

## Chapter 12

# Interim Financial Reports

### Principle 12.1

**12.1** *The Standard should not contain guidance on the application of IAS 34, Interim Financial Reporting, to insurance contracts.*

12.2 IAS 34 requires that:

- (a) an entity should apply the same accounting policies in its interim financial statements as in its annual financial statements, except for accounting policy changes that are to be reflected in the next annual financial statements. However, the frequency of an entity's reporting (annual, half-yearly, or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes should be made on a year-to-date basis; and
- (b) costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

12.3 Appendix 2 to IAS 34 gives examples of applying these principles.

12.4 Certain insurers currently estimate the full year result and allocate part of the result to the interim period. However, when results are estimated for the year, compliance with IAS 34 will require that specific events arising are allocated to the interim period in which they occur. For example, if a major catastrophe occurs in the first quarter, this loss should be allocated in full in that period. Some believe that this point may need to be emphasised in the insurance standard to ensure the correct application of IAS 34 and to ensure consistent treatment between insurance entities.

12.5 IAS 34 recognises that interim measurements may rely on estimates to a greater extent than measurements of annual financial data. Appendix 3 to IAS 34 gives some examples of the use of estimates for interim measurements.

12.6 Some believe that additional guidance would be helpful to explain how IAS 34 applies to insurance contracts. However, principle 12.1 reflects the view that the general guidance in IAS 34 is sufficient.

12.7 For several reasons noted in chapter 8, it may be more difficult to measure reinsurance liabilities than direct insurance liabilities. Furthermore, the practice of some reinsurers is that the term of most of their reinsurance contracts issued coincides with their financial year; as a result, the year-end measurement of these contracts does not need to consider future insured events occurring from that date until expiry of the contract. However, under the proposals in this DSOP, measurements of these contracts at interim reporting dates

would need to consider future insured events occurring from the interim reporting date until expiry of the contract.

- 12.8 For the reasons mentioned in the previous paragraph, some argue that interim measurements of insurance liabilities may be less reliable, and more costly, than year-end measurements. For these reasons, some consider that the Standard should permit simpler methods of measuring insurance liabilities at interim. However, the Steering Committee that these practical difficulties are not sufficient to justify a departure from the general principles of IAS 34.