

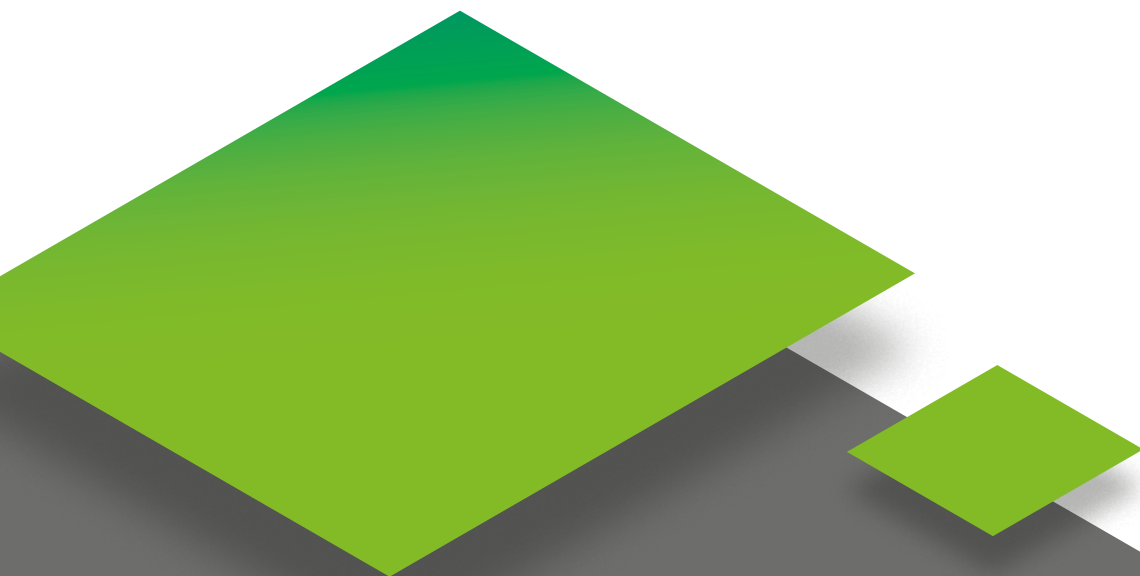


## **Annual Report and Accounts**

# 2019

Building the future

Serving you in a changing world



# In this report

Clickable



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# Our Impact: The Year in Numbers

## Making roads safer

**37,896**

Uninsured vehicles seized

with the help of our police helpline



**753,507**

Advisory letters

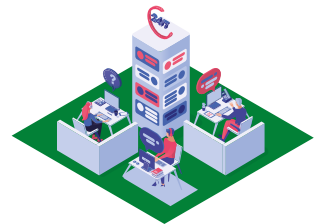
sent to UK drivers suspected of driving without insurance as part of Continuous Insurance Enforcement (CIE)



**111,287**

Enquiries received

from frontline police officers, helping to keep our roads safe from uninsured drivers



## Protecting the innocent

**2.5%**

Fall in claims

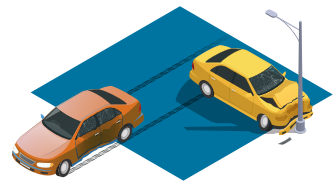
from the victims of uninsured drivers



**9.8%**

Increase in claims

from the victims of hit and run drivers



**£322.1 million**

Paid to help people

rebuild their lives after a motor accident



**92%**

of searches

through ELTO's Employer's Liability Database (ELD) helped claimants successfully trace their employer's liability insurer

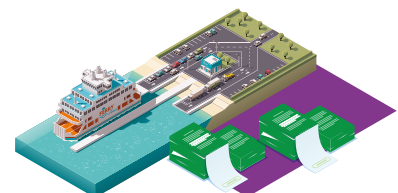


## Providing clarity in uncertain times

**New Green Card service**

Established at 4 major UK ports

to help reduce disruption to UK motorists travelling to the EU



Working across **47 countries**

to protect the interests of British motorists after Brexit

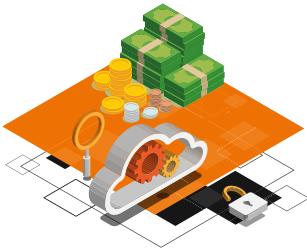




## Leading the industry's collective fight against insurance fraud

### The Insurance Fraud Bureau (IFB) launched **IFB Beyond 2020**

A comprehensive new strategy to support the industry in tackling insurance fraud



## £155 million

Value of insurance fraud under investigation by the IFB

## 1,800+

Intelligence reports issued by the IFB  
helping to protect insurers from suspected fraud networks



## Supporting innovation through a diverse and inclusive culture

## 43%

Of our senior  
leaders are women  
compared to 23% in 2018



## 90%

of our employees  
feel MIB supports diversity  
in the workplace, an increase  
of 10% since 2018



## Redefining what is possible through data and technology

### **More than 4 billion records**

Available through NetReveal  
the Motor Insurers Database, CUE and MIAFTR



## £12.5 million

Invested in new technology and infrastructure in 2019





## From our Chairman

In November 2019, the Motor Insurers' Bureau (MIB) Board got together to discuss the big issues facing the insurance industry and what they are likely to mean for MIB.

As I sit here today the uncertainty created by COVID-19 and the challenges we discussed as a Board back in November only serve to remind us all that the environment that we operate in today is more uncertain than ever.

Like all of my colleagues at the MIB, I am proud to be part of an organisation that helps protect the victims of uninsured and untraced drivers.

The continued uncertainty around Brexit, changing customer expectations and the opportunity that technology offers will continue to challenge us to seek ways in which we remain relevant in an ever-changing world.

### **In this challenging landscape, I also see opportunity**

A chance to take everything our members value about MIB into a new context.

Both the Board and the Executive Team want to ensure that we take everything we value about the MIB to create a smarter more efficient and relevant bureau for the future.

We started this journey in 2018 and continue to make significant progress, launching new services such as a new claims platform for unrepresented personal injury claimants and an on-line claims facility for victims of uninsured and untraced drivers. We also continue to invest in new infrastructure including modern IT systems and building the foundations for a new generation of data services.

Ensuring we have a diverse and inclusive culture is critical to ensure we serve our purpose and deliver upon our promises more effectively. As part of an ongoing redesign of the organisation, we have welcomed many talented new colleagues to the MIB Board with different ideas, skills and experience, which continue to drive our innovative agenda. I am particularly pleased to welcome Phil Singh, Rajeev Arya, Kirstje Coltham, Anna Fleming and Mark Hart to the Board.


### **Responding to the changing needs of the market**

Evolving MIB's technology ecosystem was a key priority for MIB in 2019.

After a year of sustained investment, modern IT infrastructure, new digital systems and a new generation of data services are beginning to create new possibilities for our members and partners.

### **Brexit continues to create uncertainty for our members and partners**

During the turbulent political climate of 2019, the organisation made strong progress in forging international agreements and created a temporary Green Card facility. Minimising disruption to insurers and the public was a top priority for MIB.



**In this challenging landscape, I also see opportunity. A chance to take everything members value about MIB into a new context.**

### **A trusted partner in supporting industry wide changes**

In 2018, the UK Government introduced the 'Whiplash Reforms,' a package of measures designed to protect honest policyholders from the rapid rise in cost of soft tissue injury claims.

In 2019, MIB successfully built a high-quality online digital claims system for unrepresented claimants. Due to the exceptional circumstances surrounding the COVID-19 pandemic, we were forced to delay launching the service until April 2021.

### **Why your support matters**

Finally, I would like to thank the management team, Board and each and every one of our fantastic colleagues at the MIB. With your commitment and professionalism we are delivering on our strategy of evolving MIB's services and culture.

I would also like to thank all those who left the MIB Board (Tony Sherman, Adam Clarke, Jacob Abboud and Gareth McChesney) for their valued contribution to MIB.

Whether it's helping the victims of uninsured drivers rebuild their lives, working to make our roads safer or protecting the innocent from insurance fraud, the MIB makes a real difference to people's lives. The progress that we have made this year combined with our ambitious plans for the future will enable us to thrive in an ever-changing landscape.



---

**Steve Maddock**  
Chairman



## From our Chief Executive

### Welcome to our 2019 Annual Report & Accounts.

I write this to you from my home office during the height of the COVID-19 pandemic, a crisis unlike anything most of us have ever seen.

In between the steady stream of virtual meetings and day-to-day decisions, this annual report was a rare moment to reflect on everything MIB has achieved.

In today's fast-moving world, the evolution of MIB's services and culture is essential if we are to continue to create value for our members and partners while reducing the cost of our services. I would therefore like to thank everyone who placed their trust in MIB during this period of significant uncertainty and change.

### After a year of unprecedented change, some things remain the same

Whether it's helping the victims of uninsured drivers rebuild their lives, working to make our roads safer or protecting the innocent from insurance fraud, I remain proud of the difference MIB makes to people's lives.

In 2019, we paid £322.1 million in compensation to help people rebuild their lives after a motor accident.

I continue to be inspired by our people. Colleagues across the organisation who are deeply committed to the work they do.

We continue to serve the insurance industry and our partners as a trusted source of data and information.

And as the organisation evolves, our commitment to protecting the innocent for the benefit of society remains at the heart of MIB's place in the world.

### Yet now more than ever, I am reminded of why change is needed

As CEO, I am often reminded of the disposable nature of modern-day decision-making. How what is 'essential' today is often the foundation for something 'better' tomorrow.

In less than a decade, the cultural context we operate in has also changed beyond recognition. We now work in a landscape where our customers expect organisations to invest in technologies that drive down the cost of their services, while the idea of paying for productivity is rapidly becoming obsolete.

For a new generation of employees, flexible, technology-driven ways of working have become 'the new normal.'

New technologies and evolving consumer expectations are also changing the way we get around. Cars are becoming increasingly automated and new products and services are entering the market that could offer an alternative to traditional car ownership.

### Providing clarity in uncertain times

In this changing landscape, many insurers are concerned about the long-term viability of financing Periodic Payment Orders (PPOs). We are working closely with the industry and various options are being considered.

As the uncertainty around Brexit continues, we are continuing to do everything possible to achieve clarity for our members, while

**In a landscape where so much change is happening so quickly, I believe the organisations that remain relevant are the ones with the right culture.**





minimising disruption to UK motorists at the end of the transition period.

In 2019, we established a temporary facility to issue Green Cards at four major UK ports and continued to build on existing strong relationships with our partners across 47 countries.

Crucially, we also succeeded in securing assurances from 27 European Economic Area countries that UK-resident victims of uninsured and untraced drivers will continue to have access to compensation.

We are disappointed that the Supreme Court has rejected our application to appeal against the decision made in *Lewis v Tindale*, which is likely to make MIB liable for compensating the victims of accidents on private land.

In practice, we believe the impact of this decision is untenable and we are working with the Government to find a solution.

### **‘We stand on the shoulder of giants’ but the world moves**

For that reason, creating a culture of fluidity and change became a key focus for MIB in 2019.

Our vision is to take the experience and trust MIB has established over many years and create a dynamic, agile organisation that continually looks out into the world. Where decisions evolve incrementally based on the changing needs of the market. Where talented, highly motivated people innovate at speed. A culture where failure is an opportunity for better and where many different ways of thinking are always better than one.

### **Reducing the cost of our services**

In 2019, we invested £12.5 million in new technologies and infrastructure as part of our digital transformation programme.

With much of the essential infrastructure now in place, we are already seeing significant improvements in efficiency and productivity.

Outdated manual processes have been replaced with modern digital systems in claims and finance, while new hardware and software are giving our people the up-to-date tools they need.

Throughout 2019, we continued to enhance our data security operations and knowledge to keep MIB ahead of today’s rapidly evolving security threats.

To help tackle the rapid rise in fraudulent soft injury claims, we are also proud to have delivered Official Injury Claim, an easy-to-use online claims service for unrepresented claimants, which has been well received by the market.

Despite the new service being ready to go live in 2020, due to the unprecedented challenges that followed the COVID-19 pandemic, we were forced to delay launching the new service until April 2021.

## **Evolving our culture**

### **Diversity**

Here at MIB, it is often our differences that drive better decision making, help us solve challenging problems and make our biggest achievements possible.

In 2019, we began by creating a diverse new leadership team. People with different backgrounds and personalities who truly believe in our vision for MIB.

Today, 43% of our senior leaders are women, compared to 23% in 2018.

### **A new cultural identity**

In October 2019, we invited people from across the organisation to take part in the collective design of MIB’s new values:

- 1) Inspire
- 2) Think big
- 3) Customer-first

### **Customer-centricity**

As part of MIB’s new identity, we also wanted to shape how our people see MIB’s role in the world. From a provider of technical services and processes to a truly customer-centric organisation where finding solutions to the challenges our customers face is the reason for everything we do.

After consultation with our members and partners, we began redesigning the organisation based on the needs of the market, starting with the appointment of a new Chief Customer Officer.

Today, we are seeing the emergence of this new way of working right across the organisation. While there are still many challenges ahead, I am proud of the progress we have made to transform the organisation for the benefit of our members and society.

Finally, thank you to my colleagues on the MIB Board. With your exceptional knowledge, experience and talent, we’re turning strategy into reality and showing that together – there is nothing we cannot achieve.

**Dominic Clayden**

Chief Executive





# Building the Future

## How we're evolving MIB for the benefit of our members and society

### Transformation programme

We have put significant focus and effort on the evolution of our business to meet both public expectations on customer service and to provide an effective and robust organisation that the insurance industry can trust. We have enhanced our ability to communicate with our stakeholders and replaced legacy systems to simplify the way we work. The investment in technology means that we can work in an agile and effective manner and respond more quickly to change in both internal and external environments. Security and data remain at the centre of our ongoing strategy.

### Data security

Trusted by many to keep their data secure, we continue to invest in a comprehensive information security strategy

The increased threat of large-scale data breaches has brought about a shift in attitudes to data security, as well as the role data plays in our everyday lives. This was amplified by the implementation of the General Data Protection Regulation (GDPR) in May 2018, which further highlighted the level of public expectation around data security.

During 2019, we continued to focus on all areas of information security, including strengthening our security framework, maintaining awareness of the latest security threats, as well as developing new technologies and skills.

Our activities have focused on identifying and responding to cyber incidents, as well as mitigating the potential impact of an attack.

Improvements have been tracked against industry benchmarks set by the National Institute of Standards and Technology (NIST) framework and have been independently audited and tested.

### Modernising our technology landscape

By transforming our technology ecosystem, we have continued to focus on improving efficiency, enhancing our customer experience and keeping our data secure.

Throughout 2019, we continued to deliver against our IT strategic priorities, including decommissioning legacy platforms, enhancing our security operations and driving efficiency through our investment in remote working and secure cloud services.

### Anticipating the latest security threats

Trusted by many to keep their data secure, delivering a comprehensive security strategy remains our number one priority.

### Decommissioning legacy systems

We have replaced several business-critical systems, including rolling out a new finance solution, enhancements to employee engagement, delivery of a new digital claims service, a police helpline call management platform and migration to secure cloud services for a range of applications.

### Keeping things simple for our customers and improving productivity

The consolidation of telephony services into a single, unified solution is helping to support remote working while improving call centre functionality and workforce management. We have also made it easier for our people to collaborate remotely through the integration of Microsoft Teams across core services.

The investment in improving our employees' digital experience has included upgrading our network infrastructure, provision of upgraded equipment for all employees, deployment of productivity applications through Microsoft Office 365 and new audio-visual equipment across our offices.

Enhanced data visualisation tools, self-service reporting for employees and foundational capabilities to build advance data analytics continues into 2020.

To maximise the return on this investment, we have continued to focus on delivering training and development to support employee's adopting these new technologies.





## People & Culture

### **New technologies help us serve you better. People and culture make it possible.**

While new technologies and services are essential if we are to continue to create value for our members and society, we also recognise that evolving the culture of MIB will be fundamental to our future success.

#### **Our vision is simple**

- 1) Build a diverse community of talented people who walk through the door every day excited by the work they do and the opportunity to make a lasting difference to society.
- 2) Create an open, dynamic workplace where brilliant people, supported by inspirational leaders, work together to redefine what is possible.
- 3) Make MIB the place to be. An organisation where our people feel empowered to innovate and where everyone can bring their best self to work regardless of gender, ethnicity, sexual orientation, religion or anything they consider themselves to be.

### **From a people and culture perspective, 2019 was an important year for MIB**

We are already seeing the early signs of a new cultural identity built on diversity, innovation, customer-centricity and progressive family values.

The collective design of our new values in October 2019 attracted unprecedented engagement from across the organisation.

A radical redesign of the organisation continued with the creation of a diverse new senior leadership team. A best-in-class HR function was also established to support the organisation through this time of rapid cultural transformation while helping to promote behaviours that embody MIB's new culture.

The introduction of agile working is already increasing productivity and will help us attract and retain employees who increasingly see flexible, technology-driven ways of working as 'the new normal.'

## Europe

### **Working to ensure the interests of British motorists are protected after the UK leaves the European Union (EU)**

In the run-up to the UK's official departure from the EU in January and working towards the end of the transition period in December 2020, we have been working to build on existing strong relationships with our European partners.

Bilateral connections will be particularly important when the UK becomes a third country at the end of the transition period. We are therefore working to strengthen our international presence and ensure cross-border activity is viewed as a priority.

## Gibraltar

### **Reducing uncertainty for our members**

Gibraltar plays a significant role in UK motor insurance with up to a quarter of all UK motor insurance policies underwritten by companies headquartered there.

In 2019, we continued to engage with the Gibraltar Government and regulator and the insurance community and held three seminars to update our members and other stakeholders on the latest developments.

## Beyond Europe

### **Maintaining our position as a dynamic organisation with a global outlook**

We were pleased to host delegations from Insurance Bureau Canada, Najm (Saudi Arabia) and RAF (Road Accident Fund, South Africa) and are currently holding discussions with Jasa Raharja of Indonesia.

These broader international ties have brought valuable insights to MIB as well as enabling us to share our experience to the potential benefit of insurers and road-users worldwide.

We are keen to continue building a global network of contacts to exchange ideas, identify best practice and raise awareness of the important work we do.

## Council of Bureaux (CoB)

### **We remain a committed member of the CoB**

MIB remains a committed member of the network of bureaux, which covers 48 countries (31 members of the European Economic Area plus 17 other countries).

We have contributed constructively to CoB initiatives over the past year. Updating and expansion of the multilateral Information Centres Agreement has been particularly important as it will facilitate our work in helping UK-resident victims of accidents in Europe obtain the information and contacts they need to pursue a claim in the country where the accident occurs. This will be a significant part of our service to the public (as UK Information Centre) following the end of the transition period when the EU 4th Motor Insurance Directive (4th Directive) will no longer apply and UK-resident victims may not be able to pursue their claim in the UK.





## Cross Border Claims

### Protecting the victims of uninsured and untraced drivers outside the UK

Another consequence of the 4th Directive ceasing to apply in the UK is that we will no longer be able to compensate UK-based victims of accidents involving uninsured or untraced drivers in EEA countries. The victim will instead have to apply for compensation in the country where the accident occurred, while in certain EEA countries, compensation will only be available if a bilateral agreement is in place.

We have sought assurances that compensation will continue to be available (through a bilateral agreement where needed) from the Guarantee Funds of 30 EEA countries and received such assurances from 27. With the support of the UK Government we will continue to work with the Guarantee Funds of France, Poland and Romania to persuade them to sign.

## Green Card Port Services

While it is primarily the responsibility of insurers to issue Green Cards to motorists travelling abroad, through the Brexit uncertainty of 2019, we anticipated that some UK motorists would arrive at UK ports without one. We therefore established a temporary facility to issue Green Cards at four major UK ports.

The solution was scaled back when the Brexit date changed but will be reinstated again if needed at the end of the Brexit transition period.

## Lewis v Tindale

In its 2014 Vnuk judgment the European Court of Justice ruled that all vehicles should be subject to compulsory motor third party liability (MTPL) insurance wherever they are used, including on private land.

The UK Government did not implement this decision into UK law and in June 2019, in the case of Lewis v Tindale, UK courts ruled that MIB was an 'emanation of the state' and therefore liable for compensating the victims of uninsured drivers on private land.

MIB sought leave to appeal to the Supreme Court, which was denied in February 2020.

We believe the current situation is untenable and are urgently working with the government to find a solution.

## Adapting to new forms of mobility

UK motor insurers face a rapidly changing business landscape driven by technology and data, environmental challenges, consumer pressures and government policy.

Although the introduction of fully autonomous vehicles is probably still some way off, the first features which will effectively allow driver-operated vehicles to function autonomously for part of the time under defined circumstances may be approved for use on EU roads as early as 2021. Several assisted driving features will become mandatory for all vehicles under European law from 2022.

Added to this picture of radical change is the emergence of 'micro-mobility' devices such as e-scooters, which although currently illegal for use on public roads, clearly have the potential to change how large numbers of people get around.

We are now working with the Department for Transport to help ensure these emerging mobility technologies are introduced in a way that is safe for all road users, including a requirement to be covered by appropriate insurance.

## Whiplash

### Delivering an accessible, easy to use claims service for unrepresented claimants

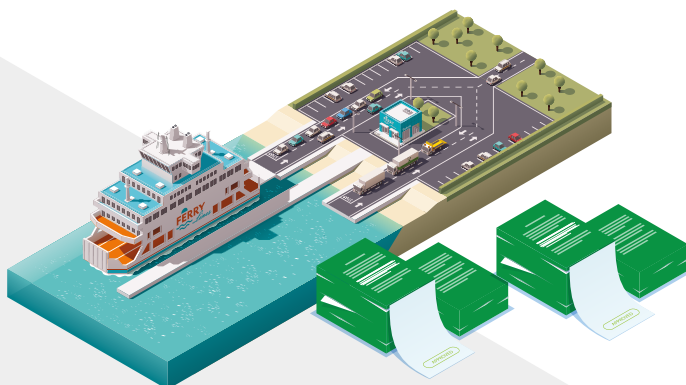
To help tackle low-value, fraudulent soft injury claims linked to exaggerated motor accidents (part of a package of measures known as the 'Whiplash Reforms'), MIB is working in partnership with the Ministry of Justice (MoJ) to deliver a new claims service for unrepresented claimants.

The project is funded in phases and overseen by a joint board with approval from the MoJ and is supported by the Association of Personal Injury Lawyers, the Motor Accident Solicitors Society, Law Society, Association of British Insurers, the Forum of Insurance Lawyers, Claims Portal and MedCo.

The MoJ continues to work towards establishing the legal and policy framework and rules for the new service, which will influence the final delivery.

The build progressed as planned and public testing began in October 2019.

We were on track to deliver the new service in August 2020. However, given the unprecedented challenges posed by the COVID-19 pandemic, the Ministry of Justice (MoJ) announced that the launch of the service would be delayed until April 2021. We continue to work closely with the MoJ to ensure delivery to the new timescale.



## Case Study: Whiplash Focus

### Protecting our members and society from the rapid rise in fraudulent personal injury claims.

According to the UK Government, the number of personal injury claims linked to road accidents has increased 50% over the last decade. Of particular concern has been the sharp rise in soft injury claims linked to exaggerated road accidents (commonly known as 'whiplash') and its impact on the insurance premiums of law-abiding motorists.

This led to a package of policy measures known as 'the Whiplash reforms', which were introduced as part of the Civil Liability Act 2018.

The Whiplash Reforms had three primary aims:

- Increase the Small Claims Track (SCT) limit for soft tissue road traffic accident (RTA) claims from £1,000 to £5,000 (to a maximum of £10,000)
- Introduce a tariff of damages for whiplash claims
- Discourage the use of pre-medical offers by insurers.

### A trusted partner

MIB was approached by the Ministry of Justice (MoJ) in 2017 as a neutral and trusted partner to facilitate a number of workshops designed to establish how the Whiplash Reforms could work in practical terms.

The workshops quickly evolved into a request that MIB develop a new online claims system for unrepresented claimants, as well as a customer contact centre to support claimants unable to access the service online.

### Official Injury Claim

The new service has been funded through a change to our Articles of Association to allow motor insurers meet the cost of through the MIB membership levy.

MIB mobilised a team to build the online portal. The programme formally commenced in January 2019. Guidance on policy from the MoJ continues to provide a critical part of the programme's governance.

### Progress in 2019

The build has gone well and we are pleased to have delivered a high-quality online system on time and budget.

We have hosted numerous workshops and seminars to ensure that key stakeholders were consulted on important developments. Seminars have been held in London, Manchester and Cardiff, and we have reached out to wider audiences through regular communications, trade associations and media engagements.

The service is primarily aimed at individuals who choose not to seek the services of a legal representative. It was therefore vital that we undertook independent research to ensure the service was simple, trusted and easy to use.

In partnership with Ipsos MORI, we carried out targeted testing amongst key user groups. In designing the customer contact centre, we have also ensured that staff have the right training and qualities needed to deliver a high-quality service, including providing access to translation services.

To support the resolution of a large number of claims at the lowest possible cost, especially for organisations who need to bulk upload claims data, we have invested in designing an Application Programming Interface (API).

We have also worked to share data with critical services such as the Motor Insurance Database (MID) and Claims and Underwriting Exchange (CUE).



# Operational Performance

## How we helped protect the innocent and make roads safer

### Operational delivery

In 2019, we met or exceeded 73% of our key performance indicators. We would like to thank everyone who has played a part in helping the organisation run as effectively as possible through a challenging period of transformation.

### MIB claims

#### Uninsured claims continued to fall in 2019, while 'hit-and-run' claims increased by 9.8%.

Given the volatility of the last two years, we expected 'hit-and-run' claims to increase by 7.5% in 2019 and uninsured claims to remain at similar levels to 2018.

In fact, uninsured claims fell 2.5% (from 7,818 in 2018 to 7,630 in 2019) and 'hit-and-run' claims increased 9.8% from (16,798 in 2018 to 18,444 in 2019).

Lifecycle targets and portfolio targets were missed as we continued to see rising claims volumes in 'hit-and-run' claims.

A number of key staff members were diverted to the Transformation Programme. Despite this the team continued to drive good settlements.

Against this challenging backdrop, the Claims team performed well against quality, leakage and customer engagement targets, which are critical to providing a high-quality service.

#### How we performed (MIB Claims Services)

Key Performance Indicator	Target	Actual
Average lifecycle of a claim (days)	244	272 <span>■</span>
Quality audit score	94.5%	96.7% <span>■</span>
Outstanding portfolio	26,449	28,329 <span>■</span>
Leakage	3.5%	2.4% <span>■</span>
Customer engagement index	75.0%	76.7% <span>■</span>
Recovery (£k)	7,100	8,607 <span>■</span>

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

#### How we performed (MIB Enforcement Services)

Key Performance Indicator	Projected	Actual
Levy performance (£ million)	331.0	334.8 <span>■</span>
Increase/decrease in uninsured claims	0%	- 2.5% <span>■</span>
'Hit-and-run' claims	7.5%	+ 9.8% <span>■</span>
Reduction in taxed vehicles not on MID	0%	+ 5.3% <span>■</span>
Uninsured vehicles seized by police	121,500	137,410 <span>■</span>
Advisory letters issued (CIE)	740,000	753,507 <span>■</span>

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



## Customer Services

### MIB







#### Improving efficiency for our customers and partners


MIB provides a range of products and services, including the Motor Insurers Database (MID), the only central database of UK motor insurance.

Developed over many years, our services today rely on different technologies, carry different rules and often deliver different experiences.

Recognising the opportunity to significantly improve efficiency, in 2019 we began the development of MIB's first product road map; a detailed timeline of when and how each service will be developed.

#### How we performed (MIB Data Services)

Key performance indicator	Service	Target (%)	Actual (%)
<b>Service take-up</b>			
	MyLicence	70.0	80.0 
	NCD Service	2.3	2.9 
<b>Service availability</b>			
	MIB Hub	99.9	99.8 
	askCUE PI	99.0	99.7 
	askMID	99.0	99.7 
	MIAFTR	99.5	100 
<b>Potential improper enquiries</b>			
	askMID	0.1	0.03 
	askCUE PI	0.75	0.67 
<b>Customer satisfaction</b>			
	CUE & MIAFTR	66.0	78.0 

 Plan achieved  Within agreed % of the plan  Plan not achieved

### MedCo

#### Facilitating independent, high-quality medical reporting

In 2019, we completed the first audit cycle of medical reporting organisations, as well as developing a framework for an audit of medical experts.

We also launched the first year of continuous professional development to ensure accredited medical experts always have the up-to-date knowledge they need.

Working towards the Government's Whiplash Reforms in 2020, we are now developing new systems and processes to ensure we continue to provide an efficient and cost-effective service.

### Employers' Liability Tracing Office (ELTO)

#### Search success rates continue to improve

In 2019, 92% of searches through our Employers' Liability Database (ELD) helped claimants trace their employer's insurer after a work-related accident or illness.

#### Improving the speed and accuracy of the Employers' Liability Database

As well as identifying ways to streamline our customer journey, making policies searchable by Employer Reference Number (ERN) was a key focus in 2019. We are currently working with HMRC to gain access to ERN data and will be finalising the project during 2020.

#### Faster response times

Improvements in 2019 mean our investigators can now respond to extended search enquiries in real-time, reducing the time it takes for claimants to receive a response.





## Insurance Fraud Bureau (IFB)

### Progress in 2019

#### IFB Future Strategy: Beyond 2020

Through its Beyond 2020 Strategy, the IFB published a comprehensive plan to support the industry in tackling many types of insurance fraud.

#### Evolving IFB technologies

To help insurers identify fraud as efficiently as possible, we worked closely with the market to identify opportunities to better integrate IFB systems.

#### Finding new ways to deliver value through data

Looking across our extensive data ecosystem, we identified new ways to enhance the data we share with our members.

#### Adapting to a changing fraud landscape

Alongside existing IFB services, we increased our focus on alternatives disruption methods outside traditional law-enforcement.

## Claims Portal

### Keeping the service secure and up to date

In 2019, we carried out a series of penetration tests, upgraded security certificates and held a series of training sessions designed to help maintain the security and stability of the Claims Portal.

### Redefining what is possible through 'big data'

For the first time, the Claims Portal is able to proactively share data with a range of other counter-fraud platforms, unlocking the potential to significantly enhance investigators' ability to uncover fraudulent claims.

### Helping insurers get the best from the Claims Portal

In October 2019, we delivered a training session to help administrators get the most from their account. A second workshop is planned in 2020.

## How we performed (MIB Managed Services)

Key Performance Indicator	Target (%)	Actual (%)
<b>Insurance Fraud Bureau (IFB)</b>		
Customer satisfaction	82.0	78.6 <span>■</span>
Budget spend	100.0	93.5 <span>■</span>
<b>Employers' Liability Tracing Office (ELTO)</b>		
User satisfaction	60.0	76.1 <span>■</span>
Member satisfaction	75.0	82.5 <span>■</span>
Budget spend	100.0	96.5 <span>■</span>
System availability	99.5	100.0 <span>■</span>
<b>Claims Portal</b>		
Budget spend	100.0	82.4 <span>■</span>
System availability	99.0	99.8 <span>■</span>
<b>MedCo</b>		
System availability	95.0	100.0 <span>■</span>

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



# Financial Statements and Governance

## Our full financial statements, governance report and results for the year

### Finance

Income during 2019 of £614.9 million was 32% higher than 2018, mainly due to an increase in the uncalled levy following higher actual and expected claims payments. Administration expenditure on 2019 of £35.7 million remains broadly in line with 2018. Expenditure on Transformation and Whiplash programmes were £12.3 million and £12.1 million respectively in 2019.

MIB's balance sheet continued to strengthen with total assets standing at £2.8 billion as at 31 December 2019, an increase of almost 9%. The increase is mainly due to levies receivable from members offset by a deliberate reduction in financial investments to settle the Enterprise Insurance PLC liquidation and to minimise future levy calls on members.

### Risk and Compliance

As MIB's range of services and programme activity evolves to include the MIB Transformation Programme and Whiplash Reforms, there is a stronger focus on governance and control across the business.

A robust risk management framework remains fundamental to the effective management of MIB. From information security to Brexit, it provides an explicit method to help manage all the main business risks.

The Risk and Compliance team oversees all of MIB's risk management controls and is responsible for helping to embed a risk culture into everyday business activities.

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

### General Data Protection Regulation (GDPR)

Having embedded the principles of GDPR into business as usual we are now compliant with and have a solid understanding of the requirements.

We are now developing our GDPR maturity by embedding the Information Commissioner's Office (ICO) good practice guidance. GDPR compliance is at the heart of the MIB Transformation Programme and many other business changes.



## Strategic report

The Board presents its report and the audited financial statements of the Motor Insurers' Bureau for the year ended 31 December 2019.

### Group status


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





### **Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

The Board of Directors of MIB consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019:

- 1) the likely consequences of any decision in the long term,
- 2) the interests of the company's employees,
- 3) the need to foster the company's business relationships with suppliers, customers and others,
- 4) the impact of the company's operations on the community and the environment,
- 5) the desirability of the company maintaining a reputation for high standards of business conduct, and
- 6) the need to act fairly between members of the company

### **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 7 and 8.

The consolidated and company statement of comprehensive income on page 31 shows that the Group has neither made a profit nor incurred a loss in the year to 31 December 2019. MIB continues to have the support of its members.

The levy income included within the consolidated statement of comprehensive income of £603.4 million (2018: £455.3 million) comprises the cash levy called of £330.1 million (2018: £296.8 million) plus the movement in uncalled levy of £273.3 million (2018: £158.5 million) which represents the movement in claims provisions; see Note 3 for details.

A business review and KPI information can be found in the Chief Executive Statement and the Risk and uncertainties – including financial risk management objectives – can be seen in Note 23.

### **Post balance sheet events**

Are noted in Note 21.



## Board of Directors

The following were Directors during 2019 and held office throughout the year unless shown otherwise:

Name	Title	Company	Date of appointment	Date of resignation
S Maddock	Chairman	Direct Line Group	09.06.2011	
<i>Note: appointed as Chair on 04.03.2014</i>				

### Executive Directors

D Clayden	Chief Executive	Motor Insurers' Bureau	14.05.2018	
<i>Note: appointed Non-Executive Director on 11.09.2009</i>				
A Sherman	Chief Financial Officer	Motor Insurers' Bureau	09.09.2009	18.01.2019
R Arya	Chief Finance Officer	Motor Insurers' Bureau	01.04.2019	
A Fleming	Chief Operating Officer	Motor Insurers' Bureau	13.11.2019	

### Non-Executive Directors

A Clarke		Ageas	10.09.2010	30.09.2019
S Maddock		Direct Line Group	09.06.2011	
S Baker		AXA Insurance	03.04.2013	
J Abboud		Allianz Insurance	11.03.2016	27.03.2019
G McChesney		Zurich	24.11.2017	17.05.2019
K Helgesen		RSA	29.03.2018	
T Bishop		Aviva	19.06.2018	
M Crane		Liverpool Victoria	02.08.2018	
R Charles		Admiral Group	29.09.2018	
P Singh		Allianz	26.02.2019	
K Coltham		Ageas	29.11.2019	

## Appointments

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

M Hart	Non-Executive Director	Zurich	04.02.2020
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### Company Secretary

Kelly Young	Company Secretary	Motor Insurers' Bureau	11.11.2019
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## Board attendance

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

Name	Board meetings						Audit and Risk Committee	
	26.02.19	27.03.19	30.05.19	06.09.19	30.09.19	29.11.19	24.04.19	29.10.19
S Maddock	✓	✓	✓	✓	✓	✓		
D Clayden	✓	✓	✓	✓	✓	✓	✓	✓
A Clarke	✓	✓	✓	✓	✓		✓	
S Baker	✓	A	✓	✓	✓	✓		
J Abboud	A	A						
G McChesney	✓	✓						
K Helgesen	A	✓	A	✓	✓	✓		
T Bishop	✓	✓	✓	✓	✓	A	✓	✓
M Crane	✓	✓	A	✓	✓	✓		
R Charles	✓	✓	✓	✓	✓	✓		
P Singh		A	✓	✓	✓	✓		
R Arya			✓	✓	✓	✓	✓	✓
A Fleming						✓		
K Coltham						✓		

✓ = Present A = Absent

## Committee members

Name	Executive Security Committee	Audit and Risk Committee	Transformation Committee	Remuneration Committee	Nomination Committee	Investment Committee	Levy Group
S Maddock				✓	Chair		
D Clayden	Chair	✓	Chair	✓	✓	✓	✓
R Arya	✓	✓	✓		✓	✓	✓
A Fleming	✓		✓				
T Bishop		Chair					
P Singh						Chair	Chair
K Coltham				Chair			

## Membership details

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

Name	Date of joining
QBE Europe SA/NV	01.01.2019
Travelers Insurance Designated Activity Company	01.07.2019
CASER – Caja de Seguros Reunidos S.A.	12.07.2019
Extra Cover Insurance Company Ltd	09.08.2019
Antares Managing Agency Ltd	09.08.2019

The following companies ceased being members:

Name	Membership ceased
Liberty Global	31.05.2019





## Directors' report

### Statement of Directors' responsibility

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions

and disclose with reasonable accuracy at any time the financial position of the Group; and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Going Concern

The Directors have been monitoring the development of the impact of COVID-19 both directly on the Company's business and indirectly through reviewing the development of government policy and advice. The main considerations are as follows.

### Operational

The Directors have made the decision to implement aspects of the Company's business continuity plan (BCP), specifically requiring staff at all levels and in all functions to work remotely wherever practicable, and to limit the need for gatherings of staff so far as possible. Communications within the Company are now almost wholly via email or messaging applications. The Company's IT facilities are adequate to maintain operations on this basis for the foreseeable future. The Directors are mindful of the differing pressures on individual members of staff, and of the fact that these pressures change as the position develops nationally and locally. The Directors expect that operational changes will continue to be required as the position develops.

## Revenue and claims

The Company's revenue is derived from the statutory levy, which is chargeable on all insurers writing UK motor business. The levy chargeable for any one year is calculated by reference to the expected net cash-flow of the Company for that year, i.e. it is calculated to be sufficient to enable the Company to pay all claims and expenses accruing in that year, with a provision for a cash buffer also included. As such, the Company's revenue is not exposed to normal market factors except for the credit risk in relation to the insurers concerned; taken as a whole it does not vary with the underlying revenue or profitability of those insurers.

The payment of claims already noted by the Company will continue based on the Company's normal claim protocols, albeit that claims dependent on the resolution of court proceedings are likely to be delayed. While the current limitations on travel continue, there is a widespread expectation that the volume of claims arising from motor accidents will decrease.

## Investment portfolio

The company holds financial investment only in UK government securities (gilts), which remain liquid. These total £64.8 million as at 31 December 2019.

## Levy receivables

In the increasingly likely event of recessive economic conditions, there will be members of the Company (UK motor insurers) who will suffer. For MIB, the levy is a statutory obligation payable by its members and is not a discretionary cost. Thus, MIB will still be able to recover their cost in terms of the agreement with the Department of Transport. In the event that a member becomes insolvent the Company has appropriate agreements with its members to ensure all costs are recovered.

## Statement of disclosure of information to auditors

At the time when this report is approved each Director has confirmed that:

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

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



**Kelly Young**

Company Secretary

15 June 2020

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 and enables our members, customers and stakeholders to have full confidence in our operations. MIB follows the provisions of the UK Corporate Governance Code, issued by the Financial Reporting Council, to the extent appropriate given MIB's 'not for profit' status and the fact that Non-Executive Directors perform their roles on a voluntary basis without remuneration.

### The Board

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

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

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

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

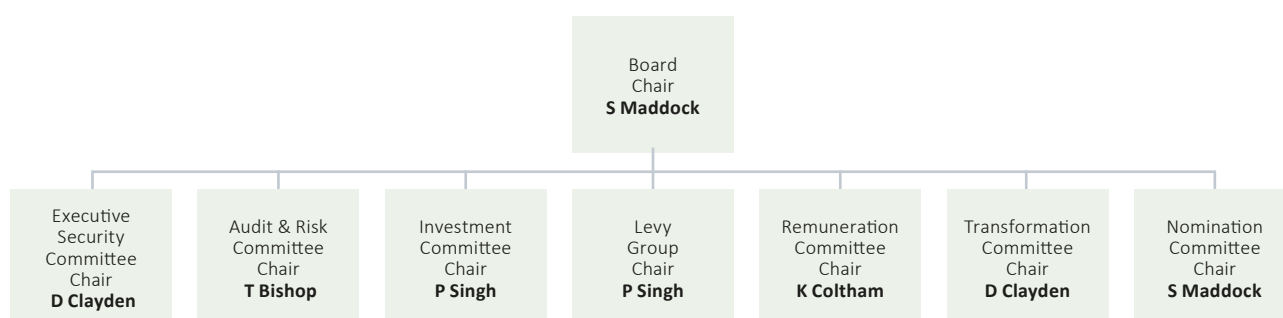
No sole member of the Board has unrestricted powers of decision; the Board as a whole will consider matters referred to them for approval. Affairs that require specific Board approval are documented along with relevant controls. This framework also provides a reference for decisions that can be delegated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

At the time of writing, the Board comprises nine 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 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 currently 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 a separate term of reference.



## Executive Security Group

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

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

### Audit and Risk Committee

The Audit and Risk Committee comprises three Non-Executive Directors. The Head of Internal Audit has a direct reporting line to the Chair of the Audit and Risk Committee. The MIB Chief Executive Officer and Chief Finance Officer are invited to attend by the Non-Executive Directors, as well as any MIB officer that the Audit and Risk Committee feels appropriate. In 2019 the Committee met twice, in May and October.

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

## 1. Internal Audit

The Internal Audit team is MIB's third line of defence and 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 risk management and internal control. Internal Audit has unrestricted access to all areas of the business and plans its work on a risk-basis, so that it can identify, prioritise and agree with the Audit and Risk Committee and Executive Management where its resource is allocated to provide the required levels of assurance. In 2019, Internal Audit continued to use PwC as its co-source partner for specialist audit services.

In January 2016, following their review of MIB Internal Audit services, KPMG issued an independent report to the Audit and Risk Committee that these services were fit for purpose in relation to the quality, independence and objectivity of Internal Audit and its professional staff. Best practice is for such independent review of Internal Audit services to occur at least every five years.

In light of the significant transformation of the Internal Audit function and the wider business in 2019, the next review will commence in 2020 in order to provide timely assurance to the Board and the Audit and Risk Committee that Internal Audit services remain relevant and aligned to business objectives.

## 2. Risk Management

As MIB's range of services and programme activity evolves, including the transformation programme and Whiplash Reforms, there is a stronger focus on governance and control across the business. Risk Management is at the heart of the whole operation, a robust risk management framework remains fundamental to the effective management of MIB. It provides an explicit method to help manage all the main business risks, from information security to Brexit.

The Risk and Compliance team is MIB's second line of defence and oversees all of MIB's controls and is responsible for helping to embed a risk culture into everyday business activities. Our Risk Policy, Risk Appetite and Risk Management Framework continue to be aligned to the updated ISO31000:2018 principles and guidelines. By embedding a risk management culture and by putting risk management at the heart of our whole operation MIB is able to adapt to change effectively as new threats and opportunities emerge.

## 3. Compliance

MIB continues to prioritise GDPR compliance and continues to ensure the overall business understand and implement the GDPR requirements. MIB has invested significant resource in updating its privacy processes to facilitate compliance with the GDPR. MIB has increased its data privacy maturity level in 2019 and continues to strive for excellence in all areas. MIB maintained both ISO 27001 information security and ISO 22301 business continuity certification in 2018 and this continues to be a compliance priority. MIB compliance with these standards forms part of its commitment to a systematic, robust approach to management of the confidentiality, integrity and availability of the data MIB controls. The Risk Management and Compliance team provide information security and data protection subject matter expertise to business operations as well as supporting MIB projects and MIB's Transformation Programme in order to achieve its business objectives.

## 4. Health and Safety

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

## Investment Committee

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

## Levy Group

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

## Remuneration Committee

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

## Nomination Committee

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

## Transformation Committee

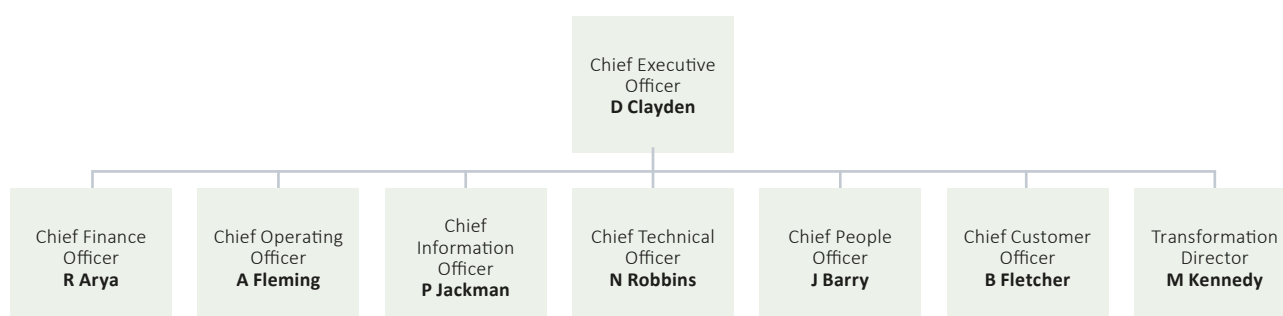
The Transformation Committee comprises a maximum of two Non-Executive Directors and two Executive Directors. The role of the Committee is to provide Board level oversight of the transformation activities that are being delivered by the executive management of MIB. Recognising the temporary nature of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

## Chief Executive Officer (CEO)

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

## Executive Committee

The Executive Committee is the principal management committee that supports the Chief Executive Officer to manage the day to day operations of the Group. It forms part of the wider senior leadership team. The Executive Committee assists the Chief Executive Officer to set performance targets, implement the MIB strategy and direction and monitor key objectives to achieve the Group's targets. It is comprised of the Executive Directors (Chief Executive Officer, Chief Finance Officer and Chief Operating Officer) and the following: Chief Information Officer, Chief Technical Officer, Chief People Officer, Chief Customer Officer and the Transformation Director.





## People

### 1. Gender pay gap

We're making good progress in reducing our gender pay gap.

In March 2020, 42% of our senior leadership roles were occupied by women, compared to 23% in 2018. This was well above the 35% target set as part of our commitment to the Women In Finance Charter.

Whilst last year's organisation redesign has seen a slight increase in our gender pay gap of 0.7%, we will continue to proactively improve our position throughout 2020. Conversely, the gap between the proportion of men and women receiving a bonus has reduced by 8% and both men and women saw their hourly wages increase in 2019.

### 2. Diversity and inclusion

In 2018, we began a journey to completely transform the culture of MIB. A change that placed diversity at the heart of our long-term strategy.

Two years on, we have achieved more than we ever thought possible, taking MIB from an organisation with limited diversity to one where the signs of change can be seen and felt by everyone.

The introduction of MIB's first diversity and inclusion strategy sign-posted our commitment to creating an amazing culture with 5 clear priorities:

- 1) Create a workplace where everyone is welcome
- 2) Continue to build a diverse leadership team who inspire our people to do their best work and bring their whole selves to work
- 3) Make MIB a safe space where people feel comfortable owning what happens next
- 4) Attract and recruit a diverse community of talented, highly motivated and brilliant people
- 5) Create a truly agile and inclusive workplace that supports our people's different lifestyles and future ambitions.

Despite only being established for six months, our LGBTQ network, Beyond Pride, is making huge strides in making MIB a place where everyone can be themselves. Our attendance at last year's Milton Keynes Pride festival earmarked a significant milestone in MIB's history and we are already seeing huge benefits through our partnerships with Stonewall and Involve and the Involve mentoring programme.

Following our Time to Change Accreditation last year, we have been working hard to create a supportive environment where employees can be open about mental health, without the fear of stigma or negative repercussions. The launch of our Wellbeing Strategy demonstrates our commitment to creating a safe and healthy environment for our employees, where their wellbeing is front and centre.

The set-up of a dedicated recruitment function has also revolutionised how we attract and recruit a diverse community of talented people. From early 2019, all of MIB's recruitment suppliers were asked to provide diverse shortlist for every role. As well as assessing the skills and qualities candidates bring, we also make it a priority to seek out behaviours that embody our new culture.



### 3. Employee engagement

In 2020, maintaining an engaged workforce remains a key priority. Following the introduction of employee-led action planning in 2019, we worked hard to create an environment that builds sustainable engagement, where employees believe in MIB's strategic objectives and feel an emotional connection to the organisation. Since then we have made demonstrable progress in the areas of collaboration, empowerment and change leadership, as identified in the 2018 survey.

In 2019, the highest performing categories were:

- MIB supports diversity in the workplace
- Good collaboration between teams
- My line manager takes the necessary time to support my personal development
- There is open communication with the Senior Leadership Team

Conversely, our areas of greatest opportunity that will be worked on throughout 2020, were:

- Leadership
- Communication
- Workload and Wellbeing
- Working Together

### 4. Anti-slavery commitment

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

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

### 5. Corporate Social Responsibility (CSR)

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

- Community
- Workplace
- Marketplace
- Environment

In 2019, MIB supported three charities, raising £3,575 for Macmillan, £3,365 for Mind and £3,200 for Save the Children.

Fundraising events included quizzes, cake bakes, raffles, bring and buy sale and a staff party as well as Pennies From Heaven.

### Charitable donations

Details of the Charitable donations are highlighted above.

### 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 now standard and range from 30 days to 60 days on average dependent on the category of expenditure.



## Independent Auditor's report

### 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 2019 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 2019 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 Strategic report and Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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



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

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

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

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

## Responsibilities of Directors

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

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

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

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.

## Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**David Roberts (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor, London

Date: 17 June 2020

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



# Consolidated and Company Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Consolidated		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Income					
Leviable premium	3	603,444	455,344	603,444	455,344
Other operating income	5	11,453	10,397	11,226	10,167
Total income		614,897	465,741	614,670	465,511
Expenditure					
Net claims paid	4	(305,441)	(239,721)	(305,441)	(239,721)
Increase in claims provision	4	(228,891)	(185,168)	(228,891)	(185,168)
Net claims incurred	4	(534,332)	(424,889)	(534,332)	(424,889)
Administrative expenses	6	(35,700)	(35,721)	(36,543)	(35,491)
Programme expenses – Transformation & Whiplash	6	(28,547)	(3,766)	(28,547)	(3,766)
Terrorism insurance	6	(8,400)	-	(8,400)	-
Pension deficit funding	6	(7,223)	(1,223)	(7,223)	(1,223)
Operating profit / (loss)		(375)	142	(375)	142
Financial income	7	4,051	3,870	4,051	3,870
Financial expenses	8	(3,676)	(4,012)	(3,676)	(4,012)
Net income / (expenditure) before tax		-	-	-	-
Income tax refund / (expense)	10	-	-	-	-
Net income / (expenditure) after tax		-	-	-	-
Other comprehensive income:					
Items that will not be reclassified to SoCI					
Actuarial (loss) / gain on retirement benefits	9	(2,282)	7,189	(2,282)	7,189
Items that will or may be reclassified to SoCI					
Adjustment in leviable premiums for Actuarial loss / (gain) on retirement benefits		2,282	(7,189)	2,282	(7,189)
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 34 to 51 form an integral part of these financial statements.



# Consolidated and Company Statement of Financial Position

As at 31 December 2019

	Notes	Consolidated		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets					
Non-current assets					
Intangible Assets	12	-	-	-	-
Property, plant and equipment	11	4,481	4,695	4,481	4,694
		4,481	4,695	4,481	4,694
Current assets					
Trade and other receivables	16	2,739,410	2,460,963	2,739,211	2,460,692
Cash and cash equivalents	13	3,651	5,794	3,317	5,520
Financial investments	14	64,802	111,803	64,802	111,803
		2,807,863	2,578,560	2,807,330	2,578,015
		-	-	-	-
Total assets		2,812,344	2,583,255	2,811,811	2,582,709
Liabilities					
Non-current liabilities					
Retirement benefit obligations	9	7,266	12,867	7,266	12,867
Provisions	4	2,365,053	2,237,521	2,365,053	2,237,521
Creditors > 1 year		195	34	195	34
		2,372,514	2,250,422	2,372,514	2,250,422
Current liabilities					
Trade and other payables	15	43,507	38,933	42,974	38,387
Retirement benefit obligations	9	2,523	1,460	2,523	1,460
Provisions	4	393,800	292,440	393,800	292,440
		439,830	332,833	439,297	332,287
		-	-	-	-
Total liabilities		2,812,344	2,583,255	2,811,811	2,582,709

The financial statements on pages 31 to 51 were approved and authorised for issue by the Board of Directors on 9 June 2020 and were signed on its behalf by

Steve Maddock – Chairman

Dominic Clayden – Director, and Chief Executive

The accompanying notes on pages 34 to 51 form an integral part of these financial statements.

Group Company Number 412787





# Consolidated and Company Statement of Cash Flow

For the year ended 31 December 2019

	Notes	Consolidated		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	17	(53,195)	20,131	(53,256)	20,201
Interest received		4,053	3,871	4,053	3,870
Interest paid		-	-	-	-
<b>Net cash flows from operating activities</b>		<b>(49,143)</b>	24,002	<b>(49,203)</b>	24,071
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	11	-	(981)	-	(981)
Purchases of intangible assets	12	-	-	-	-
Net change in financial investments	14	47,000	(19,299)	47,000	(19,299)
<b>Net cash flows from investing activities</b>		<b>47,000</b>	(20,280)	<b>47,000</b>	(20,280)
<b>Net decrease in cash and cash equivalents</b>		<b>(2,143)</b>	3,718	<b>(2,203)</b>	3,791
Cash and cash equivalents at the beginning of the year	13	5,794	2,076	5,520	1,729
Net (decrease)/increase in cash and cash equivalents	18	(2,143)	3,718	(2,203)	3,791
<b>Cash and cash equivalents at the end of the year</b>	13	<b>3,651</b>	5,794	<b>3,317</b>	5,520

The accompanying notes on pages 34 to 51 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.

The financial statements and accompanying notes are presented in thousands of Pounds (£'000).

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.

The Directors have prepared forecasts, which take into account an assessment of the impact of COVID-19 and have concluded that it continues to be appropriate to prepare the financial statements on a going concern basis.

### Standards issued but not yet effective

There are currently no standards applicable to MIB that are issued but not yet effective.

### IFRS 9 Financial Instruments

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

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

### 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 with a registration number 412787. 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 increase in the estimated value of those claims that are "incurred but not reported", plus the net amount of the other movements in the income statement. 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, operating costs and supplementary agreement costs.

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

### IFRS 15 Revenue from contracts with customers

The Group has not applied IFRS 15 to revenue from contracts with customers from 1 January 2018. The Group's core activities are delivered in accordance with a contract with the Secretary of State for Transport. Revenue related to those activities is derived from a statutory levy on members and is recognised on the same basis as the Group recognises its obligations under the contract with the Secretary of State. As such based on the definition per IFRS 15, MIB does not have a contract with customers. Other incidental revenue is recognised by the group as the services concerned are delivered.

### Net claims paid

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



## Claims Provisions

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

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

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

The claims provision includes an amount for Incurred But Not Yet Reported (IBNR) and Incurred But Not Enough Reported (IBNER).

### 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 2019. The data is used to project the cost of future claims using generally accepted actuarial techniques.

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

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

## 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	<b>5 years</b>
Computers	<b>3 years</b>

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	<b>5 years straight line</b>
-------------------------	------------------------------

## Leases

For any new contracts entered into on or after 1 January 2019, in accordance to IFRS 16, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use including leases entered into before 1 January 2019.



## Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Right of use leases assets **2 – 5 years straight line**

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

## Taxation

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

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

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

## Retirement benefit obligations

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

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

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

The current service cost and gains and losses on settlements and curtailments are included within operating expenses in the statement of comprehensive income. The expected return on pension assets and the interest on pension liabilities are included in the finance costs in the statement of comprehensive income. Actuarial gains and losses are recognised in full in the statement of other comprehensive income in the period in which they occur, see Note 9.



## Investments

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

## Cash and cash equivalents

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

## Segmental reporting

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

## Significant estimates and judgements

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

### i) Claims Provisions

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

The provisions carried in MIB's financial statements are similar in nature to those dealt with by insurers, and the approach and methods used in the measurement of those liabilities by MIB are consistent with the approaches and methods generally used by insurers.

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

- Projections are made using standard actuarial techniques and independent actuaries are appointed for this purpose. The approach uses information relating to the Group's historical claims, payment and reserves files for each type of claim incurred up to the statement of financial position date. Projections are undertaken using the Chainladder method for each type of claim by accident year. The main assumption underlying this technique is that a Group's past claims development experience will be appropriate to project future claims development.
- The projections include allocated costs such as legal expenses.
- The provisions are undiscounted with the exception of longer term, periodical payments orders, which are individually discounted on a case by case basis taking an appropriate annuity factor corresponding to the assumed life expectancy.
- Future claims experience is likely to deviate from the projections. Among other reasons, this is because the ultimate claim amount will be affected by future external events, for example, the size of court awards, changes in standards of liability and the attitudes of claimants towards settlement of their claims.

### ii) Levy

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

## Going concern

The Directors have modelled stressed future scenarios to assess the sustainability of the Company's cash position and ability to continue to meet all obligations as they fall due in the normal course of business. Those stressed scenarios reflect judgements as to the impact of COVID-19 on the economic environment in which the company and its members operate. See Directors' report and basis of preparation for detail.



## 2. Employee costs and numbers

	Consolidated and Company	
	2019 £'000	2018 £'000
<b>Particulars of employee costs (including Executive Directors) were as follows:</b>		
Wages and salaries	21,862	20,045
Social security costs	2,641	2,665
Pension contributions – Defined benefit	6,803	1,334
– Defined contributions	2,136	1,910
Other staff costs	136	140
	<b>33,578</b>	26,094

	No.	No.
<b>Average number of employees (including Executive Directors) were:</b>		
MIB claims operations (including Internal Audit)	204	236
MID & Data services (including Contact Centre)	122	95
MIB / MID support	114	178
IFB	43	50
	<b>483</b>	559

Highest paid Director:		
Emoluments	591	414

	Consolidated and Company	
	2019 £'000	2018 £'000
<b>Directors' remuneration</b>		
The remuneration of the Directors was as follows:		
Emoluments (including benefits in kind)	1,070	1,103
Pension contributions	15	-
	<b>1,085</b>	1,103
Pension / lump sums received	-	9

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.

	No.	No.
The number of Directors who were members of the Group's defined benefit scheme at the statement of financial position date was as follows:		
Defined benefit	0	1



## Key management personnel

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

	Consolidated and Company	
	2019 £'000	2018 £'000
Emoluments (including benefits in kind)	1,144	1,433
Pension contributions	94	97
	<b>1,238</b>	1,530
Number of executives at the statement of financial position date	<b>3</b>	7

## 3. Leviable premium

	Consolidated and Company	
	2019 £'000	2018 £'000
Levy called	330,109	296,790
Movement in uncalled levy	273,335	158,554
<b>Leviable premium</b>	<b>603,444</b>	455,344

	Consolidated and Company	
	2019 £'000	2018 £'000
<b>Movement in uncalled levy</b>		
Increase / (decrease) in outstanding claims provision	228,891	185,168
Other movements	44,444	(26,614)
<b>Movement in uncalled levy</b>	<b>273,335</b>	158,554

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

The Group has the right to call an additional levy from members should it wish to do so. The additional levy receivable shown in Note 16 of £2,700 million (2018: £2,428 million) represents the estimated value of all current and "incurred but not reported" claims which can be called upon within 12 months of the statement of financial position date. While this represents a significant amount within the statement of financial position, the risk of non-payment is considered unlikely given that the overall premium income generated by the motor insurance market in 2019 was £18 billion (2018: £18 billion). Therefore, a risk would only be presented if the entire motor insurance market was to fail.





## 4. Provisions

	Consolidated and Company	
	2019 £'000	2018 £'000
<b>Claims provision and expenditure</b>		
Claims provision at 31 December 2019	<b>2,758,852</b>	2,529,961
Claims provision at 31 December 2018	<b>(2,529,961)</b>	(2,344,793)
Net movement in claims	<b>228,891</b>	185,168
Claims paid less recoveries	<b>305,441</b>	239,721
<b>Claims expenditure during the year</b>	<b>534,332</b>	424,889
Claims provision at 31 December 2019 – non current	<b>2,365,052</b>	2,237,521
Claims provision at 31 December 2019 – current	<b>393,800</b>	292,440
	<b>2,758,852</b>	2,529,961

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 provision estimates around the best estimate included in these accounts that, on an actuarial basis, could be considered reasonable. The Group has over time, developed a methodology that is aimed at establishing provisions that have a reasonable likelihood of being adequate to settle all its obligations.

Process used to determine significant assumptions:

### Claim provisions

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

### Notified claims

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

The ultimate cost of the reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are therefore reviewed regularly and updated if new information becomes available. The total amount of case reserves for notified claims, including PPO claims held by MIB is £2.89bn.

### Claims Incurred But Not Yet Reported (IBNR)

The IBNR provision for 2019 is £338.1 million (2018: £285.2 million).

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

The IBNER provision for 2019 is £480.1 million (2018: £378.8 million).

### Contingent Liability

Post year-end a decision of the UK Supreme Court relating to the Lewis v Tindale case has resulted in significant additional uncertainty in relation to the estimate of the provision for outstanding claims. The facts of the case are as follows; in its 2014 Vnuk judgment the European Court of Justice held that a wide definition of vehicles should be insured wherever they are used, including on private land. The UK Government has not implemented these changes into UK law, and the ECJ ruling is inconsistent with the terms of MIB's agreement with the Secretary of State for Transport (see Strategic Report), which defines its rights and obligations.

However, in the case of Lewis v Tindale, UK courts found MIB to be an emanation of the state, responsible for this gap in UK law, under the principle of direct effect. MIB's request for leave to appeal to the Supreme Court was finally denied in February 2020. MIB is accordingly liable for compensating the victim in Lewis v Tindale, for other uninsured claims on private land and for claims on roads and other public places caused by newly in-scope (uninsured) vehicles.

There are currently no precedents or an appropriate basis on which a reliable estimate of potential unreported claims values or volumes can be based reflecting normal levels of estimation uncertainty. Nevertheless, management has proceeded to analyse the effect through scenario analysis, however due to the various limitations, these scenarios did not arrive at a reliable estimate. No estimate of these specific liabilities is therefore included in the provision for outstanding claims as an estimate cannot be reliably measured; in terms of IAS 37 the matter is therefore considered a contingent liability.

The provision for outstanding claims takes into account information on all the claims, including those similar in nature to that under Lewis v Tindale, of which MIB is currently aware and the amount provided in this respect is a small proportion in the context of the overall provision balance as at 31 December 2019.



## Ogden discount rate

The Civil Liability Act 2018 introduced a new framework for setting the personal injury Ogden discount rate, requiring the Government to reset the Ogden discount rate by reference to low risk rather than very low or zero risk investments. Following a Government review, as dictated by the terms of the Civil Liability Act 2018, on 15 July 2019 the Lord Chancellor announced a new Ogden discount rate of minus 0.25% to take effect from 5 August 2019 (a movement from minus 0.75%). The Ogden discount rate will be reviewed again at the latest in 2024.

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. The Group considers that uncertainties around the legal framework and its implications in practice as being significant but, will continue to provision at the legally required current rate of minus 0.25% per annum with no additional allowance for further movements. The policy of the Group regarding the active use of periodic payments orders (see below) partially mitigates the cash flow uncertainty arising from this change.

## Discounting of long-term provisions

A number of high value claims are settled by way of periodic payments orders. These are long-term structured settlements agreed by the claimant and the Group whereby, in addition to a lump sum amount, the claimant receives 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 2019:

	Consolidated and Company	
	2019 £'000	2018 £'000
Gross Provisions for PPO settlements before discount	457,282	397,461
Net discount with discount factor	86,486	75,769
<b>Provisions included in the overall provision for outstanding claims</b>	<b>543,768</b>	<b>473,230</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 or other responsible party.

## 5. Other income

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
General enquiries	12	12	9	12
Additional levy	5	5	29	5
Electronic vehicle licence fees	39	39	39	39
Third party MID enquiries	1,004	919	1,004	919
CUE/MIAFTR/Other	2,572	2,172	2,430	2,172
Fees for management services	7,821	7,250	7,715	7,020
<b>Other income</b>	<b>11,453</b>	<b>10,397</b>	<b>11,226</b>	<b>10,167</b>



## 6. Administration expenses

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Claims related fees	1,818	1,828	1,818	1,828
Operational services	32,954	32,851	33,847	32,702
Rechargeable expenses	50	81	-	-
Operating lease costs	168	190	168	190
Depreciation	413	547	413	547
Amortisation - leases	171	-	171	-
Amortisation	-	107	-	107
Auditors' remuneration – audit	47	40	47	40
– taxation	9	9	9	9
Council of Bureaux fees	70	68	70	68
	35,700	35,721	36,543	35,491
Programme expenses	28,547	3,766	28,547	3,766
Terrorism insurance	8,400	-	8,400	-
Pension Deficit funding	7,223	1,223	7,223	1,223

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	
	2019 £'000	2018 £'000
Bank deposit interest	65	56
UK Government gilt interest	3,891	3,757
Other interest earned	95	57
	4,051	3,870

## 8. Finance expenses

	Consolidated and Company	
	2019 £'000	2018 £'000
Gilt transactions	100	80
Decrease in market value of gilts	3,253	3,384
Pension costs – IAS 19	305	548
Lease finance cost	18	-
	3,676	4,012



## 9. Retirement benefit obligations

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

The scheme is subject to a triennial valuation carried out by JLT Benefit Solutions Limited, the scheme's independent actuaries, the most recent being as at 1 January 2018 on the projected unit basis. This valuation has been updated by the independent actuaries for the purposes of IAS 19 in order to assess the assets and liabilities of the scheme as at 31 December 2019.

Contributions to the scheme are made on the advice of the actuaries with the objective that the benefits be fully funded during the scheme members' average working lives. This valuation indicates that the scheme is 59.6% funded. The market value of the scheme's assets at the valuation date was £21,096,000. The pension cost for the year was £2,136,338 (2018: £1,334,303). As at 1 April 2019 the continuing pension cost was set at 27.6% of pensionable salaries plus a fixed deficit funding amount of £1,223,000 per annum. In addition, MIB paid a one-off sum of £6,000,000 on 1 April 2019 to further reduce the deficit funding.

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

	2019 % pa	2018 % pa	2017 % pa	2016 % pa	2015 % pa
Discount rate	<b>2.1</b>	2.9	2.4	2.6	4.0
Expected rate of future salary increases	-	3.7	3.9	3.9	3.8
Expected rate of future pension increases	<b>2.8</b>	3.1	3.3	3.3	3.2
Underlying expected inflation rate (RPI)	<b>2.9</b>	3.3	3.5	3.5	3.4

The market value of assets in the scheme were £29,637,000 (2018: £21,095,000, 2017: £21,033,000; 2016: £18,779,000, 2015: £16,625,000).

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:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Equities	<b>5,269</b>	4,562	4,743	7,637	6,115
Bonds	<b>16,084</b>	9,752	9,260	2,604	2,988
Property	<b>486</b>	276	411	723	882
Other	<b>7,798</b>	6,505	6,619	7,815	6,640
Fair value of assets	<b>29,637</b>	21,095	21,033	18,779	16,625
Present value of liabilities	<b>(39,426)</b>	(35,422)	(42,622)	(38,739)	(28,468)
Related deferred tax	-	-	-	-	-
<b>Net pension liability</b>	<b>(9,789)</b>	(14,327)	(21,589)	(19,960)	(11,843)



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

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Deficit at 1 January	(14,327)	(21,589)	(19,960)	(11,843)	(12,780)
Current service cost	(520)	(681)	(814)	(713)	(834)
Contributions	7,645	1,430	1,500	1,541	1,265
Other finance cost	(305)	(548)	(551)	(494)	(485)
Actuarial gain / (loss)	(2,282)	7,189	(1,764)	(9,521)	991
Past service costs	-	(128)	-	1,070	-
<b>Deficit at 31 December</b>	<b>(9,789)</b>	<b>(14,327)</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>

Analysis of the amount charged to administrative expenses:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Current service cost	520	681	814	713	834
Past service cost	-	128	-	(1,070)	-
<b>Total operating charge</b>	<b>520</b>	<b>809</b>	<b>814</b>	<b>(357)</b>	<b>834</b>

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

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Interest income on plan assets	-	-	-	-	-
Administration costs (excl. asset management costs)	38	38	40	36	33
Interest on liabilities	267	510	511	458	452
Other finance costs	305	548	551	494	485
<b>Total charge for year</b>	<b>825</b>	<b>1,357</b>	<b>1,365</b>	<b>137</b>	<b>1,319</b>

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

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

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Return on plan assets less interest income on plan assets	1,316	(1,236)	794	554	(593)
Experience gains and losses arising on liabilities	501	1,052	259	303	237
Changes in assumptions underlying the present value of the liabilities	(4,099)	7,373	(2,817)	(10,378)	1,347
<b>Total actuarial (loss) / gain</b>	<b>(2,282)</b>	<b>7,189</b>	<b>(1,764)</b>	<b>(9,521)</b>	<b>991</b>

Amounts recognised in the statement of financial position:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Present value of funded obligations	(39,426)	(35,422)	(42,622)	(38,739)	(28,468)
Fair value of assets	29,637	21,095	21,033	18,779	16,625
<b>Net liability recognised in the statement of financial position</b>	<b>(9,789)</b>	<b>(14,327)</b>	<b>(21,589)</b>	<b>(19,960)</b>	<b>(11,843)</b>

The Group expects to contribute £2,523,000 to the defined benefit scheme in 2020. This includes a one-off sum of £400,000. Actual return on plan assets for 2019 was £2,067,000 (2018: 721,000).



## Sensitivity Analysis:

	Estimated increase/(decrease) to obligation		Estimated increase/(decrease) to obligation	
Assumption	Plus	£'000	Minus	£'000
Discount rate	0.1%	917	0.1%	(917)
RPI	0.1%	453	0.1%	(453)
CPI	0.1%	276	0.1%	(276)
Salary	0.1%	-	0.1%	-
Life expectancy	1 year	1,509	1 year	(1,509)

## 10. Taxation

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Current tax expense</b>				
UK corporation tax at 19% (2017: 20%)	-	-	-	-
Adjustment in respect of prior years	-	-	-	-
<b>Total current tax</b>	-	-	-	-

### Factors affecting the tax charge for the period

(Loss) / profit before tax	-	-	-	-
Tax expense using the UK corporation tax rate of 19% (2017 20%)	-	-	-	-
Non-deductible expenses		88		88
Deferred tax not recognised	(I)	(88)	(I)	(88)
	-	-	-	-

The Group has a deferred tax asset of approximately £157,000 (2018: £157,000) which is not recognised on the grounds that there is insufficient evidence that the asset will be recoverable against suitable taxable income.

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

Cost	Freehold property £'000	Right-of-use asset £'000	Fixtures & fittings £'000	Computers £'000	Total £'000
At 1 January 2019	3,600	194	873	2,981	7,648
Additions/revaluation	-	428	130	-	558
Write off	-	-	(873)	(2,481)	(3,354)
<b>At 31 December 2019</b>	<b>3,600</b>	<b>622</b>	<b>130</b>	<b>500</b>	<b>4,852</b>

### Depreciation

At 1 January 2019	-	-	769	1,991	2,760
Charge for year	-	171	32	58	261
Write off	-	-	(796)	(1,854)	(2,650)
<b>At 31 December 2019</b>	<b>-</b>	<b>171</b>	<b>5</b>	<b>195</b>	<b>371</b>

### Net book value

<b>At 31 December 2019</b>	<b>3,600</b>	<b>451</b>	<b>125</b>	<b>305</b>	<b>4,481</b>
At 31 December 2018	3,600	-	104	990	4,695

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



## 12. Intangible assets – Consolidated and Company

	Intangible assets £'000	Total £'000
<b>Cost</b>		
At 1 January 2019	321	321
Additions	-	-
<b>At 31 December 2019</b>	<b>321</b>	<b>321</b>
<b>Amortisation</b>		
At 1 January 2019	321	321
Charge for year	-	-
<b>At 31 December 2019</b>	<b>321</b>	<b>321</b>
<b>Net book value</b>		
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>
At 31 December 2018	-	-

## 13. Cash and cash equivalents

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	3,651	5,794	3,317	5,520
	<b>3,651</b>	5,794	<b>3,317</b>	5,520

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

## 14. Financial investments – Consolidated and Company

	2019 £'000	2018 £'000
<b>UK Government gilts</b>	<b>64,802</b>	111,803

The carrying amounts of these assets approximate their fair value. UK Government gilts are valued at bid market price as at 31 December 2019.

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

## 15. Trade and other payables

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	520	912	484	823
Advanced levy payments	971	2,423	971	2,423
Accrued expenses	7,281	5,433	7,281	5,433
Other payables – Tax, Levy provision and other	34,735	30,165	34,238	29,708
	<b>43,507</b>	38,933	<b>42,974</b>	38,387





## 16. Trade and other receivables

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Additional levy receivable	2,700,375	2,428,286	2,700,375	2,428,286
Intercompany receivables	-	-	348	61
Other trade receivables	36,426	29,972	35,853	29,700
Prepayments	1,816	1,594	1,816	1,199
Other receivables	793	1,111	819	1,446
	2,739,410	2,460,963	2,739,211	2,460,692

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

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Inflows from operating activities</b>				
Operating profit / (loss)	(375)	142	(375)	142
Depreciation of property, plant and equipment	413	196	413	196
Right – of – use asset	(451)	-	(451)	-
Amortisation of intangible assets	-	107	-	107
Asset Write off	251	-	251	-
Revaluation of property	-	350	-	350
(Increase) / Decrease in trade and other receivables	(278,446)	(159,555)	(278,519)	(159,517)
Increase / (Decrease) in trade and other payables	4,735	4,997	4,749	5,029
Increase / (Decrease) in provisions and other liabilities	224,354	177,906	224,354	177,906
Finance costs	(3,676)	(4,012)	(3,676)	(4,012)
	(53,195)	20,131	(53,256)	20,201

## 18. Reconciliation of opening to closing Cash and Cash equivalents - Consolidated

	At 01.01.18 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.18 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.19 £'000
Cash and cash equivalents	2,076	3,718	-	5,794	(2,143)	-	3,651
<b>Total</b>	2,076	3,718	-	5,794	(2,143)	-	3,651

### Reconciliation of opening to closing Cash and Cash equivalents - Company

	At 01.01.18 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.18 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.19 £'000
Cash and cash equivalents	1,729	3,791	-	5,520	(2,203)	-	3,317
<b>Total</b>	1,729	3,791	-	5,520	(2,203)	-	3,317



## 19. Operating lease commitments

The group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Consolidated and Company	
	2019 £'000	2018 £'000
Within 1 year	83	124
Later than 1 year and less than 5 years	53	188
<b>Total operating lease commitments</b>	<b>136</b>	<b>312</b>

### Lease liabilities

Operating leases recognised as lease liabilities all relate to property rental and are classified as right – of – use assets, details of the carrying amounts which can be seen in Note 11. These items are depreciated over a period of 2 – 5 years according to the length of the lease.

Lease liabilities are presented in the statement of financial position as follows:

	Consolidated and Company	
	2019 £'000	2018 £'000
Within 1 year	290	-
Later than 1 year and less than 5 years	161	-
<b>Total operating lease liabilities</b>	<b>451</b>	<b>-</b>

The following are the amounts recognised in the statement of comprehensive income:

	Consolidated and Company	
	2019 £'000	2018 £'000
Depreciation expense of right-of-use assets	171	-
Interest expense on lease liabilities	18	-
Expense relating to short term leases of low value assets (included in operating expenses)	104	124
<b>Total amount recognised in the statement of comprehensive income</b>	<b>293</b>	<b>124</b>

The Group had total cashflows for leases of £293,000 (2018: £124,000), the Group also had non-cash additions to right-of-use assets and lease liabilities of £428,000 (2018: £Nil). There are no leases currently in place which have not started.



## 20. Subsidiaries

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

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

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

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

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

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

## 21. Post balance sheet event

The impact of COVID-19, which is generally accepted to be a non-adjusting post-balance sheet event for entities reporting as at 31 December 2019, has been to disrupt business process and operations significantly. The Directors have been monitoring the development of the impact of COVID-19 both directly on the Company's business and indirectly through reviewing the development of government policy and advice. The main considerations are set out in the Directors' report on page 21. The Directors' assessment of the impact on the going concern status of the Company is set out in Accounting Policies on page 37.

## 22. 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 three 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 D Clayden is a Director, totalling £4,843,543 (2018: £5,288,233).

As at 31 December 2019 the Group was owed £249,375 (2018: £366,578) from Insurance Fraud Bureau Limited.

## 23. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Reserving and foreign exchange risk

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

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



## Credit risk

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

An Investment Committee is in place to recommend strategies and monitor the investment policies and practices of MIB and report to the Board. All new placements of funds are either placed through cash deposits with institutions agreed in accordance to an approved counterparty list that have a credit rating of at least F1 from Fitch and within absolute counterparty limits, or through UK Government gilts, with maturity dates within a short-term timeframe. These are level 2 investments due to their price being index linked.

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

The Group has the right to call an additional levy from members should it wish to do so. The additional levy receivable shown in Note 16 of £2,700 million (2018: £2,428 million) represents the estimated value of all current and "incurred but not reported" claims which can be called upon within 12 months of the

statement of financial position date. While this represents a significant amount within the statement of financial position, the risk of non-payment is considered unlikely given that the overall premium income generated by the motor insurance market in 2019 was £18 billion (2018: £18 billion). Therefore, a risk would only be presented if the entire motor insurance market was to fail which even taking into account COVID-19 is a very unlikely occurrence.

## 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.

In addition to this and in light of COVID-19 MIB is looking to secure guarantee funding / overdraft facilities from a number of sources and to diversify our cash holdings.

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

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Total cash in hand	3,651	5,794	3,317	5,520



## Market risk

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

At the date of the statement of financial position, the Group held cash deposits with banks which were available on demand. The remainder of investments were invested in Government fixed interest gilts. During the year, a number of cash deposits held with banks for a maximum period of 365 days matured and were reinvested in Government fixed interest gilts. The following table illustrates the change in bank deposit interest receivable in a change in interest rate upon inception of +2% and -2% with effect from beginning of the year based on weighted averages.

	2019 Actual £'000	2019 +2% £'000	2019 -2% £'000	2018 Actual £'000	2018 +2% £'000	2018 -2% £'000
Interest receivable	65	385	-	55	386	-

*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 £55.7 million (2018: £53.0 million) of which £2.2 million (2018: £2.2 million) represents cases where a standard reserve amount has been set. Therefore, the maximum potential exposure to currency risk is £50.5 million (2018: £47.5 million), which represents 1.9% (2018: 1.8%) of the overall case reserves. If Sterling was to either strengthen or weaken by 25 basis points against the Euro at the statement of financial position date, the potential impact on reserves would be a reduction of £14.5 million (2018: £14.2 million) or an increase of £9.4 million (2018: £9.1 million), based on an exchange rate of 1.17051 (2018: 1.1429) 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 states that Claim Notification Forms (CNF) submitted through the Claims Portal from 1 June 2015 must contain an askCUE PI search reference number generated by the service.

## askMID.com

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

## Claims and Underwriting Exchange (CUE)

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

## Claims leakage

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

## Claims lifecycle

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

## Claims Portal

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

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

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

## Continuous Insurance Enforcement (CIE)

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

## Employers' Liability Database (ELD)

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

## Employers' Liability Tracing Office (ELTO)

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



## Green Card

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

## Guarantee Fund

MIB's handling of claims is governed by agreements with the 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 28,700 claims in 2019 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 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 (42 million) in the UK. The MID is updated daily by all UK insurers, which are required to meet targets for timeliness and accuracy set by the Department for Transport.

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

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

## MIB Management Services Limited (MIB MSL)

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

## MyLicence

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

## No Claims Discount (NCD) Database

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

## Tracing Services Limited (TSL)

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

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

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

