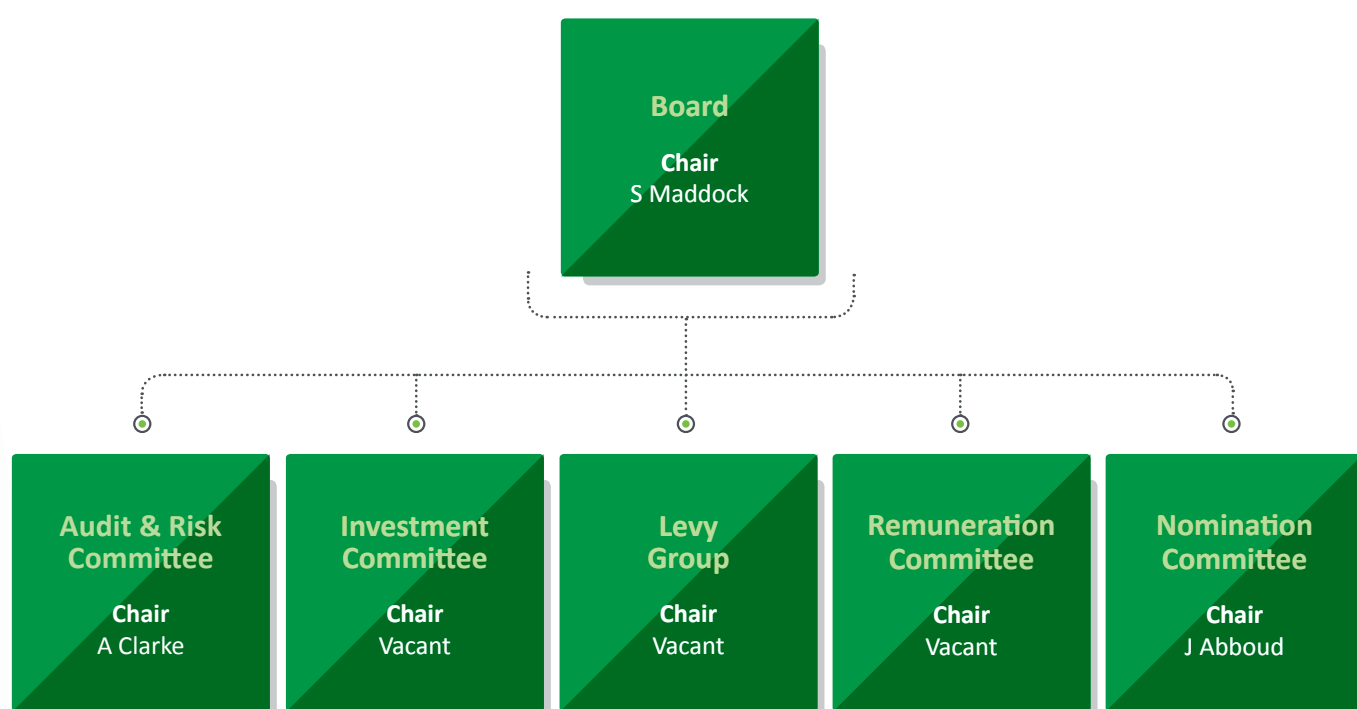


The role of the Non-Executive Directors is to participate fully in the functions of the Board, advising, supporting and challenging management as appropriate. Non-Executive Directors can serve three terms of three years. The Chairman can serve two terms of four years but can serve a maximum of nine years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

## Board committees

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

There are currently a number of vacancies for committee chairs. This is due to a number of recent Board resignations. The Nomination Committee are currently working on filling these vacancies.





# Corporate governance statement

(continued)

## Audit and Risk Committee

The Audit and Risk Committee is comprised of three Non-Executive Directors. Both the Head of Audit and the Chief Risk Officer have direct reporting lines into the Chair of the Audit and Risk Committee. The MIB Chief Executive Officer and Chief Financial Officer are invited to attend by the Non-Executive Directors as well as any MIB Officer that the Committee feels appropriate. It meets every six months.

The Audit and Risk Committee assists the MIB Board by:

- Overseeing the MIB Risk Management Framework and ensuring that MIB operates within agreed risk parameters and clearly defined risk appetite statements.
- Reviewing and assessing MIB's system of internal controls.
  - o Approves and challenges the Internal Audit plans of scheduled work and ensures that such work provides assurance over the key risks to MIB meeting its corporate objectives.
  - o Ensures that Internal Audit has adequate and appropriately skilled resources and where necessary obtains external specialist resource to support completion of its work programme.
  - o Overseeing the work of the External Auditors and providing assurance over the integrity of MIB's financial statements.
- Appointing and removing External Auditors.
- Providing supervision of corporate governance policies and issues related to legal and regulatory compliance bodies.

In 2017, Internal Audit changed its provider for specialist audit services and now engage with PwC as our co-sourced partner. In addition MIB also utilised the services of AXA Insurance to undertake an independent review of the MIB claims handling services on behalf of Members. From 2018 Liverpool Victoria will replace AXA to provide this service on behalf of Members. All assurance providers present their findings and recommendations to the Audit and Risk Committee.

In 2016 KPMG issued an independent report resulting from their review of MIB Internal Audit services and provided assurance to the Audit and Risk Committee that these services were fit for purpose in relation to the quality, independence and objectivity of Internal Audit and its professional staff.

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

Audit work undertaken in the area of supplier management identified a number of concerns over the services provided by a few key suppliers enabling MIB to address these issues, recover significant financial amounts and ensure internal controls are enhanced.

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

## 1. Internal audit

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

## 2. Risk management

Effective risk management is essential to the success of MIB. MIB is fully committed to ensuring that its risk management framework remains appropriate, effective and in line with the 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.

The MIB Risk Management Framework is the cornerstone for the monthly risk councils, held across the organisation. These councils proactively identify emerging risks, allocate appropriate risk owners and drive accountabilities for successful mitigation and resolution to an agreed timeframe. The detail from each risk council feeds the MIB Corporate Risk Register and allows the organisation to set key risk indicators and key performance indicators to ensure that we are delivering successful outcomes.

By embedding risk management behaviours within the culture and integrated into the key business activities, MIB is able to respond to change effectively as new threats and opportunities emerge.

## 3. Compliance

MIB successfully maintained its ISO 27001 information security certification and ISO 22301 business continuity certification during 2017.

MIB's compliance with the ISO 27001 and 22301 standards provides a systematic approach to management of the confidentiality, integrity and availability of the data we control. MIB's focus to continually improve our capabilities is supported by strong engagement between the operations departments and the Risk and Compliance, Internal Audit and IT teams.

Compliance activities to identify potential misuse continue to be proactive and focus on legitimate access but illegitimate use. Management information and compliance reviews are used to help identify and mitigate any identified control weaknesses.

A General Data Protection Regulation (GDPR) project was initiated early in 2017, overseen by a dedicated GDPR forum made up from the MIB senior leadership team, to help ensure MIB is ready for the implementation of the new data protection legislation in May 2018.

## 4. Health and safety

MIB recognises the vital importance of health and safety within our organisation. We operate, 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 governance statement

(continued)

## Investment Committee

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

## Levy Group

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

## Remuneration Committee

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

## Nomination Committee

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

## Insurance Data Advisory Board (IDAB)

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

## Chief Executive Officer (CEO)

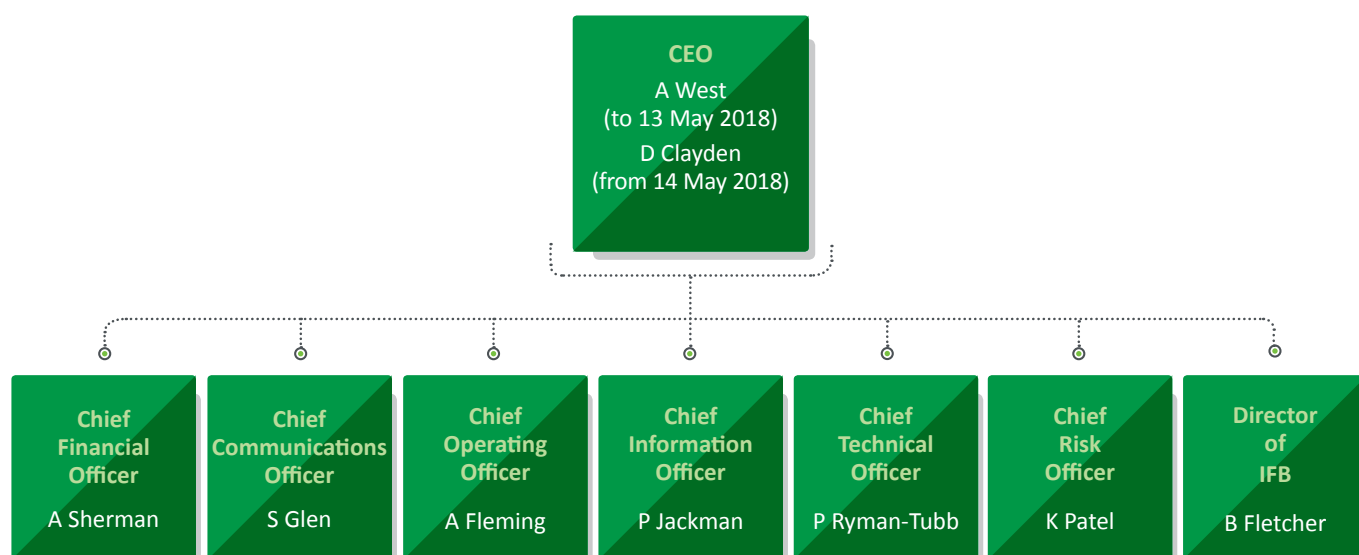
The role of the CEO is to manage the Group's business on a day to day basis and to assist the Board in carrying out its role by providing advice and recommendations consistent with the agreed corporate objectives, financial and operation risk management and regulatory good practice. In fulfilling his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

## Executive Committee

The Executive Committee is the principal management committee that supports the Chief Executive Officer to manage the day to day operations of the Group. It forms part of the wider Senior Leadership Team. The Executive Committee assists the Chief Executive Officer set performance targets, implement the MIB strategy and direction and monitor key objectives to achieve the Group's targets. It is comprised of the Executive Directors (Chief Executive Officer and Chief Financial Officer) and the following: Chief Communications Officer, Chief Operating Officer, Chief Information Officer, Chief Technical Officer, Chief Risk Officer and the Director of Insurance Fraud Bureau (IFB).

## IT Governance Board

The IT Governance Board comprises a minimum of five attendees, two of which must be Senior Leadership Team members and one Information Security and Compliance Officer. The Head of Information Services will usually chair the meetings. The role of the IT Governance Board is to ensure that the security of information under MIB's management is protected against current and emerging cyber threats and that appropriate controls are implemented to identify, protect, detect, respond and recover from any potential information security attack.



“The role of the IT Governance Board is to ensure that the security of information under MIB's management is protected against current and emerging cyber threats.”

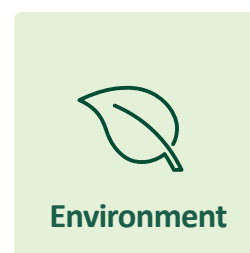
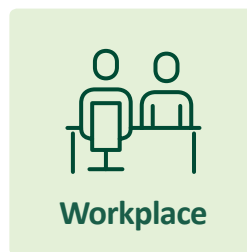
# Corporate governance statement

(continued)

## Corporate Social Responsibility (CSR)

MIB recognises that its business operations and conduct have an impact on the environment, community and its employees.

With the help of its team of CSR volunteers we encourage a culture where individuals think more widely about the impact of their behaviour beyond the scope of their day to day work activity. MIB's CSR framework is built around four areas: Workplace, Community, Marketplace and Environment.



MIB is an Equal Opportunities employer committed to ensuring that it provides an inclusive working environment that ensures employees are recruited, promoted, transferred and selected for training on the basis of their qualifications, skills, abilities and aptitudes.







## Workplace

We continue to strive for excellence across the business and throughout 2017 have embraced change with the launch of its Digital Transformation Programme.

MIB is an Equal Opportunities employer committed to ensuring that it provides an inclusive working environment that ensures employees are recruited, promoted, transferred and selected for training on the basis of their qualifications, skills, abilities and aptitudes.

For many years we have been monitoring the pay of men and women who carry out similar roles to ensure there is consistency and fairness in approach. When compared to the financial services industry, the MIB gender pay gap is lower at 18% compared with 31% for the industry as a whole. Our Gender Pay Gap report has been published and can be read in full on our website. In this vein we are proud to have signed up to the HM Treasury's Women in Finance Charter demonstrating our commitment to preparing all employees for the next steps in their career.

An equal pay exercise is conducted twice a year to ensure there are no inconsistencies in remuneration between men and women. MIB will not be complacent and will maintain focus on reducing the gender gap.

# 18%

**lower gender pay gap  
compared with 31% for the  
industry as a whole**



# Corporate governance statement

(continued)

## Community

During 2017 we continued to preserve our long-standing relationship with The Children's Trust, a charity which provides care, support and rehabilitation for children who have suffered a brain injury; many of which are the result of road traffic accidents. To support the charity's work, the CSR team helped to raise over £21,500 during 2017 with the help of MIB employees.

On July 8 2017, 10 brave MIB employees took part in the gruelling Three Peaks Challenge in aid of The Children's Trust. This meant scaling the heights of three of the UK's highest mountains within 24 hours. The mountains climbed were Ben Nevis in Scotland, then straight to Scafell Pike in the Lake District, finishing up at Snowdon in Wales. Over £5,900 was raised by the team's hard work and determination.

MIB also partakes in the 'Pennies from Heaven' scheme which enables employees to donate the leftover pennies from their monthly salaries directly to the corporate charity. In 2017 this generated over £1,800 towards the fundraising total.



To support the work of  
The Children's Trust MIB  
has helped to raise over

# £21,500





## Marketplace

MIB works to compensate victims of uninsured and 'hit and run' drivers fairly and promptly. Everyone MIB deals with is protected by the customer charter.

A customer engagement index is in place to measure the level of customer service provided and this continues to produce positive results.

We recognised the growing issue of 'hit and run' accidents in the UK and the severe impact these have on victims and their families. To better understand and subsequently tackle the issue we undertook research with the University of Leicester to try and understand the reasons why drivers fail to stop after an accident.

The report identifies a number of recommendations which will help tackle the social and criminal issues of 'hit and runs'. We are working closely with key partners to explore ways to educate drivers about their responsibilities after an accident; to develop easy ways of reporting accidents and to raise awareness for drivers through theory tests and speed awareness courses. The whole report findings can be read on our website.



"During 2017 we continued to preserve our long-standing relationship with The Children's Trust, a charity which provides care, support and rehabilitation for children who have suffered a brain injury."

## Environment

We seek to implement and maintain initiatives to reduce the impact that it has on the environment. At the end of 2017 a 14% reduction in MIB's carbon footprint was confirmed compared to the 2016 result. Paper usage increased by around 12%, however, an ever increasing digital focus on the services provided to insurers, stakeholders and the public will see a reduction in the use of paper-based documentation. The impact of this should be reflected in the 2018 KPI results.

We continue to consider its environmental impact through all workstreams of the Digital Transformation Programme with the eventual end goal of a paper-free culture.



# 14%

**reduction in MIB's carbon footprint at the end of 2017**



# Tackling uninsured driving





# Operation Tutelage

## A new approach to increasing motor insurance compliance

Early in this report we referred to Operation Tutelage, a new approach to enforcement that MIB has been supporting since March 2017. This is a police force led pilot project run by the Joint Roads Policing Unit in Thames Valley and Hampshire to supplement Continuous Insurance Enforcement (CIE).

Under the pilot, registered owners of vehicles identified as having been driven without insurance received a letter from the local force encouraging them to check that their policy was correct and up to date. All vehicles were later re-checked and any still not showing valid insurance received further encouragement.

Deliberately designed to take a softer, intelligence lead approach, Operation Tutelage has so far returned a near 75-80% insurance compliance rate as well as high levels of public satisfaction and better engagement with the local motoring community.

After nine months of running the initial pilot, with one full time officer and a small team of roads policing officers, more than 5,500 registered keepers had been written to. The circa 20% who took no action following the initial letter were specifically targeted by police patrols, 5% of which were subsequently stopped and seized.

In the face of squeezed police budgets and headcount pressures, Operation Tutelage has shown to deliver excellent results, not just in supporting CIE but through positive public feedback and significant manpower efficiencies. It is a model that benefits the police and their local communities as well as the wider road-using public. It has also provided valuable insight into potentially more effective ways of approaching CIE.

Anecdotal evidence from roads policing officers suggests there are visibly fewer vehicles without insurance travelling on the region's roads. This in turn is expected to reduce fail to stop collisions, and improve road safety.

As we continue our support in 2018, work is underway to encourage its wider take up across UK forces and explore how learnings may be used in the national framework.

# 75-80%

insurance compliance rate  
through Operation Tutelage

as well as high levels  
of public satisfaction  
and better engagement  
with the local motoring  
community.

“Operation Tutelage has shown to deliver excellent results, not just in supporting CIE but through positive public feedback and significant manpower efficiencies.”

## Compensating and supporting victims of uninsured and untraced driving



## Victim support

### Putting victim support at the centre of our claims process

An unfortunate reality of MIB's role in compensating victims of uninsured and untraced drivers is the catastrophic nature of some of the accidents involved. A critical aspect in these cases is to ensure that rehabilitation is started at the earliest possible opportunity - often before the question of liability has been settled. The ultimate goal being to achieve the best possible long term outcome for severely injured victims.

When a victim suffers multiple traumatic injuries, putting them back into the position they were before the incident is a huge challenge. Success is dependent on a combination of swift action and the provision of wrap-around support that is truly centred on the victim and their immediate and longer term needs.

At MIB, these cases are dealt with by a specialist team who are skilled in complex brain injury cases and are able to quickly assess the best course of action.

One such example involved a 28 year old male pedestrian (Mr. S) who was struck by an uninsured vehicle. Mr. S suffered a severe brain injury and multiple other traumatic injuries, including facial, body and limb fractures; a life-threatening chest injury and injuries to his liver, spleen and left kidney.

An expert case manager whose first duty is to the claimant, was quickly appointed. The case manager's role is to act as an advocate, mentor and co-ordinator of all aspects of the claim, clinical recovery, on-going rehabilitation and social care.

In the case of Mr. S, the case manager carried out an initial needs assessment and took the lead on the liaison with Mr. S' legal teams, family and employer and the clinical and rehabilitation teams. This type of intervention meant that Mr. S was freed from complications of fragmented services and delays and able to focus fully on his recovery.

Due to the severity of his injuries Mr. S faces significant challenges in his recovery. While it is still early days, his goal is to return to his former occupation and regain the ability to live independently. Following the early intervention and intensive support he has received, he has already been able to make a limited return to work and can manage basic day to day living tasks with support. The case manager will continue to guide and support his rehabilitation as long as necessary for Mr. S to make as full a recovery as possible.

In this and similar cases, MIB's non adversarial, cooperative approach, which puts the injured individual at the centre, enables us to achieve good outcomes for all concerned. It ensures that needs are identified, appropriate resources secured and rehabilitation started at the earliest opportunity while also practising fiscal responsibility by seeking to reduce the overall litigation costs. The common aim for all parties being to improve the long term clinical and social outcomes for the claimant.



“In this and similar cases, MIB’s non adversarial, cooperative approach which puts the injured individual at the centre enables us to achieve good outcomes for all concerned.”



# Independent auditors' report

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

### Opinion

We have audited the financial statements of the Motor Insurers' Bureau ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's result and the Parent Company's result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

## Responsibilities of Directors

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### David Roberts

Senior Statutory Auditor

Date: 12 June 2018

For and on behalf of  
BDO LLP, Statutory Auditor  
London

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



## Financial statements

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# Consolidated statement of comprehensive income

For the year ended 31 December 2017

		Consolidated		Company	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Income					
Leviable premium	3	505,609	650,413	505,609	650,413
Other operating income	5	9,346	7,316	6,809	5,572
Total income		514,955	657,729	512,418	655,985
Expenditure					
Net claims paid		(220,259)	(194,316)	(220,259)	(194,316)
Decrease / (Increase) in claims provision	4	(253,778)	(432,704)	(253,778)	(432,704)
Net claims incurred		(474,037)	(627,020)	(474,037)	(627,020)
Administrative expenses	6	(40,673)	(34,158)	(38,136)	(32,414)
Operating profit / (loss)		245	(3,449)	245	(3,449)
Financial income	7	3,391	3,381	3,391	3,381
Financial expenses	8	(3,636)	(1,646)	(3,636)	(1,646)
Profit on acquisition	9	-	1,714	-	1,714
Net income / (expenditure) before tax		-	-	-	-
Income tax refund / (expense)	11	-	-	-	-
Net income / (expenditure) after tax		-	-	-	-
Other comprehensive income					
Items that will not be reclassified to SoCI					
Actuarial (loss) / gain on retirement benefits	10	(1,764)	(9,521)	(1,764)	(9,521)
Items that will or may be reclassified to SoCI					
Adjustment in leviable premiums for actuarial (loss) / gain on retirement benefits		1,764	9,521	1,764	9,521
Other and total comprehensive income for the year		-	-	-	-

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

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

The accompanying notes on pages 48 to 70 form an integral part of these financial statements.

# Consolidated statement of financial position

As at 31 December 2017

		Consolidated		Company	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Assets					
Non-current assets					
Intangible assets	13	107	214	107	214
Property, plant and equipment	12	4,260	4,174	4260	4,174
		4,367	4,388	4,367	4,388
Current assets					
Trade and other receivables	17	2,301,408	2,045,182	2,301,174	2,044,916
Cash and cash equivalents	14	2,076	4,306	1,729	3,969
Financial investments	15	92,504	90,557	92,504	90,557
		2,395,988	2,140,045	2,395,407	2,139,441
Total assets		2,400,355	2,144,433	2,399,774	2,143,829
Liabilities					
Non-current liabilities					
Retirement benefit obligations	10	20,246	18,393	20,246	18,393
Provisions	4	2,079,544	1,866,029	2,079,544	1,866,029
Creditors > 1 year		81	173	81	173
		2,099,871	1,884,595	2,099,871	1,884,595
Current liabilities					
Trade and other payables	16	33,892	33,285	33,311	32,681
Retirement benefit obligations	10	1,343	1,567	1,343	1,567
Provisions	4	265,249	224,986	265,249	224,986
		300,484	259,838	299,903	259,234
Total liabilities		2,400,355	2,144,433	2,399,774	2,143,829

The financial statements on pages 45 to 70 were approved and authorised for issue by the Board of Directors on 31 May 2018 and were signed on its behalf by:



**Steve Maddock**  
Chairman



**Ashton West OBE**  
Director  
Chief Executive to 13.05.2018

The accompanying notes on pages 48 to 70 form an integral part of these financial statements.

**Group Company Number 412787**

# Consolidated statement of cash flows

For the year ended 31 December 2017

		Consolidated		Company	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash flows from operating activities					
Cash generated from operations	18	(401)	(13,453)	(411)	(10,152)
Interest received		3,391	3,381	3,391	3,381
Interest paid		-	-	-	-
Net cash flows from operating activities		2,990	(10,072)	2,980	(6,771)
Cash flows from investing activities					
Purchases of property, plant and equipment	12	(188)	(112)	(188)	(112)
Purchases of intangible assets	13	-	(321)	-	(321)
Net change in financial investments		(5,032)	2,001	(5,032)	2,001
Net cash flows from investing activities		(5,220)	1,568	(5,220)	1,568
Net (decrease) / increase in cash and cash equivalents		(2,230)	(8,504)	(2,240)	(5,203)
Cash and cash equivalents at the beginning of the year	14	4,306	12,810	3,969	9,172
Net (decrease) / increase in cash and cash equivalents	19	(2,230)	(8,504)	(2,240)	(5,203)
Cash and cash equivalents at the end of the year	14	2,076	4,306	1,729	3,969

The accompanying notes on pages 48 to 70 form an integral part of these consolidated financial statements.



# Notes to the financial statements

## 1. Principal accounting policies

### Basis of preparation

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

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

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

### Standards issued but not yet effective

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

Standard	Topic	Date effective
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue contracts with customers (including amendments to IFRS 15)	1 January 2018
IFRS 16	Leases	1 January 2019

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

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

#### IFRS 9

IFRS 9: 'Financial instruments' is effective for periods beginning on or after 1 January 2018 (endorsed 22 November 2016). The standards replaces the guidance on IAS 39 'Financial instruments: Recognition and Measurement' and addresses the classification, measurement and recognition of financial assets and liabilities including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The introduction of IFRS is not expected to have a material impact on the reported results and financial position of the Group.

#### IFRS 15

IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue' and other existing revenue recognition interpretations. It describes the principles an entity must follow to measure and recognise revenue using a five step approach. The standard requires revenue to be recognised when goods or services are transferred to customers and the entity has satisfied its performance obligations under the contract, and at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The standard does not apply to financial instruments, lease or insurance contracts.

IFRS 15 will be applied by the Group from 1 January 2018 and will require a change to the Group's accounting policy with respect to the following revenue streams:

- Income from the design and administration of healthcare and employee benefits.
- Fees income from Workplace Pension Governance reporting.
- Fees income from Triennial Valuations for Defined Benefit Pension Scheme clients.

Under IAS 18 the Group recognised revenue when it is probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be measured with reliability.’ In the case of commission on healthcare and employees benefits revenue was recognised on renewal of the policy. For professional fees from workplace pension governance reporting and triennial valuation consulting, revenue is recognised throughout the term of the contract.

Under IFRS15 the Group must satisfy its performance obligations under the terms of the relevant contract before it can recognise revenue. The impact of this will be to defer 2017 revenue into 2018.

As a consequence, the adoption of IFRS15 will result in the deferral of income into 2018 that has been recognised in 2017. We estimate that the impact of this deferral will not be material to the Group financial statements.

#### Other standards

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

## Group status

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

## Income

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

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

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

## Net claims paid

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

# Notes to the financial statements

(continued)

## 1. Principal accounting policies (continued)

### Consolidation

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

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

Investments in subsidiaries are accounted for at cost less impairment in the Parent Company.

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

### Property, plant and equipment

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

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

Fixtures and fittings	5 years
Computers	3 years

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

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

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

## Intangible assets

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

Development expenditure	5 years straight line
-------------------------	-----------------------

## Leases

Leases where a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made as lessees under operating leases are charged to the 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 statement of comprehensive income as incurred. MIB has no further payment obligations once these contributions have been paid.

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

The current service cost and gains and losses on settlements and curtailments are included within operating expenses in the income and expenditure statement. The expected return on pension assets and the interest on pension liabilities are included in the finance costs in the statement of comprehensive income. Actuarial gains and losses are recognised in full in the statement of other comprehensive income in the period in which they occur, see note 10.

## Investments

Government fixed interest gilts held at fair value through the statement of comprehensive income are re-valued to bid prices at the end of the year. Interest receivable is accounted for on an accruals basis.

## Cash and cash equivalents

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

# Notes to the financial statements

(continued)

## Segmental reporting

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

## Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of 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

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, including incurred claims that are not reported (IBNR) together with related claims settlement costs. Significant delays 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 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	
	2017 £'000	2016 £'000
Wages and salaries	15,773	13,988
Social security costs	1,449	1,328
Pension contributions – Defined benefit	1,428	1,487
– Defined contribution	1,408	1,196
Other staff costs	118	105
	20,176	18,104

Average number of employees (including Executive Directors) were:	No.	No.
MIB claims operations (including Internal Audit)	195	190
MID & Data services (including Contact Centre)	86	77
MIB / MID support	194	176
IFB	44	35
	519	478

Directors' remuneration	Consolidated and Company	
	2017 £'000	2016 £'000
The remuneration of the Directors was as follows:		
Emoluments (including benefits in kind)	927	518
Pension contributions	-	17
	927	535
Highest paid Director:		
Emoluments	562	333
Pension contributions	-	-
	562	333
Pension / lump sums received	18	18

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

The number of Directors who were members of the Group's defined benefit scheme at the statement of financial position date was as follows:

	No.	No.
Defined benefit	1	1



# Notes to the financial statements

(continued)

## 2. Employee costs and numbers (continued)

### Key management personnel

Apart from the Executive Directors, there are a number of senior executives who form the Executive Committee and whose roles influence the ability of the Group to meet its strategic objectives. The remuneration of the Executive Committee was as follows:

	Consolidated and Company	
	2017 £'000	2016 £'000
Emoluments (including benefits in kind)	771	543
Pension contributions	60	104
	831	647
Number of executives at the statement of financial position date	4	3

## 3. Leviable premium

	Consolidated and Company	
	2017 £'000	2016 £'000
Levy called	254,857	249,459
Surplus levy return	-	(40,000)
Movement in uncalled levy	250,752	440,954
<b>Leviable premium</b>	<b>505,609</b>	<b>650,413</b>

	Consolidated and Company	
	2017 £'000	2016 £'000
<b>Movement in uncalled levy</b>		
Increase / (decrease) in reserves provision	253,778	432,704
Other movements	(3,026)	8,250
<b>Movement in uncalled levy</b>	<b>250,752</b>	<b>440,954</b>

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

The Group has the right to call an additional levy from Members should it wish to do so. The additional levy receivable shown in Note 17 of £2,270m (2016: £2,018m) 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 2017 is likely to be in the order of £17bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

## 4. Provisions

	Consolidated and Company	
	2017 £'000	2016 £'000
<b>Claims provision and expenditure</b>		
Claims provision at 31 December 2017	2,344,793	2,091,015
Claims provision at 31 December 2016	(2,091,015)	(1,658,311)
<b>Net movement in claims</b>	<b>253,778</b>	432,704
Claims paid less recoveries	220,259	194,316
<b>Claims expenditure during the year</b>	<b>474,037</b>	627,020
Claims provision at 31 December 2017 - non current	2,079,944	1,866,029
Claims provision at 31 December 2017 - current	265,249	224,986
	<b>2,344,793</b>	2,091,015

The Group recognises that claims reserving for personal injury claims arising from motor vehicle accidents is subject to a substantial degree of uncertainty. There is a range of reserve estimates around the best estimate included in these accounts that, on an actuarial basis, could be considered reasonable. The Group has over time, developed a methodology that is aimed at establishing provisions that have a reasonable likelihood of being adequate to settle all its obligations.

Process used to determine significant assumptions:

### Claim provisions

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

### Notified claims

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

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

# Notes to the financial statements

(continued)

## 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 2017. The data is used to project the cost of future claims using generally accepted actuarial techniques. The IBNR provision for 2017 is £268.1m (2016: £204.0m).

## Claims Incurred But Not Enough Reported (IBNER)

The IBNER provision for 2017 is (£337.4m) (2016: (£59.9m)). This represents an adjustment for the anticipated improvements in known estimates in claims relating to accidents which have been notified before the end of the accounting period.

## Ogden discount rate

On 27 February 2017, the Ministry of Justice announced a new Ogden discount rate of minus 0.75% per annum to become effective from 20 March 2017 and a review of the framework under which the rate is set. The Civil Liability Bill published on 21 March 2018 contains a draft provision to change the requirement to set the discount rate by reference to “low risk” rather than “very low risk” investments.

However, there is considerable uncertainty as to when a change will be made and what that change will be. The Group will continue to exercise judgement around the Ogden rate used in its reserves allowing for the possibility for it to change in the future in the light of the draft legislation. It considers that uncertainties around the legal framework and its implications as being significant but, in the absence of any further specific proposals continues to provision at the current rate of minus 0.75% per annum with no additional allowance for further movements. Additionally, the policy of the Group regarding the active use of periodic payment orders (see below) partially mitigates the cash flow uncertainty arising from this change.

The change included as a result of this change in discount rate in 2016 was £310.1m.

## 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, in addition to a lump sum amount, the claimant receives on-going annual payments, largely towards future care costs for the entirety of his or her life. Each structured settlement includes the provision for future increases in the annual payments linked either to the Retail Price Index (RPI) or the Annual Survey of Hourly Earnings (ASHE).

These structured settlements are assessed on a case-by-case basis to establish the future liability and are included within the overall claims provision. Due to the nature of these claims, a discount factor of -0.25% per annum is applied to cases linked to RPI increases whilst a discount factor of -0.75% per annum is applied to cases linked to ASHE increases.

The discounting of these claims has the following impact on the value of provisions as at 31 December 2017:

Claims provision and expenditure	Consolidated and Company	
	2017 £'000	2016 £'000
Gross reserves	376,650	367,432
Net discount with discount factor	74,148	71,286
<b>Net reserves</b>	<b>450,798</b>	<b>438,718</b>

As all of the cases have a negative discount factor applied to them, the overall impact of discounting is to increase the reserves.

## Exposure to claims

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

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

## 5. Other income

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
General enquiries	19	8	19	8
Additional levy	12	2	12	2
Electronic vehicle licence fees	38	36	38	36
Third party MID enquiries	904	822	904	822
CUE/MIAFTR	2,134	-	2,134	-
Fees for management services	6,239	6,448	3702	4,704
<b>Other income</b>	<b>9,346</b>	<b>7,316</b>	<b>6,809</b>	<b>5,572</b>

# Notes to the financial statements

(continued)

## 6. Administration expenses

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Claims related fees	1,929	2,120	1,929	2,120
Operational services	35,946	29,949	35,757	29,824
Rechargeable expenses	2,348	1,619	-	-
Operating lease costs	112	122	112	122
Depreciation	102	110	102	110
Amortisation	107	107	107	107
Auditors' remuneration – audit	54	57	54	57
– taxation	6	9	6	9
Council of Bureaux fees	69	65	69	65
	40,673	34,158	38,136	32,414

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

## 7. Financial income

	Consolidated and Company	
	2017 £'000	2016 £'000
Bank deposit interest	26	34
UK Government gilt interest	2,869	2,132
Other interest earned	496	1,215
	3,391	3,381

## 8. Finance expenses

	Consolidated and Company	
	2017 £'000	2016 £'000
Gilt transactions	75	40
Decrease in market value of gilts	3,010	1,112
Pension costs – IAS 19	551	494
	<b>3,636</b>	<b>1,646</b>

## 9. Profit on acquisition

	Consolidated and Company	
	2017 £'000	2016 £'000
Transfer of Insurance Database Services Limited	-	1,714
	-	1,714

The assets of Insurance Database Services Limited were transferred in total to the Motor Insurers' Bureau on 16 October 2016 for nil consideration. All such profit was recognised through the statement of comprehensive income in 2016.

## 10. Retirement benefit obligations

The Group operates a defined benefit pension scheme 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 scheme 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 2015 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 2017.

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 49.3% funded. The market value of the scheme's assets at the valuation date was £21,033,000. The pension cost for the year was £1,428,329 (2016: £1,487,067). As at 1 April 2017 the continuing pension cost was set at 24.7% of pensionable salaries (rising by 1.1% on 1 January 2019 and 0.6% annually thereafter) plus a fixed deficit funding amount of £1,433,000 per annum.



# Notes to the financial statements

(continued)

## 10. Retirement benefit obligations (continued)

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

	2017 % pa	2016 % pa	2015 % pa	2014 % pa	2013 % pa
Discount rate	2.4	2.6	4.0	3.6	4.6
Expected rate of future salary increases	3.9	3.9	3.8	3.5	3.9
Expected rate of future pension increases	3.3	3.3	3.2	3.0	3.3
Underlying expected inflation rate (RPI)	3.5	3.5	3.4	3.1	3.5

The market value of assets in the scheme were £21,033,000 (2016:£18,779,000, 2015: £16,625,000; 2014: £16,044,000; 2013: £14,727,000).

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

based on a number of factors including:

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

The categories of scheme assets and their expected long-term rates of return, measured in accordance with the requirements of IAS 19 are as follows:

	Fair Value				
	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Equities	4,743	7,637	6,115	6,304	6,029
Bonds	9,260	2,604	2,988	2,763	2,651
Property	411	723	882	914	824
Other	6,619	7,815	6,640	6,063	5,223
<b>Fair value of assets</b>	<b>21,033</b>	<b>18,779</b>	<b>16,625</b>	<b>16,044</b>	<b>14,727</b>
Present value of liabilities	(42,622)	(38,739)	(28,468)	(28,824)	(24,120)
Related deferred tax	-	-	-	-	-
<b>Net pension liability</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>	<b>(12,780)</b>	<b>(9,393)</b>

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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Deficit at 1 January 2017	(19,960)	(11,843)	(12,780)	(9,393)	(10,288)
Current service cost	(814)	(713)	(834)	(783)	(803)
Contributions	1,500	1,541	1,265	1,299	1,333
Other finance cost	(551)	(494)	(485)	(467)	(477)
Actuarial gain / (loss)	(1,764)	(9,521)	991	(3,436)	842
Past service costs	-	1,070	-	-	-
<b>Deficit at 31 December 2017</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>	<b>(12,780)</b>	<b>(9,393)</b>

Analysis of the amount charged to administrative expenses:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Current service cost	814	713	834	783	803
Past service cost	-	(1,070)	-	-	-
<b>Total operating charge</b>	<b>814</b>	<b>(357)</b>	<b>834</b>	<b>783</b>	<b>803</b>

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

Interest income on plan assets	-	-	-	-	-
Administration costs (excl. asset management costs)	40	36	33	33	36
Interest on liabilities	511	458	452	434	441
<b>Other finance costs</b>	<b>551</b>	<b>494</b>	<b>485</b>	<b>467</b>	<b>477</b>
<b>Total charge for year</b>	<b>263</b>	<b>137</b>	<b>1,319</b>	<b>1,250</b>	<b>1,280</b>

# Notes to the financial statements

(continued)

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

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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Return on plan assets less interest income on plan assets	794	554	(593)	(80)	126
Experience gains and losses arising on liabilities	259	303	237	876	194
Changes in assumptions underlying the present value of the liabilities	(2,817)	(10,378)	1,347	(4,232)	522
<b>Total actuarial (loss) / gain</b>	<b>(1764)</b>	<b>(9,521)</b>	<b>991</b>	<b>(3,436)</b>	<b>842</b>

Amounts recognised in the statement of financial position:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of funded obligations	(42,622)	(38,739)	(28,468)	(28,824)	(24,120)
Fair value of assets	21,033	18,779	16,625	16,044	14,727
<b>Net liability recognised in the statement of financial position</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>	<b>(12,780)</b>	<b>(9,393)</b>

The Group expects to contribute £1,433,000 to the defined benefit scheme in 2018. Actual return on plan assets for 2017 was £1,295,000 (2016: (£1,238,000)).

## Sensitivity Analysis:

Assumption	Estimated increase/ (decrease) to obligation		Estimated increase/ (decrease) to obligation	
	Plus	£'000	Minus	£'000
Discount rate	0.1%	(1,001)	0.1%	1,032
RPI	0.1%	581	0.1%	(569)
CPI	0.1%	297	0.1%	(319)
Salary	0.1%	13	0.1%	(13)
Life expectancy	1 year	(1,616)	1 year	1,631

## 11. Taxation

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Current tax expense</b>				
UK corporation tax at 20% (2016: 20%)	-	-	-	-
Adjustment in respect of prior years	-	-	-	-
<b>Total current tax</b>	-	-	-	-
<b>Factors affecting the tax charge for the period</b>				
(Loss) / profit before tax	-	-	-	-
Tax expense using the UK corporation tax rate of 20% (2016 20%)	-	-	-	-
Non-deductible expenses	22	41	22	41
Income not taxable for tax purposes		(279)	-	(279)
Deferred tax not recognised	(22)	238	(22)	238
	-	-	-	-

The Group has a deferred tax asset of approximately £234,000 (2016: £242,000) which is not recognised on the grounds that there is insufficient evidence that the asset will be recoverable against suitable taxable income.

## 12. Property, plant and equipment – Consolidated and Company

	Freehold property £'000	Fixtures & fittings £'000	Computers £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	3,950	803	1,882	6,635
Additions	-	36	152	188
<b>At 31 December 2017</b>	<b>3,950</b>	<b>839</b>	<b>2,034</b>	<b>6,823</b>
<b>Depreciation</b>				
At 1 January 2017	-	689	1,772	2,461
Charge for year	-	38	64	102
<b>At 31 December 2017</b>	<b>-</b>	<b>727</b>	<b>1,837</b>	<b>2,563</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>3,950</b>	<b>113</b>	<b>197</b>	<b>4,260</b>
At 31 December 2016	3,950	114	110	4,174

A revaluation of property was undertaken by an independent valuer effective 31 December 2015. If the property was to be carried under the cost model the value would be £3,725k.

# Notes to the financial statements

(continued)

## 13. Intangible assets – Consolidated and Company

	Intangible assets £'000	Total £'000
<b>Cost</b>		
At 1 January 2017	321	321
Additions	-	-
<b>At 31 December 2017</b>	<b>321</b>	<b>321</b>
<b>Amortisation</b>		
At 1 January 2017	107	107
Charge for year	107	107
<b>At 31 December 2017</b>	<b>214</b>	<b>214</b>
<b>Net book value</b>		
<b>At 31 December 2017</b>	<b>107</b>	<b>107</b>
At 31 December 2016	214	214

## 14. Cash and cash equivalents

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank and in hand	2,076	4,306	1,729	3,969
	<b>2,076</b>	4,306	<b>1,729</b>	3,969

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

## 15. Financial investments – Consolidated and Company

	2017 £'000	2016 £'000
UK Government gilts	92,504	90,557

The carrying amounts of these assets approximate their fair value. UK Government gilts are valued at bid market price as at 31 December 2017.

Additionally, the company owns £1 investment in each of its four subsidiaries. See note 21 for details.

## 16. Trade and other payables

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	968	565	781	479
Advanced levy payments	3,942	1,852	3,942	1,852
Accrued expenses	2,964	3,069	2,964	3,069
Other payables	26,018	27,799	25,624	27,281
	33,892	33,285	33,311	32,681

## 17. Trade and other receivables

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Additional levy receivable	2,270,479	2,018,366	2,270,479	2,018,366
Intercompany receivables	-	-	296	372
Other trade receivables	28,707	24,805	28,345	24,478
Prepayments	916	903	916	903
Other receivables	1,306	1,108	1,139	797
	2,301,408	2,045,182	2,301,174	2,044,916

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

	Consolidated		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Inflows from operating activities</b>				
Operating profit / (loss)	245	(3,449)	245	(3,449)
Depreciation of property, plant and equipment	102	110	102	110
Amortisation of intangible assets	107	107	107	107
Profit on acquisition	-	1,714	-	1,714
(Increase) / Decrease in trade and other receivables	(256,226)	(471,177)	(256,258)	(472,114)
Increase / (Decrease) in trade and other payables	516	20,066	538	24,304
Increase / (Decrease) in provisions and other liabilities	255,406	440,822	255,406	440,822
Finance costs	(551)	(1,646)	(551)	(1,646)
	(401)	(13,453)	(411)	(10,152)



# Notes to the financial statements

(continued)

## 19. Reconciliation of opening to closing net debt

Reconciliation of opening to closing net debt - Consolidated	At 01.01.16 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.16 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.17 £'000
Cash and cash equivalents	12,810	(8,504)	-	4,306	(2,230)	-	2,076
<b>Net debt</b>	<b>12,810</b>	<b>(8,504)</b>	<b>-</b>	<b>4,306</b>	<b>(2,230)</b>	<b>-</b>	<b>2,076</b>

Reconciliation of opening to closing net debt - Company	At 01.01.16 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.16 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.17 £'000
Cash and cash equivalents	9,172	(5,203)	-	3,969	(2,240)	-	1,729
<b>Net debt</b>	<b>9,172</b>	<b>(5,203)</b>	<b>-</b>	<b>3,969</b>	<b>(2,240)</b>	<b>-</b>	<b>1,729</b>

## 20. Operating lease commitments

	Consolidated and Company	
Future aggregate minimum lease payments under non-cancellable operating leases were as follows:	2017 £'000	2016 £'000
Within 1 year	141	75
Later than 1 year and less than 5 years	235	243
<b>Total operating lease commitments</b>	<b>376</b>	<b>318</b>

## 21. Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation	Ownership	Net assets £	Net profit after tax
Tracing Services Limited	Provision of administration services	England and Wales	100%	1	-
MIB Portal Services Limited	Holding Company	England and Wales	100%	1	-
MIB Management Services Limited	Provision of administration services	England and Wales	100%	1	-

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

Name of related entity	Principal activity	Place of incorporation	Ownership	Net assets £	Net profit after tax
Claims Portal Limited	Maintenance of Portal database	England and Wales	50%	2	-

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

The registered office of Claims Portal Limited is Riverbank House, 2 Swan Lane, London, EC4R 3TT.

## 22. Contingent liability

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

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

We totally dispute this claim as MIB is not and never has been an insolvency guarantee fund as is apparent from the "carve out" in the relevant agreements in relation to claims for which the UK compensation fund is responsible.

At this stage it remains difficult to estimate the quantum of any contingent liability. Although subsequent information has been produced, the most complete information available on the topic remains the Report of the Provisional Liquidator dated 26 October 2016. Included in this report is reference to outstanding case file estimates and incurred but not yet reported liabilities in relation to motor business for the countries in question of £51.9m (2016: £59.9m) before reinsurance recoveries and £25.4m (2016: £30.5m) net of reinsurance recoveries. These figures take no account of any assets of Enterprise that may be available to meet such liabilities. If such assets as identified in the Report of the Provisional Liquidator were apportioned pro-rata against all liabilities this would reduce the above amounts by some £10m (2016: £11.5m). The Irish Motor Insurers' Bureau has informed us that it now has no liabilities in relation to the Enterprise insolvency and as such the figures from 2016 have been amended accordingly.

# Notes to the financial statements

(continued)

## 23. Post balance sheet event

At the time of signing the financial statements there is an intention to put a Written Special Resolution to Members to change the Articles of MIB. The impact of this change, if agreed by 75% of the membership (in terms of voting rights), will be to exclude terrorist events from Article 75 (terrorist events to be defined in accordance with Section 1 of the Terrorism Act 2000) from 1 January 2019 and mean that claims arising from such events will be borne by MIB.

It is not possible to accurately forecast the timing or level of any claims that may fall to MIB as a result of such a change but all costs will be funded through the existing levy mechanism.

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

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

During the year the Group provided management services to the Insurance Fraud Bureau Limited, a company registered in England and Wales in which A West was a Director until 18.05.2018, totalling £6,432,758 (2016: £4,213,554).

As at 31 December 2017 the Group was owed £463,744 (2016: £308,962) from Insurance Fraud Bureau Limited.

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

## Credit risk

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

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

The Group's trade receivables largely consist of levy due from insurers. In order to write motor business, insurers must become a Member of MIB and adhere to the terms and conditions laid out in its Memorandum and Articles of Association. The terms require each Member to pay a levy to MIB, calculated on the basis of the volume and class of business written over each financial period. The majority

of the levy is collected by monthly direct debit with a right to charge interest for any late payment. Ultimately, should an insurer default or become bankrupt or insolvent, the debt can be passed to the general market for reimbursement. Therefore, non-payment of levy from a Member presents a negligible risk to the Group.

The Group has the right to call an additional levy from Members should it wish to do so. The additional levy receivable shown in Note 17 of £2,270m (2016: £2,018m) 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 2017 is likely to be in the order of £17bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

## Liquidity risk

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

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

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

### Cash in hand and bank deposits

#### Total cash in hand

Consolidated		Company	
2017 £'000	2016 £'000	2017 £'000	2016 £'000
2,076	4,306	1,729	3,969

# Notes to the financial statements

(continued)

## 25. Financial risk management (continued)

### 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.

	2017			2016		
	Actual £'000	+2% £'000	-2% £'000	Actual £'000	+2% £'000	-2% £'000
Interest receivable	18	265	-	34	593	-

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 £48.0m (2016: £45.0m) of which £2.4m represents cases where a standard reserve amount has been set (2016: £2.2m). Therefore, the maximum potential exposure to currency risk is £55.6m, which represents 2.7% of the overall case reserves. If Sterling was to either strengthen or weaken by 25 basis points against the Euro at the statement of financial position date, the potential impact on reserves would be a reduction of £16.5m (2016: £14.8m) or an increase of £10.5m (2016: £9.6m), based on an exchange rate of 1.1270 (2016: 1.171969) Euros to £1 Sterling.

### Capital management

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



# Glossary

## askCUE PI

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

## askMID.com

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

## Advertising Value Equivalent (AVE)

AVE is what it would have cost the MIB to purchase an equivalent amount of media coverage, if it were advertising space or time. To calculate the AVE we measure the space (column inches) occupied by a clip or the time for radio and television coverage etc. We then multiply the column inches / duration by the advertising rate for that page or time slot.

## Claims and Underwriting Exchange (CUE)

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

## Claims leakage

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

## Claims lifecycle

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

## Claims Portal

The electronic Claims Portal facilitates the Ministry of Justice's "fast track" Protocol for processing low value personal injury claims with a value up to £25,000 for:

- Road Traffic Accident (RTA) cases
- Employers' Liability (EL) cases (excl. mesothelioma)
- Public Liability (PL) cases (excl. disease)

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

## Continuous Insurance Enforcement (CIE)

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

# Glossary (continued)

## Employers' Liability Database (ELD)

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

## Employers' Liability Tracing Office (ELTO)

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

## Green Card

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

## Guarantee Fund

MIB's handling of claims is governed by agreements with Government as well as the Road Traffic Act 1988 and subsequent regulations. MIB awards compensation, where it cannot be claimed from another source, for death, injury and property damage as a result of an accident with a motor vehicle, on a road or a public place. MIB's claims handling experts settled more than 30,000 claims in 2017 for accidents involving uninsured and untraced vehicles and seek to settle the claims fairly and promptly.

## Insurance Fraud Bureau Limited (IFB) and Cheatline

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

## Levy

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

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

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

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

## MedCo Registration Solutions (MedCo)

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

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

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

## Motor Insurance Database (MID)

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

The MID is the only central record of all insured vehicles (38 million) in the UK. The MID is updated daily by all UK insurers, which are required to meet targets for timeliness and accuracy set by the Department for Transport.

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

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

## MIB Management Services Limited (MIBMSL)

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

## MyLicence

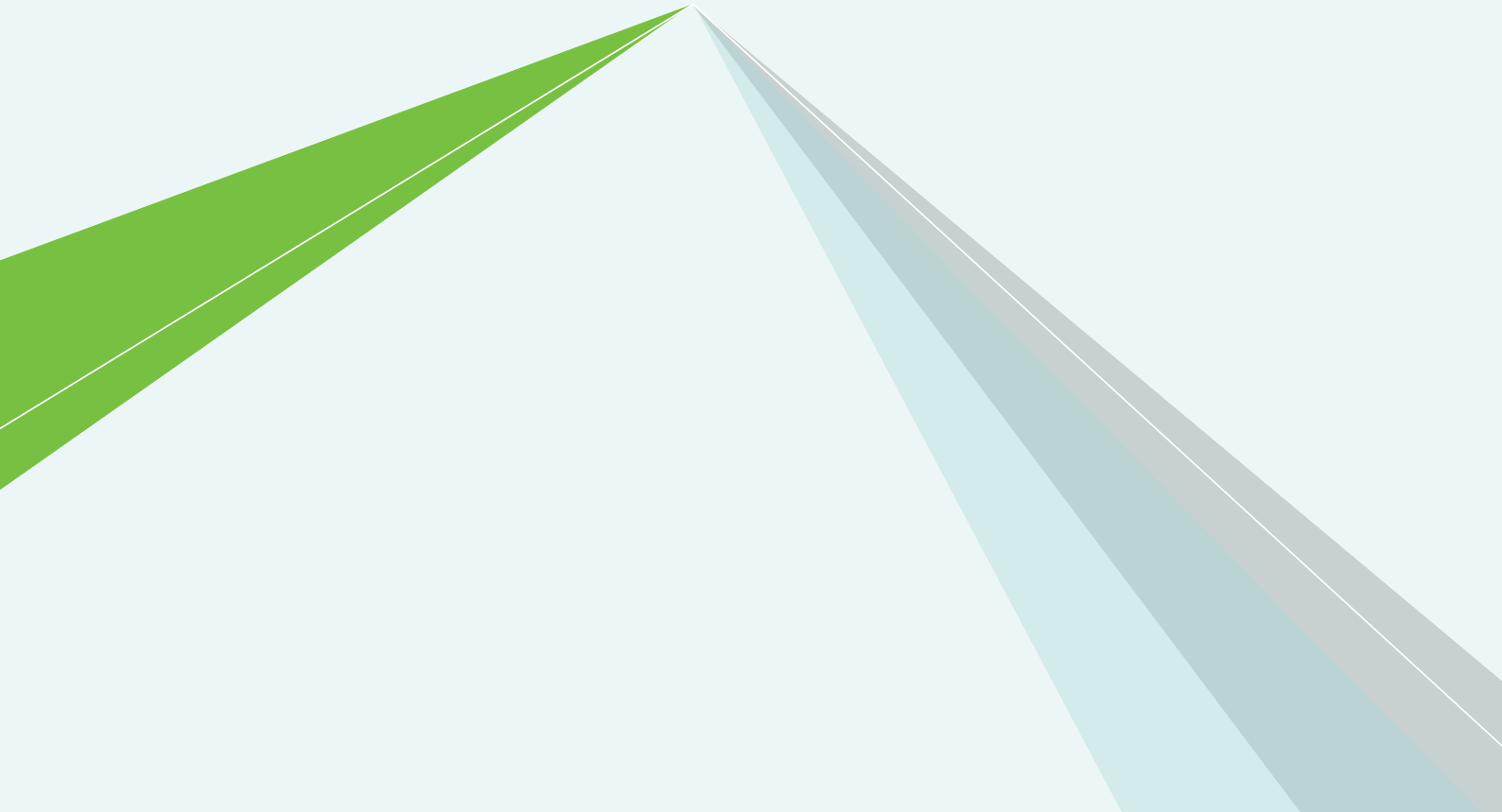
MyLicence went live in December 2014 and is a joint initiative between the Driver and Vehicle Licensing Agency (DVLA), the Department for Transport and the insurance industry which is represented by the ABI and MIB. MyLicence gives insurers access to accurate data from the DVLA on motoring entitlements,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

## No Claims Discount (NCD) Database

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

## Tracing Services Limited (TSL)

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









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