The First-time Adoption of IFRS 17 and Its Financial Reporting Implications

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Abstract

This study examines the financial reporting effects of the first-time adoption of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* in the insurance sector. Using a sample of 83 listed insurance companies in the European Union and the United Kingdom that adopted both standards in 2023, the study compares restated financial statement figures immediately before and after adoption. The results show that the adoption of IFRS 9 and IFRS 17 is associated with a significant reduction in reported insurance liabilities and a corresponding increase in equity. These transition effects are reflected in other comprehensive income rather than in net income. Further analyses indicate that the magnitude of the effects differs systematically depending on insurers' prior accounting practices. Insurers that previously applied lock-in approaches experience more pronounced changes in insurance liabilities and equity than insurers that previously applied lock-free approaches. Overall, the findings provide early large-sample evidence on the joint adoption of IFRS 9 and IFRS 17 and offer policy-relevant insights for jurisdictions considering the adoption of accounting standards aligned with IFRS 17.

Keywords: IFRS 17; IFRS 9; insurance accounting; lock-in approach; lock-free approach; fair value; other comprehensive income; first-time adoption
JEL Classification: M41; G22; G12

1. Introduction

International Financial Reporting Standard (IFRS) 17, Insurance Contracts, establishes a globally consistent accounting framework for insurance contracts and became effective on January 1, 2023. IFRS 17 replaces IFRS 4, *Insurance Contracts*, which largely grandfathered existing national accounting practices and did not prescribe uniform measurement principles. In contrast, IFRS 17 introduces a comprehensive and internally consistent measurement model for insurance contracts, and its adoption is expected to have substantial implications for insurers that apply IFRS.

The implementation of IFRS 17 also marks the end of the temporary exemption from IFRS 9, *Financial Instruments*, that had previously been granted exclusively to insurance entities. IFRS 9 replaces International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*, and introduces fundamental changes in the classification and measurement of financial assets as well as in the impairment framework. As a result, the first-time adoption of IFRS 17 is accompanied by the simultaneous adoption of IFRS 9 for many insurers, making the transition a comprehensive change to insurers' financial reporting.

Japanese insurance accounting has traditionally relied on a so-called "lock-in" approach, under which insurance liabilities are not remeasured to reflect changes in interest rates or market conditions. By contrast, IFRS 17 adopts a "lock-free" approach based on economic value measurement, suggesting potentially substantial effects on insurers operating under lock-in regimes. Nevertheless, the direct impact of IFRS adoption in Japan remains limited at present. Most Japanese insurers do not apply IFRS; as of March 2025, only two companies—Lifenet Insurance Company and SOMPO Holdings—have adopted IFRS, and even when firms planning adoption are included, the total number remains four. At the same

time, the Accounting Standards Board of Japan has announced a roadmap for developing insurance accounting standards that are internationally comparable. Consequently, Japanese insurers may eventually be required to apply domestic accounting standards that are aligned with IFRS 17.

Against this background, this study investigates how the transition to IFRS 9 and IFRS 17 affects insurers' financial reporting. Specifically, it examines changes in financial statement figures before and after adoption using a sample of European insurers that have already implemented IFRS 9 and IFRS 17. Because many European jurisdictions previously applied accounting approaches similar to lock-in measurement, the European experience provides informative evidence on the potential effects of IFRS 17 for insurers operating under comparable regimes, including those in Japan.

This study addresses three research questions. First, how does the first-time adoption of IFRS 9 and IFRS 17 affect insurers' balance sheets and income statements, particularly with respect to insurance liabilities, equity, and other comprehensive income? Second, do the financial reporting effects associated with the adoption of IFRS 17 differ according to whether insurers previously applied lock-in or lock-free approaches under IFRS 4? Third, how is the choice of insurance liability measurement models under IFRS 17 associated with the classification of financial assets under IFRS 9? By addressing these questions, this study contributes to the literature on accounting change and insurance accounting by providing early large-sample evidence on the joint adoption of IFRS 9 and IFRS 17. Moreover, the findings offer policy-relevant insights for standard setters and practitioners in jurisdictions, such as Japan, that may adopt accounting standards aligned with IFRS 17 in the future.

The paper is organized as follows. Section 2 outlines the institutional background to the transition to IFRS 17 and IFRS 9, reviews the related literature,

and develops expectations about the financial reporting effects of adoption. Section 3 presents the hypotheses, sample selection, and the research design based on within-firm comparisons using restated figures. Section 4 reports the main empirical results, including overall transition effects, differences in transition effects depending on insurers' pre-adoption approaches (lock-in vs. lock-free), and associations between IFRS 17 liability measurement choices and IFRS 9 asset classification. Section 5 concludes and discusses implications for standard setters and market participants, as well as limitations and directions for future research.

2. Financial effects of the transition to IFRS 17 and IFRS 9

2.1 Overview of IFRS 17

IFRS 17 provides three measurement approaches, which are applied depending on the characteristics of insurance contracts: (1) the General Measurement Model (GMM), (2) the Variable Fee Approach (VFA), and (3) the Premium Allocation Approach (PAA).

The GMM is the default measurement model under IFRS 17. It decomposes insurance contracts into four components: (1) future cash flows arising from the contract, (2) an adjustment for the time value of money, (3) a risk adjustment (RA) for non-financial risk, and (4) the contractual service margin (CSM). All components except the CSM are measured on an economic value basis. Changes in estimates of future cash flows and the RA are absorbed by the CSM and therefore do not affect profit or loss as long as the CSM remains positive. By contrast, changes in discount rates are not absorbed by the CSM and are recognized either in profit or loss or in other comprehensive income (OCI), at the entity's option (the so-called OCI Option). Accordingly, IFRS 17 adopts an economic value (lock-free) measurement of insurance contracts, while allowing entities to mitigate earnings volatility by absorbing certain valuation changes through the CSM and by recognizing others in OCI (Figure 1).

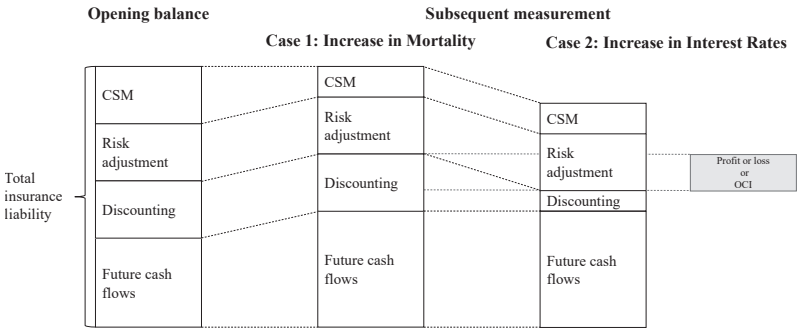

Figure 1. Illustration of GMM

The VFA is a modification of the GMM designed for participating contracts with direct participation features, such as variable annuities. Under the VFA, the insurer's share of returns on underlying items is treated as a variable fee, and changes in these returns adjust the CSM rather than being immediately recognized in profit or loss.

The PAA is primarily intended for short-duration insurance contracts. Under this approach, insurance liabilities are measured based on premiums received, without requiring full economic value measurement. As a result, the PAA is conceptually closer to a lock-in approach than the GMM or VFA.

It should also be noted that IFRS 17 does not permit the capitalization of deferred acquisition costs (DAC). Instead, only costs that directly contribute to the acquisition of insurance contracts are included in the measurement of insurance liabilities.

2.2 Overview of IFRS 9

Compared with IAS 39, IFRS 9 introduces a more principles-based approach to the classification and measurement of financial assets (Table 1). Under IFRS 9, financial assets are classified based on the entity's business model and their

contractual cash flow characteristics (the SPPI test). Financial assets are subsequently measured at amortized cost (AC), fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Table 1. Classification and Measurement under IFRS 9

Classification	Business model test	SPPI test
Debt instruments		
Amortized cost[1]	Hold to collect	YES
FVOCI (with recycling)[1]	Hold to collect and sell	YES
FVTPL	Other than the above	NO
Equity instruments		
FVTPL	Held for trading	NO
FVTPL[2]	Other than the above	NO

[1] If specified conditions are met, an entity may elect the fair value option at initial recognition.

[2] At initial recognition, an entity may designate an equity instrument at FVOCI (with no recycling to profit or loss).

Equity instruments are, in principle, measured at FVTPL; however, entities have the option at initial recognition to designate equity instruments at FVOCI, in which case gains and losses recognized in OCI are not subsequently recycled to profit or loss.

Although IAS 39 also provided AC, FVOCI, and FVTPL categories, its classification criteria differed from those of IFRS 9, and classification outcomes under the two standards do not necessarily coincide. With respect to investment funds, IAS 39 permitted classification as FVOCI or FVTPL depending on management's intent. Under IFRS 9, however, open-ended investment funds that are redeemable at any time are classified as debt instruments that fail the SPPI test and are therefore measured at FVTPL, even when they primarily invest in equity instruments.

In addition, IFRS 9 introduces an expected credit loss model for impairment,

replacing the incurred loss model under IAS 39 and potentially leading to earlier recognition of impairment losses.

2.3 Literature review

As IFRS 9 and IFRS 17 have only recently become effective in the insurance sector, the body of prior research examining the effects of their first-time adoption on insurers remains limited. ter Hoeven et al. (2024) examine the effects of the first-time adoption of IFRS 17, effective from 1 January 2023, on the insurance sector based on a sample of 24 large European insurers. Their analysis shows that, at the transition date, equity declined for most insurers in the sample, while only a small number experienced an increase. These results indicate that the effects of IFRS 17 adoption are heterogeneous across insurers.

Szikráné Lindner et al. (2024) examine the effects of IFRS 17 adoption using a sample of three Hungarian insurance companies. They find that, for all three insurers, equity measured under IFRS 17 is higher than under IFRS 4. This increase is primarily driven by the reduction in insurance liabilities resulting from discounting effects, which is recognized through OCI and partially offsets valuation losses on investments. In addition, return on equity (ROE) declines for two insurers relative to IFRS 4, as the increase in equity outpaces the growth in profits.

A prior professional report (KPMG 2024), based on a sample of 53 internationally active insurance companies that simultaneously adopted IFRS 17 and IFRS 9 from 1 January 2023, finds that changes in opening equity as at 1 January 2022 disclosed in the 2023 financial statements are mostly within a range of –5.0% to +5.0%, although the effects are heterogeneous across firms.

2.4 Expected financial effects of the transition to IFRS 9/17

Whereas IFRS 4 allowed insurers to continue applying lock-in–type accounting

approaches without unified measurement principles, IFRS 17 generally requires insurance liabilities to be measured on an economic value basis. As a result, insurers that previously applied conservative liability valuation under IFRS 4 are expected to experience a reduction in reported insurance liabilities upon transition to IFRS 17, particularly in periods of rising interest rates. This effect is likely to be more pronounced for insurers operating under lock-in regimes.

Even in jurisdictions that had already adopted lock-free approaches prior to IFRS 17, the magnitude of remeasurement effects may vary across insurers. In particular, when liability measurement under IFRS 4 relied on prudential assumptions designed for solvency regulation rather than on assumptions reflecting economic conditions, IFRS 17 can still lead to changes in reported insurance liabilities by requiring the use of current, entity-specific assumptions.

In addition to its effects on insurance liabilities, IFRS 17 introduces important changes to asset recognition through its treatment of acquisition costs. While IFRS 4 permitted the capitalization of deferred acquisition costs, IFRS 17 requires costs other than those directly attributable to contract acquisition to be expensed. This change is expected to reduce reported assets at the transition date and may affect equity through adjustments recognized at initial application.

The financial reporting effects of IFRS 9 primarily arise from changes in the classification and measurement of financial assets. Under IAS 39, equities and investment funds were frequently measured at FVOCI, whereas under IFRS 9, many of these instruments are required to be measured at FVTPL. Consequently, the proportion of financial assets measured at FVTPL is expected to increase following adoption.

Importantly, IFRS 9 and IFRS 17 provide mechanisms that can mitigate the impact of increased volatility on reported earnings. In particular, insurers may elect to recognize changes in discount rates on insurance liabilities in other comprehensive

income through the OCI option. When insurers apply this option, valuation changes arising from interest rate movements are recognized symmetrically on the asset and liability sides of the balance sheet, thereby reducing volatility in profit or loss and shifting valuation effects to other comprehensive income. These considerations motivate the empirical hypotheses examined in the subsequent sections.

3. Research design

3.1 Hypotheses

H1: The first-time adoption of IFRS 9 and IFRS 17, in periods of rising interest rates, is associated with a reduction in reported insurance liabilities and a corresponding increase in equity, with valuation effects affecting OCI rather than net income.

H2: The financial reporting effects of adopting IFRS 9 and IFRS 17 are more pronounced for insurers that previously applied lock-in approaches than for insurers that previously applied lock-free approaches.

H3: Insurers' choices of insurance liability measurement models under IFRS 17 are systematically associated with the classification of financial assets under IFRS 9.

3.2 Sample selection

The sample consists of listed insurance companies domiciled in the European Union and the United Kingdom that satisfy the following criteria. First, the firm adopted IFRS 9 and IFRS 17 for the first time in fiscal year 2023. Second, the firm's fiscal year-end is December 31. Third, the necessary financial data are available from S&P Capital IQ Pro and the firms' annual reports. Applying these criteria yields a final sample of 83 insurance companies (Table 2).

Table 2. Sample composition

Country	N	%
Austria	2	2.4%
Belgium	4	4.8%
Croatia	4	4.8%
Cyprus	2	2.4%
Czechia	2	2.4%
Denmark	2	2.4%
Finland	2	2.4%
France	7	8.4%
Germany	4	4.8%
Greece	1	1.2%
Ireland	2	2.4%
Italy	5	6.0%
Malta	2	2.4%
Netherlands	9	10.8%
Portugal	5	6.0%
Slovakia	4	4.8%
Spain	4	4.8%
Sweden	1	1.2%
United Kingdom	21	25.3%
Sum	83	100.0%

Industry	N	%
Life and Health	24	28.9%
Property and Casualty	29	34.9%
Multiline	21	25.3%
Reinsurance	5	6.0%
Financial Guaranty	3	3.6%
Insurance Broker	1	1.2%
Sum	83	100.0%

Prior accounting policy	N	%
Lock-in approach	64	77.1%
Lock-free approach	19	22.9%
Sum	83	100.0%

3.3 Data and research method

For fiscal year 2023, sample firms disclose restated financial statement figures as of the end of fiscal year 2022, reflecting the retrospective application of IFRS 9 and IFRS 17. This disclosure allows a within-firm comparison of financial statement items immediately before and after adoption (Figure 2). All balance sheet and income statement variables are deflated by total assets at the end of the prior fiscal year. To test H2, firms are classified into lock-in and lock-free groups based on their insurance liability measurement approaches applied under IFRS 4. To test H3, this study manually collected data from annual reports on the proportion of contracts not measured under the PAA and the composition of financial assets by classification category.

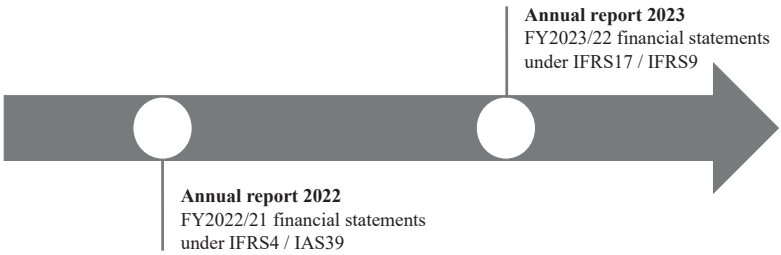

Figure 2. First-time adoption

4. Results

4.1 Overall effects of the adoption of IFRS 9 and IFRS 17 (H1)

Table 3 reports the mean, median, and standard deviation of key balance sheet and income statement items before and after the adoption of IFRS 9 and IFRS 17. As shown in Table 3, both total assets and total liabilities decline significantly following adoption. The mean (median) of total assets decreases from 0.962 (0.936) to 0.885 (0.869), while the mean (median) of total liabilities decreases from 0.837 (0.829) to 0.733 (0.743), with all changes statistically significant at the 1% level. The decline in total assets is primarily driven by reductions in insurance assets and intangible assets, most of which consist of DAC. By contrast, no statistically significant change is observed in financial assets.

The reduction in total liabilities is largely attributable to a decrease in insurance liabilities, supporting the prediction that the economic value measurement required by IFRS 17 leads to lower reported liabilities relative to the more conservative valuation approaches permitted under IFRS 4. Correspondingly, total equity increases significantly following adoption. While retained earnings do not exhibit a statistically significant change, accumulated other comprehensive income (AOCI) increases significantly. Net income is not significantly affected, whereas

OCI increases significantly.

These results support H1 and indicate that valuation effects arising from the transition are reflected in OCI, rather than in net income.

Table 3. Effects of the adoption of IFRS 9 and IFRS 17

Key Balance Sheet Items									
Variable	N	Mean	Median	S.D.	Mean	Median	S.D.	Mean_diff	Median_diff
		Pre-IFRS 9/17			Post-IFRS 9/17				
Total assets	83	0.962	0.936	0.230	0.885	0.869	0.241	-0.076 ***	-0.068 ***
Total insurance assets	83	0.117	0.048	0.165	0.066	0.027	0.106	-0.051 ***	-0.021 ***
Insurance assets	63	0.042	0.021	0.050	0.007	0.000	0.021	-0.035 **	-0.021 ***
Reinsurance assets	82	0.087	0.028	0.145	0.062	0.026	0.104	-0.025 ***	-0.003 ***
Intangibles	78	0.041	0.028	0.056	0.025	0.010	0.056	-0.015 ***	-0.018 ***
DAC	44	0.021	0.016	0.017	0.000	0.000	0.000	-0.021 ***	-0.016 ***
Financial assets	83	0.647	0.660	0.246	0.642	0.667	0.254	-0.005	0.007
Total liabilities	83	0.837	0.829	0.240	0.733	0.743	0.254	-0.104 ***	-0.086 ***
Total insurance liabilities	83	0.701	0.693	0.252	0.614	0.621	0.251	-0.087 ***	-0.072 ***
Insurance liabilities	83	0.600	0.613	0.248	0.539	0.558	0.219	-0.061 ***	-0.055 ***
Reinsurance liabilities	59	0.022	0.001	0.096	0.004	0.001	0.013	-0.018	0.000 **
Investment liabilities	41	0.172	0.132	0.173	0.144	0.049	0.183	-0.028	-0.083 ***
Total equity	83	0.154	0.096	0.170	0.165	0.107	0.166	0.011 ***	0.011 ***
Retained earnings	83	0.067	0.039	0.097	0.061	0.035	0.106	-0.006	-0.004
AOCI	79	-0.009	-0.011	0.042	0.001	-0.002	0.037	0.010 ***	0.009 ***
Key Income Statement Items									
Variable	N	Mean	Median	S.D.	Mean	Median	S.D.	Mean_diff	Median_diff
		Pre-IFRS 9/17			Post-IFRS 9/17				
Net income	83	0.013	0.009	0.020	0.012	0.007	0.020	-0.001	-0.002
OCI	83	-0.043	-0.026	0.124	-0.010	-0.005	0.018	0.033 **	0.021 ***

Note: *,**and***indicate significance level at 0.10, 0.05 and 0.01 levels, respectively

Table 4 reports changes in the classification of financial assets resulting from the transition to IFRS 9, expressed as proportions of total financial assets. The proportions of assets classified under the AC and FVOCI categories decline significantly. In contrast, the proportion of assets classified as FVTPL increases significantly. The reduction in the AC category reflects adjustments made in response to the measurement of insurance liabilities at economic value.

Moreover, while equity instruments classified under the FVOCI category decrease, those classified under the FVTPL category increase. This pattern indicates

that insurers do not necessarily apply the OCI option to equity instruments. This finding appears to be related to the fact that European insurers do not favor the non-recycling treatment of OCI.

In addition, no statistically significant difference is observed in impairment losses on financial assets before and after the transition to IFRS 9. This result likely reflects insurers' asset allocation strategies and risk management practices, rather than a failure of the new impairment model to function as intended.

Table 4. Classification of Financial Assets under IAS 39 and IFRS 9

Variable	N	Mean	Median	S.D.	Mean	Median	S.D.	Mean_diff	Median_diff
		Pre-IFRS 9/17			Post-IFRS 9/17				
Financial assets held at AC	83	0.123	0.069	0.155	0.077	0.037	0.105	-0.047 ***	-0.033 ***
Financial assets held at FVOCI	83	0.556	0.675	0.355	0.427	0.569	0.352	-0.129 ***	-0.105 ***
Debt instruments	38	0.569	0.634	0.262	0.441	0.569	0.319	-0.128 ***	-0.065 **
Equity instruments	36	0.099	0.037	0.157	0.046	0.007	0.106	-0.053 **	-0.031 ***
Investment funds	14	0.091	0.072	0.070	0.009	0.000	0.031	-0.082 ***	-0.072 ***
Financial assets held at FVTPL	83	0.321	0.194	0.361	0.496	0.342	0.353	0.176 ***	0.148 ***
Debt instruments	41	0.185	0.051	0.269	0.362	0.305	0.308	0.177 ***	0.254 ***
Equity instruments	39	0.079	0.013	0.131	0.124	0.060	0.163	0.045 ***	0.047 ***
Investment funds	19	0.132	0.083	0.152	0.182	0.114	0.148	0.049 ***	0.031 ***
Expected credit losses	17	-0.064	-0.001	0.242	-0.064	-0.001	0.242	0.000	0.000

Note: *,**and***indicate significance level at 0.10, 0.05 and 0.01 levels, respectively

4.2 Differences between lock-in and lock-free approaches (H2)

Table 5 presents the mean, median, and standard deviation of key items for the lock-in approach group before and after the adoption of IFRS 9 and IFRS 17, while Table 6 presents the corresponding statistics for the lock-free approach group. For insurers in the lock-in group, the adoption of IFRS 9 and IFRS 17 is associated with a statistically significant increase in total equity and AOCI. By contrast, for insurers in the lock-free group, neither total equity nor AOCI shows statistically significant changes.

Figure 3 illustrates the distribution of percentage changes in insurance liabilities upon transition from IFRS 4 to IFRS 17. For the lock-free group, the distribution is

tightly concentrated around zero, whereas for the lock-in group, the distribution is shifted further into negative territory.

Table 5. Lock-in approach group

Key Balance Sheet Items

Variable	N	Mean	Median	S.D.	Mean	Median	S.D.	Mean_diff	Median_diff
		Pre-IFRS 9/17			Post-IFRS 9/17				
Total assets	64	0.966	0.943	0.248	0.893	0.870	0.254	-0.073 ***	-0.073 ***
Total insurance assets	64	0.103	0.046	0.155	0.064	0.027	0.112	-0.039 ***	-0.019 ***
Insurance assets	50	0.038	0.019	0.046	0.008	0.000	0.022	-0.030 ***	-0.019 ***
Reinsurance assets	63	0.075	0.023	0.142	0.059	0.025	0.110	-0.016 **	0.002 ***
Intangibles	59	0.037	0.025	0.050	0.023	0.010	0.049	-0.014 ***	-0.015 ***
DAC	28	0.020	0.015	0.017	0.000	0.000	0.000	-0.020 ***	-0.015 ***
Financial assets	64	0.650	0.658	0.260	0.648	0.668	0.270	-0.003	0.009
Total liabilities	64	0.835	0.826	0.262	0.738	0.744	0.272	-0.097 ***	-0.082 ***
Total insurance liabilities	64	0.699	0.694	0.276	0.611	0.613	0.270	-0.088 ***	-0.081 ***
Insurance liabilities	64	0.608	0.617	0.264	0.560	0.566	0.229	-0.048 **	-0.051 ***
Reinsurance liabilities	43	0.026	0.002	0.112	0.004	0.001	0.014	-0.022	-0.001 **
Investment liabilities	29	0.164	0.142	0.141	0.106	0.040	0.144	-0.057 ***	-0.102 ***
Total equity	64	0.157	0.100	0.178	0.172	0.115	0.171	0.016 ***	0.015 ***
Retained earnings	64	0.065	0.039	0.092	0.059	0.038	0.105	-0.006	-0.001
AOCI	60	-0.012	-0.014	0.045	0.000	-0.004	0.040	0.012 ***	0.009 ***

Key Income Statement Items

Variable	N	Mean	Median	S.D.	Mean	Median	S.D.	Mean_diff	Median_diff
		Pre-IFRS 9/17			Post-IFRS 9/17				
Net income	64	0.016	0.011	0.021	0.015	0.009	0.020	-0.001	-0.002
OCI	64	-0.052	-0.032	0.139	-0.012	-0.007	0.019	0.040 **	0.025 ***

Note: *,**and***indicate significance level at 0.10, 0.05 and 0.01 levels, respectively

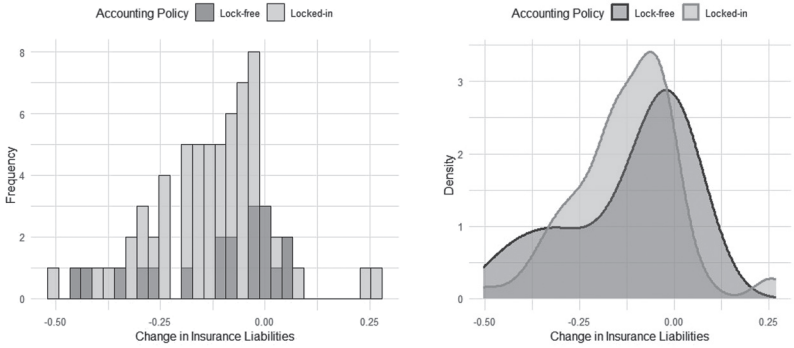

Figure 3. Change in Insurance Liabilities

These results support H2 and indicate that transition effects are more pronounced for insurers previously applying lock-in approaches.

4.3 Insurance liability measurement models and financial asset classification (H3)

The study examines the association between insurers' choices of insurance liability measurement models under IFRS 17 and the classification of financial assets under IFRS 9. Figures 4 through 6 present scatter plots relating the proportion of contracts not measured under the PAA to the proportions of financial assets classified at amortized cost, FVOCI, and FVTPL, respectively. Separate regression lines are shown for insurers previously applying lock-in and lock-free approaches.

Table 6. Lock-free approach group

Key Balance Sheet Items

Variable	N	Mean	Median	S.D.	Mean	Median	S.D.	Mean_diff	Median_diff
		Pre-IFRS 9/17			Post-IFRS 9/17				
Total assets	19	0.946	0.904	0.149	0.860	0.837	0.189	-0.086 **	-0.067 **
Total insurance assets	19	0.165	0.049	0.186	0.074	0.028	0.083	-0.090 ***	-0.021 ***
Insurance assets	13	0.058	0.021	0.060	0.005	0.001	0.013	-0.052 **	-0.020 **
Reinsurance assets	19	0.125	0.049	0.147	0.071	0.028	0.082	-0.054 **	-0.021 ***
Intangibles	19	0.053	0.040	0.070	0.033	0.010	0.072	-0.020 ***	-0.030 ***
DAC	16	0.022	0.022	0.017	0.000	0.000	0.000	-0.022 ***	-0.022 ***
Financial assets	19	0.636	0.689	0.190	0.624	0.652	0.191	-0.012	-0.037
Total liabilities	19	0.844	0.844	0.137	0.718	0.720	0.182	-0.126 ***	-0.124 ***
Total insurance liabilities	19	0.706	0.657	0.144	0.622	0.643	0.170	-0.084 ***	-0.014 ***
Insurance liabilities	19	0.574	0.609	0.184	0.469	0.426	0.164	-0.105 ***	-0.183 **
Reinsurance liabilities	16	0.011	0.000	0.019	0.004	0.001	0.009	-0.007 *	0.001
Investment liabilities	12	0.194	0.058	0.233	0.236	0.189	0.230	0.042	0.131
Total equity	19	0.146	0.086	0.139	0.142	0.084	0.143	-0.004	-0.002 *
Retained earnings	19	0.077	0.033	0.113	0.069	0.030	0.110	-0.008 *	-0.002 *
AOCI	19	0.001	0.000	0.025	0.002	0.000	0.026	0.001	0.000

Key Income Statement Items

Variable	N	Mean	Median	S.D.	Mean	Median	S.D.	Mean_diff	Median_diff
		Pre-IFRS 9/17			Post-IFRS 9/17				
Net income	19	0.004	0.004	0.010	0.002	0.002	0.016	-0.002	-0.002
OCI	19	-0.012	-0.005	0.016	-0.005	-0.001	0.010	0.007 ***	0.004 ***

Note: *,**and***indicate significance level at 0.10, 0.05 and 0.01 levels, respectively

Figure 4 shows that insurers generally hold a relatively small proportion of financial assets measured at amortized cost, and that there is no strong overall association with insurance liability measurement models. However, within the lock-free group, a statistically significant negative association is observed between the proportion of contracts not measured under the PAA and the proportion of assets measured at amortized cost (coefficient −0.0892, p-value = 0.0237). This finding suggests that insurers with a greater reliance on lock-free liability measurement models tend to hold fewer assets measured at amortized cost.

Figure 5 shows no pronounced relationship between insurance liability measurement models and the proportion of assets classified as FVOCI. Insurers in the lock-in group tend to hold a higher proportion of FVOCI assets, whereas those in the lock-free group hold fewer. However, this pattern appears largely independent of the specific liability measurement model applied. Figure 6 shows no pronounced relationship between insurance liability measurement models and the proportion of FVTPL assets.

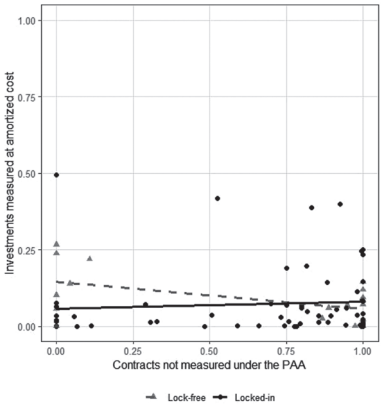

Figure 4. AC category

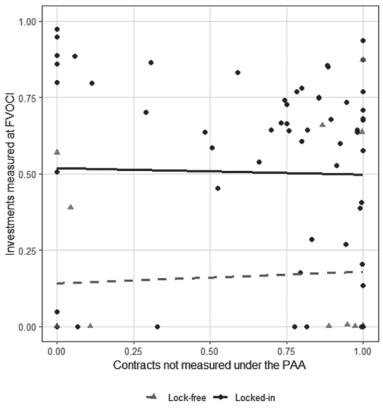

Figure 5. FVOCI category

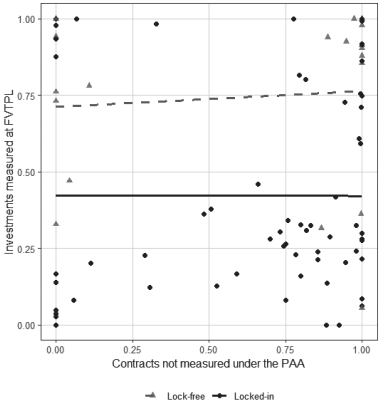

Figure 6. FVTPL category

These results suggest that asset allocation strategies differ between life and non-life insurers. Non-life insurers primarily issue short-duration contracts (i.e., a higher proportion of contracts measured under the PAA), for which discounting effects are less material. Their asset management strategies are therefore more short-term and liquidity-oriented, making them less averse to holding assets classified at FVTPL. By contrast, life insurers predominantly issue long-duration contracts (i.e., a higher proportion of non-PAA contracts), for which discounting effects are more important. However, when asset and liability measurement bases are aligned—either at FVTPL or FVOCI—valuation changes on the asset and liability sides can offset each other, thereby mitigating volatility in earnings and equity.

5. Conclusion and implications

This study provides early large-sample evidence on the financial reporting effects of the joint adoption of IFRS 9 and IFRS 17 in the insurance sector. The results show that, in periods of rising interest rates, the transition is associated

with a significant reduction in reported insurance liabilities and a corresponding increase in equity, with valuation effects affecting OCI rather than net income. These findings indicate that IFRS 17 separates the economic value measurement of insurance liabilities from performance measurement.

The study further demonstrates that the magnitude of the transition effects depends on insurers' prior accounting practices. Insurers that previously applied lock-in approaches experience more pronounced changes than those that previously applied lock-free approaches, underscoring the importance of pre-existing accounting regimes in shaping the effects of major accounting changes.

Finally, the analysis provides limited evidence of an association between insurers' IFRS 17 liability measurement choices and their IFRS 9 financial asset classification decisions. The observed patterns are consistent with insurers seeking to align asset and liability measurement bases to mitigate volatility in profit or loss and equity.

Taken together, these findings contribute to the literature on accounting change and insurance accounting and offer policy-relevant insights for standard setters and regulators in jurisdictions considering the adoption of accounting standards aligned with IFRS 17, including Japan.

While the findings are informative, several limitations point to directions for future research. First, the analysis focuses on the transition year and thus captures immediate adoption-related effects; whether these effects persist, attenuate, or reverse in subsequent years remains an open question. Second, some disclosure-based variables were manually extracted from annual reports, which may introduce measurement noise; future work could expand automated extraction and implement more rigorous validation procedures. Third, because the sample spans multiple jurisdictions, cross-country institutional differences—such as business models, supervisory regimes, and market conditions—may interact with the accounting

changes; richer modeling of such heterogeneity would help identify these channels. Finally, beyond accounting outcomes at transition, future research could examine capital market reactions, insurers' capital management responses, and interactions with interest-rate regimes and hedging strategies to better understand the broader economic consequences of IFRS 17/9 adoption.

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