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The impact of the application of IFRS 17 ‘Insurance Contracts’ on the financial statements of insurance companies – scientific and applied aspects

ABSTRACT

on a doctoral thesis for the award of the academic and scientific degree of ‘Doctor’ in
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The thesis has been reviewed and scheduled for defence by the Department of Accounting and Auditing at the University of Insurance and Finance (UIF).

The thesis comprises: an introduction, a main body divided into three chapters, a conclusion, a list of references and information sources, a list of graphs, tables and figures, and appendices. The main text comprises 200 pages. It includes 9 graphs, 47 tables and 4 figures. The literature used comprises: 21 sources in Bulgarian and 127 in English. The author has personally translated the foreign-language sources. A total of 148 sources are cited.

The defence of the thesis will take place on 2026 at o'clock in Room at the University of Insurance and Finance, at a public session of the Academic Jury appointed by Order of the Rector of the University of Insurance and Finance.

The materials relating to the defence are available to interested parties in the Doctoral Programs And Academic Development Center of UIF.

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1. General description of the thesis

1.1. Relevance and significance of the research

The introduction of **International Financial Reporting Standard 17 ‘Insurance Contracts’ (IFRS 17)** represents one of the most significant events in the history of accounting for the insurance industry. The new standard, which replaced IFRS 4, aims to ensure far greater transparency and comparability of the financial statements of insurance companies worldwide. At the time this study was launched, and following its entry into force, the implementation of IFRS 17 continues to be an extremely topical and dynamic issue, one that profoundly affects not only accounting practice but also insurers’ business models, information systems and strategic planning.

The primary relevance of this study stems from **the fundamental nature of the changes** imposed by IFRS 17. Unlike the previous standard, which allowed for a wide variety of accounting policies, IFRS 17 introduces a uniform and consistent model for the accounting treatment of insurance contracts. The new framework includes comprehensive requirements for the measurement of insurance contract liabilities, the recognition of revenue and expenses, and the disclosure of information. This transformation requires insurance companies not merely to change their accounting systems, but to undertake a comprehensive reassessment of their operational processes, management decisions and communication with stakeholders.

The relevance of this topic is further determined and reinforced by the fact that IFRS 17 requires significant changes not only to accounting systems and processes, but also to the business models, product portfolios and risk management of insurance companies. Stakeholders – investors, regulators, analysts and even the insurers themselves – need clarity regarding the impact of the new standard on the comparability and interpretation of financial information. The growing volume of complex requirements and the need for adequate preparation for the implementation of the Standard highlight the importance of in-depth academic research. This thesis provides valuable data and analyses that will assist all market participants in adapting to the new accounting reality.

The implementation of IFRS 17 involves significant **practical challenges**. These include the need for substantial investment in new software solutions, the refinement of actuarial valuation models, the collection and analysis of detailed data on future cash flows, as well as the training and development of specialist staff. These challenges are particularly acute for insurance companies, as successfully overcoming them is key to the correct and effective application of the standard. Research into the practical aspects is essential for identifying best practices and potential risks.

From a theoretical perspective, this study could contribute to the development of accounting theory by offering a systematic overview of the historical development of accounting in the insurance sector. The thesis also has significant *practical relevance*. The study of the impact of the implementation of IFRS 17 provides specific conclusions and recommendations for insurance companies, regulatory bodies and auditors in Bulgaria. This work will support the more effective implementation of the Standard, facilitate financial analysis processes and contribute to increasing transparency and confidence in the insurance sector. In the context of a constantly evolving financial market, such studies are essential for ensuring stability and adequate risk management.

1.2. Object and subject of the study

The object of this study is the financial statements of insurance companies, with a focus on the changes occurring in them as a result of the introduction and application of International Financial Reporting Standard 17 ‘Insurance Contracts’ (IFRS 17). The scope is examined through an analysis of the impact on: key accounting indicators, the structure of the financial statements, and the principles of recognition, measurement and disclosure of insurance contracts.

The subject of the study is the impact of the application of IFRS 17 ‘Insurance Contracts’ on the accounting treatment and presentation of information in the financial statements of insurance companies.

1.3. Research thesis

The research thesis put forward by this study is that the application of IFRS 17 ‘Insurance Contracts’ leads to significant and qualitative changes in the financial statements of insurance companies, changes the principles of recognition, measurement and disclosure of insurance contracts, which, in turn, improves the transparency and comparability of information, but at the same time creates new challenges for accounting practice and the analysis of financial results.

The thesis emphasises the dual nature of the impact of IFRS 17 – on the one hand, it improves the quality of information through a more realistic presentation of insurance contracts. On the other hand, it necessitates significant changes and adaptations to accounting systems and analytical approaches. The thesis aims to demonstrate that these changes are not merely technical, but have a profound impact on the way in which stakeholders perceive and use insurers’ financial information.

1.4. Aim and objectives of the study

The main objective of this thesis is to examine the effects of the implementation of IFRS 17 ‘Insurance Contracts’ on the financial statements of insurance companies and to formulate recommendations for adapting the analysis of insurance companies’ financial statements to the new requirements of the Standard. The study analyses both the theoretical aspects of the Standard and its practical impact on key financial indicators, accounting policies and the transparency of information, thereby contributing to a better understanding of the consequences of this far-reaching accounting reform for the insurance sector.

To achieve this objective, the thesis sets out **the following tasks**:

- To conduct a theoretical review and analysis of the nature and fundamental principles of IFRS 17 ‘Insurance Contracts’, focusing on the new approaches to the recognition, measurement and disclosure of insurance contracts compared with the previous standard (IFRS 4).
- To identify and analyse the key changes that IFRS 17 introduces to the preparation of the components of insurance companies’ financial statements, specifically with regard to insurance liabilities, insurance income and expenses.
- To examine and assess the impact of IFRS 17 on key financial indicators and ratios (e.g. profitability, capital adequacy, liquidity) used to analyse and evaluate the financial position and performance of insurers.

- To examine the challenges and opportunities facing insurance companies in Bulgaria (or in a selected region/country) when implementing IFRS 17, including the need for changes to information systems, processes and internal controls.
- To develop a methodology or model for assessing the impact of the implementation of IFRS 17 on specific elements of the financial statements, which can be applied to real data from insurance companies.
- To formulate conclusions and recommendations for improving the understanding and application of IFRS 17, as well as for adapting the analysis of insurance companies' financial statements to the new requirements of the Standard.

1.5. Limitations on the scope of the study

IFRS 17 'Insurance Contracts' does not come into force until the start of 2023, which means that practical experience with its application is still limited, and its implications for the financial statements and analysis of insurance companies have yet to be examined in depth. In this context, this study is highly relevant, as it will contribute to an understanding of the actual impact of IFRS 17 on the accounting presentation of insurance contracts and its effect on key financial indicators, upon which the assessment of insurers' stability and efficiency depends.

The findings of the study conducted in this thesis are based on a specific sample of respondents and may not be universally applicable to all insurance markets or companies of different sizes. Future research could include larger samples, a more detailed analysis by company size or by type of insurance contracts, as well as qualitative studies to provide greater detail on the reasons behind certain perceptions.

1.6. Research methodology

To achieve the objectives and substantiate the main thesis of the dissertation, the following scientific methods are applied:

- Theoretical analysis and synthesis: Used to review and summarise the existing specialist literature, regulatory acts and academic publications concerning: IFRS 17, the accounting of insurance companies and the analysis of financial statements. This method enables the construction of a robust theoretical framework.
- Comparative analysis: This is applied to compare the requirements of IFRS 17 with those of the previous standard (IFRS 4) and with other applicable accounting regulations. Different approaches to the application of IFRS 17 by insurance companies are also compared.
- Induction and deduction: General patterns and principles are derived from specific observations (induction), and general principles are applied to specific cases (deduction) when analysing the impact of the Standard.
- Systemic approach: The insurance company is viewed as a system in which the application of IFRS 17 affects various interrelated components – accounting policies, information systems and financial indicators.

- Statistical methods: These are used to process and analyse quantitative data from the financial statements of insurance companies in order to identify trends, correlations and significant differences before and after the implementation of IFRS 17, including descriptive statistics, time-series analysis and regression analysis.
- Case study: An examination of specific insurance companies and their experience in the introduction and implementation of IFRS 17. This method allows for an in-depth analysis of real-world challenges and solutions.
- Surveys: Conducting interviews or surveys with accountants, auditors, financial analysts and other experts from the insurance sector who have direct experience of applying IFRS 17. This qualitative method provides insights into the practical impact of the Standard.

The selection and combination of the methods outlined above ensure a comprehensive and in-depth analysis of the issues under consideration.

2. Structure and content of the thesis

The thesis consists of an introduction, three chapters, a conclusion, a list of references and appendices. The main text of the thesis is 200 pages long. The structure of the research is determined by the subject, object, aims and objectives of the thesis.

In terms of content, the thesis is structured as follows:

INTRODUCTION

CHAPTER ONE. Historical development and theoretical aspects of insurance companies' financial reporting

1.1. Historical development of financial reporting and standardisation in insurers' accounting

1.2. An overview of IFRS 17 Insurance Contracts

1.3. Valuation models in IFRS 17 and their specific components

1.4. Comparison: IFRS 4 versus IFRS 17

CHAPTER TWO. Analysis of the effects on the financial statements of insurance companies

2.1. Nature and impact on key financial indicators in insurers' operations

2.2. Presentation and disclosure requirements

2.3. Impact on financial reporting and communication with investors

2.4. Challenges in applying the standard

2.5. Global and European experience in the field of implementation

CHAPTER THREE. Guidelines for improving insurers' financial reporting. An empirical analysis of the results of the Standard's implementation

3.1. Research methodology

3.2. Approach and objectives of the analysis of insurance companies' financial statements

3.3. Quantitative analysis

3.4. Survey of insurance experts

3.5. Conclusions and recommendations for improving financial reporting by companies in the insurance sector

3.6. Limitations of the study

CONCLUSION

LIST OF REFERENCES USED IN THE DISSERTATION

LIST OF CHARTS, TABLES AND FIGURES

APPENDIX:

Appendix A: Research questionnaire

Appendix B: List of Bulgarian insurance companies analysed

Appendix C: Detailed tables of financial data

3. Summary of the doctoral thesis

3.1. Introduction

The introduction to the thesis sets out the relevance and significance of the research topic. It defines the scope and subject of the study, formulates its main objective and the tasks arising from it. The research thesis is presented, on the basis of which the relevant hypotheses are derived. The research methods employed to achieve the set tasks are described. The scope and limitations of the study are also summarised. These characteristics of the research are described in detail in section 1 of this Abstract.

3.2. Chapter One

3.2.1. Historical Development of Financial Reporting and Standardisation in Insurance Accounting

Chapter One of the study provides a comprehensive overview of the historical development of accounting in the insurance industry, from the earliest forms of risk management to the complex international standards applied today. It traces the key stages that have shaped modern accounting practices, emphasising the need for **transparency, comparability and reliability of financial information**. This historical analysis serves as a conceptual foundation for understanding current regulatory requirements and challenges, demonstrating how the specific characteristics of the insurance business – **a long-term horizon, a high degree of uncertainty and product complexity** – have influenced accounting theory.

The concept of insurance dates back to **around 1750 BC** with the Code of Hammurabi, which contains provisions for managing risks associated with maritime trade. ‘Bottom contracts’ were an early form of insurance, whereby the loan was not repaid if the ship was lost, with the interest on the loan serving as the insurance premium. During the Middle Ages, guilds and ‘mutual aid societies’ developed as forms of mutual support, where members contributed to a common fund to cover risks such as illness or death. Accounting in the early period was **primitive**, limited to simple records of contributions collected and sums paid out, without the application of standardised accounting principles.

In the 17th century, following the Great Fire of London (1666), **the modern era of insurance** began with the establishment of companies such as the Fire Office. The creation of **Lloyd’s of London** and the first joint-stock companies formalised the process of risk-taking. In the 19th century, with the Industrial Revolution, the need to protect businesses and workers increased, leading to the development of national accounting practices and solvency legislation. **Local** generally accepted accounting principles have led to significant differences in financial reporting between countries, which hinders effective regulatory oversight and investment decisions at a global level. In Bulgaria, for example, the first insurance company, ‘**Bulgaria**’, was founded in 1891, and the first regulations were introduced by the Law on State Control over Private Enterprises, which demonstrates early attempts at standardisation.

Towards the end of the 20th century, with the expansion of global financial markets, **the need for harmonisation** of financial reporting became pressing. This historical development is particularly important for the insurance industry, where companies operate across multiple markets and require comparable financial statements. In response, the International Accounting

Standards Committee (IASC), the predecessor of the International Accounting Standards Board (IASB), began work on creating a single framework.

In 2004, the IASB issued **IFRS 4 ‘Insurance Contracts’** as an interim standard. IFRS 4 was designed to provide a transitional period, allowing insurers to continue using their existing accounting practices whilst introducing certain enhanced disclosures. The standard aims to provide greater transparency by requiring tests of the adequacy of insurance liabilities and prohibiting certain practices, such as the creation of ‘catastrophe’ reserves. Despite these improvements, IFRS 4 has been widely criticised because its **permissive nature** perpetuates significant differences in accounting treatment. With its implementation, comparing the financial statements of insurance companies from different countries remains **extremely difficult**, which hinders analysts and investors from making informed decisions.

The shortcomings of IFRS 4 provide a strong incentive for the development of a **new, comprehensive and principles-based accounting standard** for the insurance industry. The IFRS 17 project began as far back as 1997, making it **one of the IASB’s longest-running and most complex projects**. The lengthy development process is due to the exceptional complexity of insurance products, the diversity of business models and the need to reach consensus with a wide range of stakeholders.

The development of the standard went through numerous stages of consultation, with the IASB publishing discussion papers and exposure drafts to gather feedback from insurers, auditors, regulators and users of financial information. A key moment in the process was **the divergence from the US approach**, where the Financial Accounting Standards Board (FASB) decided to develop its own standard (LDTI) rather than adopt IFRS 17. The remaining differences in practice highlight the challenge of achieving true **global harmonisation**.

The introduction of IFRS 17 has been accompanied by **practical challenges and delays** to the effective date. Originally planned for 2021, the standard has been postponed twice, with the final effective date set for **1 January 2023**. The postponements are due to the need for insurance companies to have more time to adapt their **information systems, processes and internal controls** to meet the new requirements.

3.2.2. Overview of IFRS 17 ‘Insurance Contracts’

IFRS 17 introduces **fundamental changes** to the way insurance contracts are accounted for, replacing the diverse practices permitted under IFRS 4 with a single framework. The main objective of the standard is to ensure that insurance contracts are measured in a way that reflects **the economic reality** of their cash flows.

A key element of IFRS 17 is **the General Measurement Model (GMM)**, which measures insurance liabilities on the basis of:

- **Fulfilment Cash Flows (FCF)**: these represent an estimate of the present value of future cash flows, including discounting and **risk adjustment (RA)**. FCF reflects a probability-weighted estimate of the expected future cash flows associated with the fulfilment of insurance contracts.

Fulfilment cash flows (FCF): This component is key to the valuation of insurance contracts in accordance with IFRS 17 and includes:

- objective, current, explicit and probability-weighted estimates of future cash flows, comprising both inflows (such as premiums expected to be received) and outflows (such as claims, benefits and expenses);
 - an adjustment reflecting the time value of money (TVM) and financial risks, achieved by discounting future cash flows to their present value;
 - a risk adjustment (RA) for non-financial risk, which explicitly quantifies the compensation the undertaking requires for assuming the uncertainty associated with the amount and timing of future cash flows.
- **Contractual Service Margin (CSM):** This represents **the unearned profit** that the insurer expects to receive from providing services under its insurance contracts. CSM is amortised over the period of service provision and recognised in the profit or loss account, thereby eliminating the so-called ‘first-day profit’.

The Contractual Service Margin (CSM) is a component of the asset or liability for a group of insurance contracts, representing the unearned profit that the entity will recognise as it provides services under the insurance contract in the future. The amount will not be recognised initially in the profit or loss account, but will be released gradually over the term of the contract so that the expected profits are spread out appropriately, rather than being recognised in full at the time the insurance contract is concluded. The concept has two elements – CSM on initial recognition of insurance contracts and CSM on subsequent measurement, i.e. at any point in time when the entity analyses and compares the projected cash flows for the group of contracts with the actual cash flows.

Compared with the actuarially calculated CSM used in practice, the CSM is the most significant element introduced by IFRS 17. As there is no similar concept in IFRS 4, calculating it poses a challenge during the initial application of the Standard. The CSM is defined in paragraph 43 of IFRS 17 as ‘the profit within the group of insurance contracts that has not yet been recognised in profit or loss, as it relates to future service to be provided under the contracts in the group’, i.e. they represent unearned profit expected upon initial recognition, following the calculation of FCF, but which does not need to be recognised immediately.

3.2.3. Valuation models in IFRS 17 and their specific components

IFRS 17 introduces three different valuation models designed to address the diverse nature of insurance contracts: the General Measurement Model (GMM), the Premium Allocation Approach (PAA) and the Variable Fee Approach (VFA).

The standard also introduces **stricter presentation and disclosure requirements**. Insurance companies must provide more detailed information on their insurance liabilities, income and expenses, enabling users of financial information to better understand the company’s risk profile and profitability.

A key aspect of GMM is the treatment of onerous contracts. A group of insurance contracts is classified as onerous if the sum of its FCF, all previously recognised cash flows relating to the acquisition and all cash flows arising from the contract on initial recognition results in a net outflow. For such contracts, a loss is recognised immediately in profit or loss for the period upon initial recognition, and the CSM for that group is set to zero. The immediate recognition of expected losses is a significant departure from previous accounting practices under IFRS 4.

The Premium Allocation Approach (PAA) is an optional, simplified valuation model applicable primarily to short-term insurance contracts, typically those with a coverage period of one year or less. It may also be applied to contracts with a longer coverage period if the entity can reasonably expect that the measurement under the PAA will not differ materially from the measurement made under the GMM. The model is typically used for many general insurance contracts.

Under the PAA, the liability for remaining cover is measured on the basis of premiums received, which is conceptually similar to the approach to reserving unearned premiums used by many insurers under IFRS 4 (accounting for premium carry-forward reserves). It is important to note, however, that claims incurred under the PAA are still valued using the principles of the GMM, which involves the use of best estimates of liabilities, discounting (if claims are expected to be settled over a period longer than one year) and an explicit risk adjustment for non-financial risks incurred. The main benefits of adopting the PAA are operational simplification and a reduction in the overall reporting burden for contracts within its scope.

The strategic choice of valuation models under IFRS 17 introduces a level of complexity that may significantly affect reported financial results, despite the Standard's primary objective of improving comparability. IFRS 17 aims for global consistency; the availability of optional models such as the PAA, alongside the mandatory GMM and VFA, means that insurers must make critical accounting policy choices and exercise significant judgement in their application.

The Variable Fee Approach (VFA) is a mandatory valuation model that applies specifically to insurance contracts that possess 'direct participation features'. These are contracts where the contractual terms stipulate that the policyholder participates in a share of a clearly defined pool of underlying assets (which may be a reference portfolio of assets, the entity's net assets or a specific sub-group thereof) and a significant portion of all changes in the amounts payable to the policyholder is expected to vary in line with the fair value of the underlying assets.¹ The model is used for products such as unit-linked contracts, variable annuities typical of the US insurance market, and contracts linked to equity indices.

The basic principle of the VFA is that the value of the liability for such contracts is regarded as the sum of two components: the fair value of the 'underlying positions' and the value of the undertaking's share in the underlying positions, which is referred to as the 'variable fee'. The variable fee represents the insurer's remuneration for providing investment services to the policyholder.

3.2.4. Comparison between IFRS 4 and IFRS 17

Both IFRS 4 and IFRS 17 share the same basic definition of an insurance contract. It is defined as 'a contract under which one party (the issuer) assumes significant insurance risk from another party (the policyholder), agreeing to compensate the policyholder if a specified uncertain future event (the insured event) has an adverse effect on the policyholder'. IFRS 17 retains this definition, incorporating only minor changes to the accompanying guidance, which

¹ Chng, T. P., Cheung, S., & Anson, Y. (March 2018). IFRS 17 Variable Fee. Retrieved from the Society of Actuaries: <https://www.soa.org/globalassets/assets/library/newsletters/financial-reporter/2018/march/fr-2018-iss112-chng-cheung-yu.pdf>

are not expected to alter the definition itself substantially.² The consistency in the content of the concept of an ‘insurance contract’ between the two standards indicates that the fundamental understanding of its nature remains unchanged. This suggests that the issues which IFRS 17 aims to resolve are not related to definitions and terminology, but rather concern the accounting treatment of contracts, in particular their measurement, recognition and presentation.³ The continuity of definitions simplifies the transition process, as provides a consistent basis for determining which contracts fall within the scope of the new standard, given that the fundamental nature of the insurance business remains unchanged.

A comparison of the two standards clearly illustrates the scale of the change brought about by IFRS 17:

- **Revenue recognition:** Under IFRS 4, some insurers were able to recognise a profit as early as the date of sale of the policy. IFRS 17 requires the profit (CSM) to be **deferred over the period during which the service is provided**, which provides a more realistic picture of financial performance.

IFRS 17 fundamentally changes the approach to revenue recognition for insurance companies, which is deferred through contract service margin (CSM) based on the coverage period during which the entity provides the insurance services. This approach brings insurance accounting into line with the revenue recognition principles applied in other sectors, where revenue is recognised upon the delivery of goods or the provision of services (the provisions of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases).⁴

CSM plays a central role in the new framework, representing the unearned profit that the entity expects to receive from its insurance contracts. CSM is adjusted for changes in future cash flows arising from performance. The transition to service-based profit recognition via CSM, combined with the explicit requirement for immediate recognition of losses on onerous contracts, fundamentally changes the timing and visibility of an insurer’s profitability. This eliminates the problem of ‘day-one’ profits and enforces a more realistic and timely recognition of financial results.⁵ The granular level of aggregation, particularly the requirement for an annual cohort, ensures that trends in profitability are reported more dynamically, preventing results from being obscured within large, continuously open portfolios. This provides investors and analysts with a significantly better understanding of the underlying profitability and risk profile of the insurer’s new and existing business.⁶

- **Measurement:** IFRS 4 permitted the use of various models, including those based on historical data. IFRS 17 requires the use of **present value**, taking into account future cash flows, discounting and risk adjustments.

² Puławska, K., & Strzelczyk, W. (4 March 2025). IFRS 17 implementation: market participants’ perspective. Retrieved from Emerald Publishing: <https://www.emerald.com/insight/content/doi/10.1108/cemj-08-2023-0330/full/pdf?title=ifrs-17-implementation-market-participants-perspective>

³ Adekoya, O., Ojinmah, U., & Abanum, O. (2017). IFRS 17 Insurance Contracts. Retrieved from PwC: <https://www.pwc.com/ng/en/assets/pdf/ifrs-17-newsletter.pdf>

⁴ Ibid.

⁵ Mahutova, S. (2024). IFRS 17 Example: Initial Measurement of Insurance Contracts. Retrieved from CPDbox: <https://www.cpdbox.com/ifrs-17-example-initial-measurement-insurance-contracts/>

⁶ IFRS Foundation. (February 2022). Profit recognition for annuity contracts (IFRS 17). Retrieved from IFRS Foundation: <https://www.ifrs.org/content/dam/ifrs/meetings/2022/february/ifric/ap04-profit-recognition-for-annuity-contracts-ifrs-17.pdf>

- **Comparability:** IFRS 4 was based on local accounting practices, which made it almost impossible to compare financial statements. IFRS 17 provides **a uniform and consistent framework** that enhances the comparability of financial statements on a global scale.

IFRS 4 allows for a wide variety of practices in the presentation of financial statements, leading to inconsistencies between insurers.⁷ Commonly accepted presentation approaches include separate balance sheet items for unearned premiums, deferred acquisition costs and claims payable. The lack of a standardised framework for presenting information makes it difficult for users to compare the financial statements of different insurers.

The variety of presentation practices under IFRS 4 means that the financial statements of different insurers, even for similar contracts, can look very different. The burden on users to understand and compare financial results is significantly increased, often requiring extensive re-analysis or reliance on measures other than gross premiums written. This inconsistency undermines the fundamental objective of IFRS, which is to promote comparability, making it a key area for the overall reform under IFRS 17.

IFRS 17 introduces a more standardised and transparent approach to the presentation of financial statements for insurance contracts.

- **Disclosures:** IFRS 17 introduces **much more detailed disclosure requirements**, including information on significant judgements and assumptions, which enhances transparency.

3.2.5. Implementation challenges and future prospects

The implementation of IFRS 17 is a **large-scale project** requiring significant investment by insurance companies in **technology, human resources and processes**. The changes affect not only the accounting department but also the actuarial, IT and management functions. For this reason, delays to the effective date are inevitable.

Despite the difficulties, IFRS 17 is a key milestone in the development of accounting. It is not merely an accounting change, but **a strategic tool** that enables insurers to make more informed decisions based on more accurate data. The standard also enhances **investor confidence** by providing them with clear and comparable information.

In conclusion, Chapter One demonstrates how the insurance industry has evolved over centuries to reach a point where the need for uniform international accounting standards is crucial. The transition from IFRS 4 to IFRS 17 represents **a fundamental change** that provides a common financial language and significantly enhances the transparency and comparability of financial statements. This reform is of key importance for the future stability and growth of the insurance industry at a global level.

3.3. Chapter Two

This chapter analyses how the adoption of IFRS 17 fundamentally changes financial reporting and key performance indicators (KPIs) in the insurance sector. Prior to the introduction of the standard, insurers used a variety of metrics, which were often influenced by

⁷ IFRS Foundation. (March 2017). CMAC meeting, March 2017, Agenda paper 7. Retrieved from IFRS Foundation: <https://www.ifrs.org/content/dam/ifrs/meetings/2017/march/cmac/ap7-insurance-contracts.pdf>

local accounting practices and regulatory requirements. The lack of standardisation makes it difficult to compare companies, even within the same jurisdiction. IFRS 17 aims to resolve this issue by changing the way profitability and performance are measured, understood and compared within the sector.

3.3.1. Redefining traditional financial metrics under IFRS 17

The implementation of IFRS 17 fundamentally changes traditional financial metrics, bringing them into line with the new service-based accounting approach.

- **Gross Written Premiums (GWP):** GWP, a traditional measure of business volume, is no longer recognised directly in the profit or loss account. The standard introduces a new line item called 'Insurance revenue'. This revenue is recognised at the time the insurance services are provided during the period of cover, rather than upon receipt of the premium.
- **Loss ratios and expenses:** IFRS 17 introduces significant changes to the calculation of these ratios, mainly due to **the mandatory discounting** of future cash flows relating to claims. This practice may lead to a reduction in the reported ratios, making direct comparison with pre-IFRS 17 data difficult. With regard to costs, the standard requires a more detailed allocation. Acquisition costs, for example, are included in the initial value of the contract service margin (CSM) and recognised as an expense over the period during which the services are provided.
- **Combined Ratio (CR):** The traditional CR formula has been significantly revised. The new definition uses the items specified in IFRS 17 and incorporates the time value of money and the uncertainty of future cash flows. According to an approach proposed by Fitch Ratings, the new CR is calculated as $1 - (\text{insurance service result} / \text{insurance revenue})$.
- **Return on equity (ROE):** ROE changes dramatically due to the profit deferral mechanism introduced by CSM. For many insurers, the transition to IFRS 17 leads to a reduction in reported equity, which may automatically result in a higher reported ROE. The standard may also increase the volatility of reported ROE, as it is based on market-consistent valuations.

3.3.2. New performance indicators introduced by IFRS 17

IFRS 17 introduces several new financial concepts that provide more detailed and forward-looking information on the financial position of insurance companies.

- **Contract Service Margin (CSM):** CSM is a key new profit metric representing the expected future profit from in-force contracts. It tracks expected revenue from existing contracts and provides information on potential profits and the insurer's ability to create value. CSM is not recognised upon initial recognition of the contract, but is amortised over the policy term. The introduction of this measure eliminates the recognition of 'day-one profit'.
- **Segregation of financial results:** IFRS 17 requires a clear segregation of results in the profit or loss statement into two main components:

- **Result from insurance services:** This includes revenue from insurance activities and expenses for insurance services. It reflects the results of risk-taking and provides a more accurate measure of insurance profit.
- **Insurance financial income or expense (IFIE):** This reflects investment results, the effect of the time value of money and changes in financial assumptions. The breakdown of expenses provides a clearer understanding of the individual factors determining the insurer's profitability.
- **Risk Adjustment (RA):** RA is an explicit component that quantifies the compensation an entity requires for assuming non-financial risk. It enhances the transparency of the insurer's risk exposure and can be used as a standalone KPI. Unlike the regulatory risk margin under 'Solvency II', the RA under IFRS 17 is principles-based and allows insurers to choose their own calculation method.

3.3.3. Impact on solvency requirements

Solvency requirements are a key pillar of insurance regulation, designed to ensure the financial stability of insurance companies and to protect policyholders by prescribing adequate capital levels.⁸ These frameworks typically include quantitative capital requirements, robust governance structures and specific disclosure obligations. IFRS 17, which is primarily an accounting standard, has significant implications for the way in which solvency frameworks and reported financial positions interact.

IFRS 17 has had a significant impact on the approaches to calculating solvency and capital requirements in the insurance sector. This impact stems from the fundamental changes that IFRS 17 introduces to the measurement of insurance liabilities and the presentation of financial results, which in turn affect the input data and the interpretation of the prudential solvency frameworks.

The overall consequence of the adoption of IFRS 17 is an increase in reported insurance liabilities and, consequently, a reduction in equity for many insurers.⁹ This outcome is largely due to the transition from implicit prudential margins under IFRS 4 to explicit risk adjustments (RA) and the introduction of the contract service margin (CSM), combined with the use of updated valuation approaches and current discount rates.¹⁰

The interaction between IFRS 17 and existing solvency frameworks, such as Solvency II in Europe and the NAIC's Risk-Based Capital (RBC) framework in the US, reveals both areas of synergy and areas of divergence. For example, both IFRS 17 and Solvency II use a present

⁸ Arocha, C. (November 2021). Top Five Differences Between IFRS 17 and Solvency II. Retrieved from Society of Actuaries: <https://www.soa.org/sections/international/international-newsletter/2021/november/isn-2021-11-arocha/>

⁹ XPS Group. (2024). IFRS 17: What impact does this framework have on the insurance industry? Retrieved from XPS Group: <https://www.xpsgroup.com/news-views/insights-briefings/what-impact-does-ifs-17-have-insurance-industry/>

¹⁰ European Insurance and Occupational Pensions Authority. (15 April 2024). IFRS 17 – Insurance contracts report. Retrieved from European Insurance and Occupational Pensions Authority: https://www.eiopa.europa.eu/document/download/e50ad04f-88a9-4ed4-bd76-c111bbd1f025_en?filename=EIOPA%27s%20Report%20on%20the%20implementation%20of%20IFRS%2017%20-%20Insurance%20contracts.pdf

value approach based on probability-weighted estimates of future cash flows and apply discounting techniques to determine the present value of insurance liabilities.¹¹ The common framework enables potential synergies in data collection, actuarial modelling and IT systems, allowing insurers to use the existing Solvency II infrastructure for the implementation of IFRS 17.

Due to the different objectives of the two frameworks, significant differences remain. Solvency II is primarily focused on the protection of policyholders and capital adequacy, whilst IFRS 17 aims to provide reliable information for general-purpose financial reporting and the measurement of performance.¹² The main differences include:

- *Contractual Service Margin (CSM)*: Solvency II does not recognise the concept of CSM, as it is not intended to measure financial performance or unearned profit. Although CSM is a critical component of liabilities under IFRS 17, it is not directly transformed into capital or technical provisions under Solvency II.
- *Risk Adjustment (RA) versus Risk Margin*: Although both frameworks include a non-financial risk component, the RA under IFRS 17 is principles-based, allowing insurers to choose their own calculation method and confidence level. In contrast, the Solvency II risk margin is regulatory in nature, with its calculation method and the level of capital charges being fixed by legislation. In quantitative terms, the RA under IFRS 17 is often significantly lower for life insurance business and slightly higher for non-life insurance business compared with the Solvency II risk margin.¹³
- *Discount rates*: Solvency II prescribes specific term structures for risk-free interest rates (e.g. the EIOPA risk-free rate via the adopted yield curves), whilst IFRS 17 allows insurers to derive their own discount rates, although many of them still choose to rely on the EIOPA risk-free rate. Discount rates under IFRS 17 may also be higher due to the inclusion of illiquidity adjustments, which are not permitted or prescribed under Solvency II.
- *Level of aggregation*: IFRS 17 requires a more detailed level of aggregation for insurance contracts, involving the division into annual cohorts and separate groups for onerous contracts. Such detailed requirements do not exist under Solvency II, which focuses more generally on homogeneous risk groups and the allocation of policies by line of business.
- *Allocation of costs*: Solvency II includes in its technical provisions all costs incurred in servicing insurance obligations, whilst IFRS 17 includes only those costs that can be directly attributed to the fulfilment of insurance contracts.

¹¹ EFRAG Secretariat: Insurance team. (14 January 2020). IFRS 17 and Solvency II Issues Paper. Retrieved from EFRAG TEG: <https://www.efrag.org/system/files/sites/webpublishing/Meeting%20Documents/1907081355174506/06-02B%20-%20IFRS%2017%20and%20Solvency%20II%20-%20clean%20-%20EFRAG%20Board%2020-01-14.pdf>

¹² European Insurance and Occupational Pensions Authority. (15 April 2024). IFRS 17 – Insurance contracts report. Retrieved from European Insurance and Occupational Pensions Authority: https://www.eiopa.europa.eu/document/download/e50ad04f-88a9-4ed4-bd76-c111bbd1f025_en?filename=EIOPA%27s%20Report%20on%20the%20implementation%20of%20IFRS%2017%20-%20Insurance%20contracts.pdf

¹³ Hannibal, C. (2018). Calculating the IFRS 17 Risk Adjustment. Retrieved from Moody's Analytics: <https://www.moody's.com/web/en/us/insights/resources/whitepaper-calculating-the-ifrs17-risk-adjustment.pdf>

- *Profit recognition*: Solvency II generally recognises profits immediately upon the conclusion of the contract, whilst IFRS 17 defers the recognition of profits through the CSM, spreading them over the entire term of the contract.

3.3.4. Presentation and disclosure requirements

IFRS 17 sets out more detailed requirements for quantitative and qualitative disclosures compared with IFRS 4 and national accounting frameworks. According to an EIOPA study, as at the end of 2018¹⁴, only 537 out of 3,438 EU insurers applied the IFRS framework to their financial statements as at 2018. Unlike many countries in Europe, such as Germany and Austria, which also use national accounting frameworks, in Bulgaria, pursuant to Article 34(2)(3) of the Accounting Act, IFRS has been adopted as the mandatory accounting framework for insurers, reinsurers and insurance holding companies.

Transparency is one of the objectives of IFRS 17. The Standard introduces specific disclosure requirements for groups of insurance contracts in force at the time of its initial application, including requirements to disclose the simplifications adopted by companies where, upon application of the Standard, these affect the values of items in the financial statements prepared in accordance with IFRS.

Many of the familiar ‘lines’ in the profit or loss account and the statement of financial position have been removed from the components of insurers’ financial statements. Insurance reserves, which are common but often difficult to classify, are replaced by various categories of liabilities arising from insurance contracts, whilst liabilities to reinsurers and reinsurance recoverables form part of the liabilities and assets arising from insurance contracts. The standard requires detailed information to be presented in the notes. The approach to presenting and disclosing the results of operations and calculations relating to insurance contracts to some extent mirrors the concepts set out in the requirements of IFRS 15 Revenue from Contracts with Customers.

The effect on insurance revenue, contract service margin (CSM) and the significant judgements applied in determining the measurement on initial application should be disclosed in detail and explained separately both during the period of initial application of the Standard and in subsequent periods, until the insurance contracts entered into by the company prior to the date of initial application of IFRS 17 are derecognised.

IFRS 17 is a principles-based standard, i.e. entities must exercise significant judgement in determining the inputs, assumptions and techniques they use to determine the contract service margin (CSM) at the end of each reporting period. There are several areas within the assessment that are open to interpretation or the choice of accounting policy to be applied by insurance companies. Some of these are of fundamental importance, such as the determination of units of cover or the calculation of the CSM on initial application.

There is a risk that the extent of the necessary assumptions and the scope for choice could lead to significant differences in practices across different companies, which may have an adverse impact on the objective set out in IFRS 17 of greater transparency and comparability

¹⁴ EFRAG Board. (17 March 2020). IFRS 17 and Small Insurers Issues Paper. Retrieved from EFRAG: <https://www.efrag.org/system/files/sites/webpublishing/Meeting%20Documents/1907081359223505/07-04%20IFRS%2017%20and%20Small%20insurers%20TEG%20EFRAG%20Board%2020-03-17.pdf>

of insurers' financial data. To a certain extent, both of these risks can be mitigated by the requirement to disclose material judgements and choices. The volume of disclosures required by IFRS 17 may make such comparisons between companies difficult.

The preparation and processes involved in developing accounting policies in accordance with IFRS 17 are key processes for companies issuing insurance and reinsurance contracts.

Depending on the policies selected and applied upon first-time adoption of the Standard, these may have a significant impact on the companies' equity, own funds and financial results after the date of first-time adoption

IFRS 17 introduces a requirement for full retrospective restatement on initial application, unless this is impracticable. If, due to a lack of sufficient information or other constraints, a full restatement of comparative information is not possible, issuers of insurance contracts may choose between a modified retrospective approach or a fair value approach (FVA) for a group of insurance contracts. Where both approaches are available for restating prior periods for which a full restatement is not possible, IFRS 17 allows an entity to choose the restatement approach without restriction.

The full retrospective approach requires entities to recognise and measure each group and cohort of insurance contracts in force at the transition date as if IFRS 17 had always been applied. For insurance products with long coverage periods, this requires a significant amount of data, estimates and calculations. The issuer of the insurance contract must go back to the start of the contract and model the CSM from the contract start date to the transition date.

Modifications to the information used should only be applied if no reasonable and supported information is available that the company can obtain without undue cost or effort. The standard allows for practical simplifications when determining the CSM for insurance contracts (including simplifications regarding future cash flows, discount rates and risk adjustments), as well as for determining revenue or expenses.

An entity may choose to use the fair value approach (FVA) if the full retrospective approach is impracticable. In that case, it must use the fair value approach if there is no reasonable and supporting information available to apply the modified retrospective approach. Using the fair value approach, the CSM is defined as the difference between the fair value of a group of insurance contracts and its fulfilment cash flows (FCF) at the transition date.

IFRS 17 requires all insurance assets and liabilities relating to a group of insurance contracts – such as claims liabilities, insurance premium receivables, etc. – to be presented on a net basis in a single line item on the balance sheet, unless the components of the insurance contract are separated. IFRS 17 requires issued groups of insurance contracts to be presented and disclosed in the Statement of Financial Position separately from groups of reinsurance contracts held (passive reinsurance contracts).

Determining the level of aggregation requires significant judgement. There are two key terms: 'portfolio' and 'group' of insurance contracts. Portfolios comprise *insurance contracts with similar risks that are managed together*. The standard does not provide an explicit definition of 'similar risks', but it is generally expected that contracts within the same product line will have similar risks (property insurance, accident insurance, motor third-party liability, general liability, etc.). The requirement under IFRS 17 is similar to the rules in IFRS 9, under which companies assess default and significant increases in credit risk based on their own risk management policies.

IFRS 17 continues the trend set by IFRS 9, IFRS 15 and IFRS 16 of introducing complex mathematical models and making significant accounting assumptions in its application. The revised approach has a significant impact on insurers' revenue, which reflects the consideration received in exchange for services rendered on the basis of earned premiums. Revenue from insurance contracts under IFRS 17 is not equal to the gross premiums written received during the period, even for general insurance companies whose policy years coincide with the calendar year.

When an entity provides services under contracts with customers within the scope of IFRS 15, it derecognises the liability for the performance of the services and recognises revenue. Similarly to IFRS 17, when a company provides services over a period of time under insurance contracts, it reduces the liability for residual cover for the services provided and recognises revenue from insurance contracts. The reduction in the liability for residual cover, which gives rise to insurance revenue, excludes changes in the liability that do not relate to services expected to be covered by the consideration received by the entity under the relevant insurance contract.¹⁵ Paragraphs B120–B122 of the Standard introduce a requirement that insurers should not present information on gross written premiums if that information does not comply with the definition of insurance revenue.

3.3.5. Challenges, opportunities and comparability

Despite the undoubted advantages of IFRS 17 in terms of the transparency and comparability of financial information, its implementation is accompanied by significant operational, technological and organisational challenges. These challenges are not only a technical reality but also a strategic issue, as they determine the extent to which individual insurance companies are able to capitalise on the potential of the new standard.

We share the view of Prof. Dr Eleonora Stancheva and Prof. Dr Nadia Sokolova that “Every company’s ambition is to optimise the benefits of the changes introduced by IFRS 17 and to achieve its long-term strategic vision by redefining and comprehensively transforming its systems architecture. The key opportunities for transforming the insurance business include: process optimisation, changes to the actuarial function and system modernisation.”¹⁶

The implementation of IFRS 17 places significant demands on an insurer’s data infrastructure, requiring the collection and management of vast amounts of data at a very detailed level.¹⁷ As a result of these changes, there is a need for reliable data management systems capable of handling more frequent and more detailed updates to the information collected and processed than was the case under IFRS 4. We agree with the view that many

¹⁵ Paragraph B123, Official Journal of the European Union. (13 August 2023). Commission Regulation (EU) 2023/1803 of 13 August 2023 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council. Retrieved from the Official Journal of the European Union: <https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=CELEX:32023R1803&qid=1751208655344>

¹⁶ Stancheva, E., & Velinova-Sokolova, N. (2020). The new International Financial Reporting Standard 17 and the challenges facing insurance companies. *Economic and Social Alternatives*, 118–126.

¹⁷ Fegri, K. L. (30 June 2023). IFRS 17: challenges, opportunities and the road ahead for Nordic insurers. Retrieved from Ernst & Young Global: https://www.ey.com/en_se/insights/financial-services/ifrs-17-challenges-and-opportunities

insurers face significant difficulties in adequately identifying, sourcing, integrating, cleansing and storing the high-quality data that is essential for accurate reporting under IFRS 17.¹⁸

Given the complexity of the valuations and the need for timely and more regular valuation of the insurance risks assumed, in our view, the Standard requires specific data elements and a specific data structure for the valuation of insurance contracts. These include explicit, objective and probability-weighted estimates of future cash flows, adjustments to reflect the time value of money and financial risks, an adjustment for non-financial risk, and a profit on the contractual service. Estimates of future cash flows must be up to date and reflect all available information without undue cost or effort.

The successful implementation of IFRS 17 requires significant investment in human capital. As the impact of the standard is far-reaching, there is a need for a broader dissemination of knowledge across various departments, such as finance, actuarial and risk. Training programmes are crucial to ensuring a thorough understanding of the scope, definitions and fundamental principles of the standard, including the identification of the components of insurance contracts, the measurement of the CSM and an understanding of the accounting treatment of reinsurance.

More advanced training focuses on detailed aspects, such as establishing units of cover, identifying indistinguishable investment components, measuring the contractual service margin (CSM) under various scenarios, and understanding the nuances of the accounting treatment of reinsurance. Furthermore, staff need to understand the differences and synergies between IFRS 17 and other regulatory frameworks such as Solvency II, as many companies are building their IFRS 17 processes on top of existing Solvency II frameworks.¹⁹ Such comprehensive training ensures that staff can navigate the new reporting landscape with confidence and are equipped to apply it correctly.

The implementation of IFRS 17 is not merely an accounting or actuarial exercise; it requires extensive cross-functional collaboration, particularly between the actuarial, finance and IT departments. In our experience, under the transitional reporting arrangements, organisational units operate independently; however, the new standard necessitates close collaboration to develop new processes for data collection, analysis and reporting.²⁰ For example, actuarial teams must liaise with finance and IT departments to ensure that actuarial models integrate seamlessly with financial systems and risk management platforms.

The costs associated with the implementation of IFRS 17 vary significantly across different companies and jurisdictions, depending on existing accounting practices, the complexity of their product portfolios and the valuation techniques already in place for

¹⁸ Ernst & Young Global. (26 February 2021). IFRS 17 implications for European insurers. Retrieved from Ernst & Young Global: https://www.ey.com/en_gl/insights/insurance/ifrs-17-new-standard--six-things-to-do-now

¹⁹ European Insurance and Occupational Pensions Authority. (15 April 2024). IFRS 17 – Insurance contracts report. Retrieved from European Insurance and Occupational Pensions Authority: https://www.eiopa.europa.eu/document/download/e50ad04f-88a9-4ed4-bd76-c111bbd1f025_en?filename=EIOPA%27s%20Report%20on%20the%20implementation%20of%20IFRS%2017%20-%20Insurance%20contracts.pdf

²⁰ Mookherjee, A. (June 2025). IFRS 17: Experiences From Roll Out. Retrieved from Society of Actuaries: <https://www.soa.org/publications/e-newsletters/articles/2025/enews-2025-06-ifrs-17/>

management and prudential purposes. Our analysis of the main areas of significant costs leads to the conclusion that these should include:

Changes to systems and processes: Insurers must make significant changes to their systems and processes to ensure compliance. There is a need to develop new or adapt existing actuarial models, implement new software systems and expand existing financial reporting processes. The costs are associated with setting up systems for analysing granular data, tracking policy start dates, determining and accruing interest under CSM, and storing historical, current and future cash flow information. Many insurers are struggling with the management and allocation of costs under IFRS 17, leading to unnecessarily complex processes and reporting.

Data and information management: The requirement to collect and manage large volumes of data at a very detailed level demands significant investment in data quality, storage, archiving and reconciliation.

Human capital and training: Companies must recruit or develop staff with appropriate accounting, actuarial and IT knowledge and experience. Staff training, updating internal procedures and communicating changes to external parties – all of which involve considerable time, effort and expense – are key to the transition and the reliable implementation of the standard.

Ongoing costs: Following initial implementation, insurers are expected to incur ongoing costs associated with gathering the necessary information to update the assumptions for valuing insurance contracts on an ongoing basis and adjusting the CSM. The increased use of actuarial techniques for probability-weighted cash flows, discount rates and risk adjustments also contributes to an increase in ongoing costs.

Although IFRS 17 aims to improve comparability, there are challenges:

- **Judgements and policy choices:** The standard is **principles-based**, meaning that entities must exercise significant judgement in determining the inputs, assumptions and techniques for measuring the CSM. Such flexibility may lead to differences in practices across companies and make comparisons difficult.
- **Volatility:** The dynamic measurement of liabilities under IFRS 17 may lead to greater fluctuations in reported financial results and equity, which do not necessarily reflect changes in underlying economic indicators. Insurers must inform analysts and investors about the new profit realisation models.
- **Comparability:** IFRS 17 promotes global and cross-sector comparability. It establishes a **‘universal language’** for the accounting treatment of insurance contracts by harmonising the recognition of revenue. Reported financial results will continue to reflect the specific characteristics of local markets and economic conditions, making a straightforward comparison between all global insurers difficult without more in-depth analysis.

3.4. Chapter Three

The third chapter of the thesis is devoted to an analysis of the impact of the implementation of IFRS 17 on the financial reporting of insurance companies. The aim is to outline guidelines for improving financial reporting, using actual data from the financial statements of the twelve largest insurers in Bulgaria and the results of a survey conducted among insurance professionals.

3.4.1. Research methodology

The study is based on three main types of scientific approaches – exploratory, descriptive and causal. The exploratory approach is used to discover new ideas and patterns, the descriptive approach to identify the frequency and relationships between phenomena, and the causal approach to analyse cause-and-effect relationships. The study is a combined approach, incorporating elements from all three.

In addition, two main logical methods have been applied – inductive and deductive. The inductive approach begins with the observation of empirical facts, from which theoretical conclusions are drawn, whilst the deductive approach begins with a theoretical analysis, which is then tested against empirical data. Statistical tools for data processing, including JASP and Excel, are also used in the study.

3.4.2. Approach and objectives of the analysis of insurance companies' financial statements

The reference date for the financial statements selected for analysis is set at 31 December 2023, as these are the first such statements presented following the implementation of IFRS 17. According to data from the Financial Supervision Commission (FSC), as at 31 December 2023, 24 companies holding a general insurance licence were operating in Bulgaria, and the gross written premiums amounted to 3,662,732 thousand BGN. The first 12 companies, listed in *Appendix B: List of Bulgarian insurance companies analysed*, account for 94.1% of gross written premiums, and their written premiums amounted to 3,444,943 thousand BGN.

The selection is based on the fact that these 12 insurance companies are of systemic importance to the Bulgarian market. The research conducted as part of this thesis is exploratory in nature and aims to outline the qualitative aspects of the phenomenon under consideration – the first-time application of IFRS 17. For the purposes of the quantitative analysis of the effects of the implementation of IFRS 17 on the Bulgarian insurance sector, a group of 12 insurers from the general insurance sector was selected. Based on the financial statements examined, the value effects of certain indicators and elements of the financial statements, as well as the disclosures included therein, were analysed as at 31 December 2023 – prepared in accordance with IFRS 17 – and as at 31 December 2022 – and IFRS 4.

Our analysis did not examine the effects of IFRS 9, as a large proportion of the companies in the sample had already applied the standard on financial instruments in 2018, when it came into force, without availing themselves of the possible exemption provided for in the amendments to IFRS 4.

To gather empirical information, in addition to the data from the financial statements, a questionnaire was also used, which provides a better understanding of the chosen topic by summarising the views of a wide range of respondents.

3.4.3. Quantitative analysis

The Bulgarian insurance market demonstrated stable growth in gross written premiums (GWP) during 2022–2023. In 2023, GWP in the market increased by 21.29% year-on-year, exceeding €2 billion for the first time. Insurance companies in the general insurance sector recorded a 22.39% increase in GWP in 2023. According to data from the Financial Supervision

Commission (FSC) provided to EIOPA, gross premiums written for the first quarter of 2023 rose by 24.21%, and for the first half of 2023 by 25.9%.

Based on a mathematical analysis, Elitsa Raeva and Ivaylo Nikolaev describe the financial structure of the Bulgarian insurance sector as ‘volatile’²¹, which may complicate the development of insurance practices and make them more vulnerable to crises, financial fluctuations and political changes. We believe that this inherent vulnerability, combined with the presence of some insurers in other larger markets such as Romania, Poland, Greece and others, amplifies the impact of broader European and global economic shocks on the ROE of Bulgarian insurers. At European level, significant regulatory initiatives such as the Corporate Sustainability Reporting Directive (CSRD) and the Digital Operational Resilience Act (DORA) were finalised or published in late 2022 and during 2023. These are having an impact on the financial sector, including insurers.

Broader macroeconomic and geopolitical factors such as exchange rate volatility, interest rates and share valuations, alongside geopolitical risks (including cyber-attacks and natural disasters), continue to put pressure on insurers across Europe. Uncertainty surrounding the implementation of US tariff policies is also expected to slow down global economic growth and the growth of insurance premiums.

The two key parameters examined are profit before tax and profit volatility. *For the purposes of the quantitative analysis, pre-tax profit figures for 2022 were compared before and after the implementation of IFRS 17.* The results show that, for three of the companies studied, an increase in pre-tax profit was identified compared with the figures prior to restatement. Upon further analysis, it was found that this anomaly is primarily due to the fact that some of the costs associated with winning contracts were recognised earlier, were not deferred, and consequently their effects are reflected in the opening balance of the restated retained earnings.

The standard deviation of the examined indicator for the change in pre-tax profit is 668% across the 12 largest insurers in Bulgaria. This figure is exceptionally high and indicates **significant variability and dispersion** in the data. Chart 1 below illustrates the variations within the sample population. These variations are primarily due to significant differences in business models and the varying risk appetites of insurance companies in the Bulgarian market.

The pre-tax standard deviation coefficient can be interpreted in several ways. Extreme volatility – a standard deviation of 668% means that individual changes in insurers’ profit before tax deviate significantly from the average change; in other words, the effect of IFRS 17 on profit before tax varies drastically across the individual companies in the sample.

The ratios we have calculated, shown in the chart below, suggest that IFRS 17 has not had a uniform impact on insurers’ pre-tax profit. Some companies reported a significant increase in profit before tax in percentage terms, whilst others reported a significant decrease or even a shift to a loss, or much smaller changes.

Four companies in the sample showed a change in profit before tax of a three-digit percentage; these figures have been identified as outliers. For some insurers with lower financial results, a significant change in the result after restatement was observed – the highest change

²¹ Raeva, E., & Nikolaev, I. (September 2022). Retrospective review of the Bulgarian insurance market using time series analysis. Retrieved from APPLICATION OF MATHEMATICS IN TECHNICAL AND NATURAL SCIENCES.

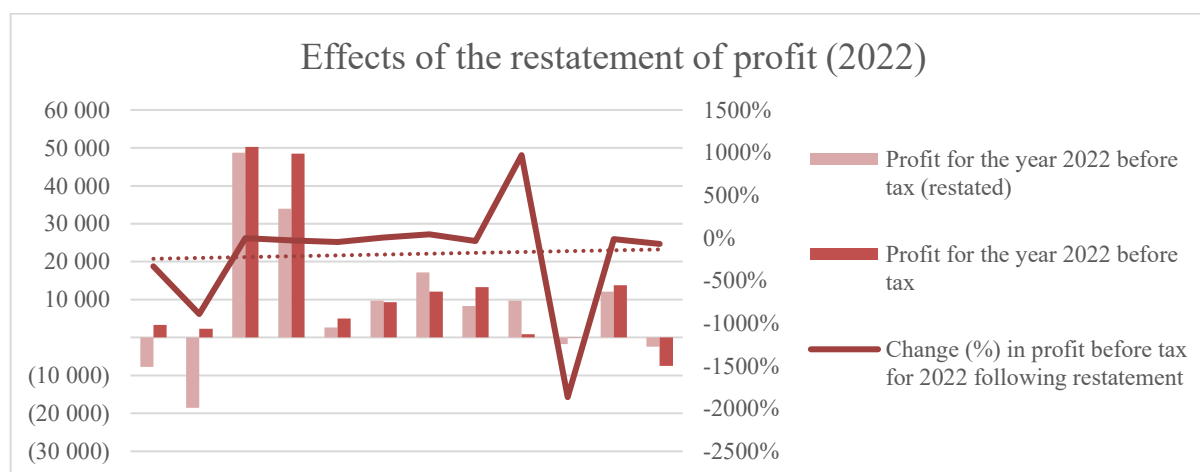
was 971 per cent, and the lowest deviation was –1,865 per cent, which increases the standard deviation. After eliminating the outliers, the standard deviation is 34%.

This makes the average change in pre-tax profit less representative of the entire sample. The significant deviation once again prompts us to consider:

- Differences in insurance contract portfolios (loss-making contracts, long-term versus short-term).
- Differences in the application of IFRS 17 (e.g. the choice of different transition approaches or measurement models such as GMM, PAA, VFA).
- Specific characteristics of individual insurers that make them more sensitive to the new standard (for example, a high concentration of motor third-party liability insurance, which traditionally has high loss ratios and low or negative net results).
- An analysis of companies that show significant fluctuations in pre-tax profit also reveals their strong exposure to substantial reinsurance contracts.

The conclusion that emerges is that a standard deviation of 668 per cent is a statistical indicator of exceptional heterogeneity in the impact of IFRS 17 on the pre-tax profit of Bulgarian insurers. *Therefore, in order to understand the reasons for this enormous variation, further analysis of each company's individual results is required.*

Chart 1. Effects of profit restatement (2022)



Source: Analysis of insurance companies' financial statements

Analysis of pre-tax profit volatility

Volatility is a statistical measure or market index of the dispersion of returns on a given security. It quantifies the extent to which the prices or returns on a given asset deviate from their mean value. In financial markets, higher volatility is often associated with greater risk, as it implies less predictability of future changes. *For the insurance sector, ROE volatility implies unpredictability in returns for shareholders, which affects investor confidence, capital planning and risk management strategies.*

Given the significant variations in individual indicators, it is necessary to develop criteria for values that are extreme and would affect the quality of the analysis. The results show that the examined values of the percentage change in profit vary across a wide range: from –1,192%

to +81%, with the arithmetic mean for all observed companies being -162.1% and the median -58%. The calculated standard deviation of 348.6% indicates extremely high variability and the presence of outliers, which make it difficult to derive a representative average trend.

After removing the outlier, 11 companies remain in the sample. The mean value of the change in profit improves to -68.5%, whilst the standard deviation falls to 134.0%, which continues to reflect high dispersion of results amongst individual sector participants and demonstrates the significant volatility of individual financial results within a relatively stable economic environment.

Despite the presence of companies showing positive trends (e.g. +59%, +81%), the majority of companies reported significant declines in profit, in some cases exceeding -300%, suggesting a serious deterioration in operational or technical performance.

In our view, the high volatility in changes to pre-tax profit is an indicator of significant heterogeneity in economic performance, both among individual companies and on a year-on-year basis for each company. This volatility can be explained by the impact of a number of factors:

- differences in product portfolios and exposure to specific risks (e.g. motor insurance with high loss ratios);
- differences in the level of reinsurance cover, which affects the distribution of claims and capital;
- strategic and management approaches, including cost efficiency and reserve management;
- the regulatory and economic environment, including the impact of inflation, climate events or changing consumer habits.

The sector as a whole demonstrates an asymmetric distribution, with declines in profit being more severe and frequent than positive changes. This calls into question the sustainability of some companies' revenue models and *signals the need for tailored management decisions and for enhanced supervision of companies showing negative deviations.*

An analysis of the individual financial statements reveals that the main sources of volatility are:

- Profit from insurance services: Profit is no longer recognised in advance but is deferred and recognised over the period of risk coverage. Changes in the valuation of future cash flows relating to services initially adjust the CSM. Significant adjustments to the expected cash flows for a given group of contracts directly affect the deferral of profit and lead to large fluctuations in the profit recognised for the period.

- Recognition of losses on onerous contracts: Onerous contracts are one of the most significant sources of volatility. If a group of insurance contracts becomes onerous (i.e. expected future expenses exceed expected income), the entire expected loss is recognised immediately in the profit or loss account. Even small changes in assumptions (e.g. an increase in expected claims) can turn a profitable contract into an onerous one, causing a large jump in expenses and a sharp fall in profit. This explains the large negative changes observed in the sample (over -300%).

IFRS 17 requires insurance liabilities to be discounted using current market interest rates. In our view, the change in the discount rate in 2022 and 2023 *has the following implications:*

- During the period under review, we observe a significant rise in interest rates. This leads to a reduction in the present value of insurance liabilities. Part of the time value of money effect, recognised as insurance profit or loss, may be reflected in the Statement of Comprehensive Income (OCI), but another part, particularly the financial results relating to contracts without direct participation in the result, is recognised in the Profit and Loss Account, causing volatility.

- The way in which the insurer's assets and liabilities are managed, and the matching of discount rates for assets and liabilities, also affects the final profit for the period.

IFRS 17 explicitly requires the measurement of a risk adjustment (RA), the revaluation of which leads to significant deviations in companies' financial performance. There are grounds for believing that changes in the assumptions regarding non-financial risk or in the methodology for calculating RA affect the cost of insurance services and, consequently, profit. Different methodologies and changes in the insurer's risk profile lead to different changes in the RA and, consequently, in profit. Given that a large proportion of companies have gaps in their data (according to a survey conducted), it is likely that, once the data for 2023 has been supplemented, the assumptions and input data for RA will reflect the actual characteristics of this parameter more comprehensively and with a higher degree of reliability.

Insurers must constantly reassess their assumptions regarding policy cancellations, risk expiry, the frequency and severity of claims, the probability of catastrophic events, and future mortality and morbidity rates. Even minor adjustments to actuarial assumptions, based on new data or changing trends, have a significant effect on the calculation of insurance liabilities and CSM, and consequently on the recognised profit.

Other factors influencing pre-tax profit relate to operational dynamics and business strategies. It is difficult to extract information about these from financial statements and available public information, but the analysis of the variables is as follows:

- *Insurers with different product mixes* (e.g. predominantly motor insurance, property insurance, or specific niche products – such as financial risks, aviation and marine insurance) are affected by IFRS 17 in different ways. Short-term contracts (typically under the PAA) exhibit less volatility than long-term contracts (under the GMM).

- *Significant changes in the frequency and severity of claims* (e.g. following natural disasters, inflation in reserve components) directly affect the technical result as part of the claims management process. Under IFRS 17, this impact is reflected differently in the profit or loss statement, and it may also be necessary to reclassify a particular group of contracts as onerous. The reinsurance programme of the specific company is also of great importance in such situations. Having a well-developed and balanced reinsurance programme, which simultaneously covers a sufficient volume of risks without transferring the entire insurance risk, leads to reduced volatility in operating results.

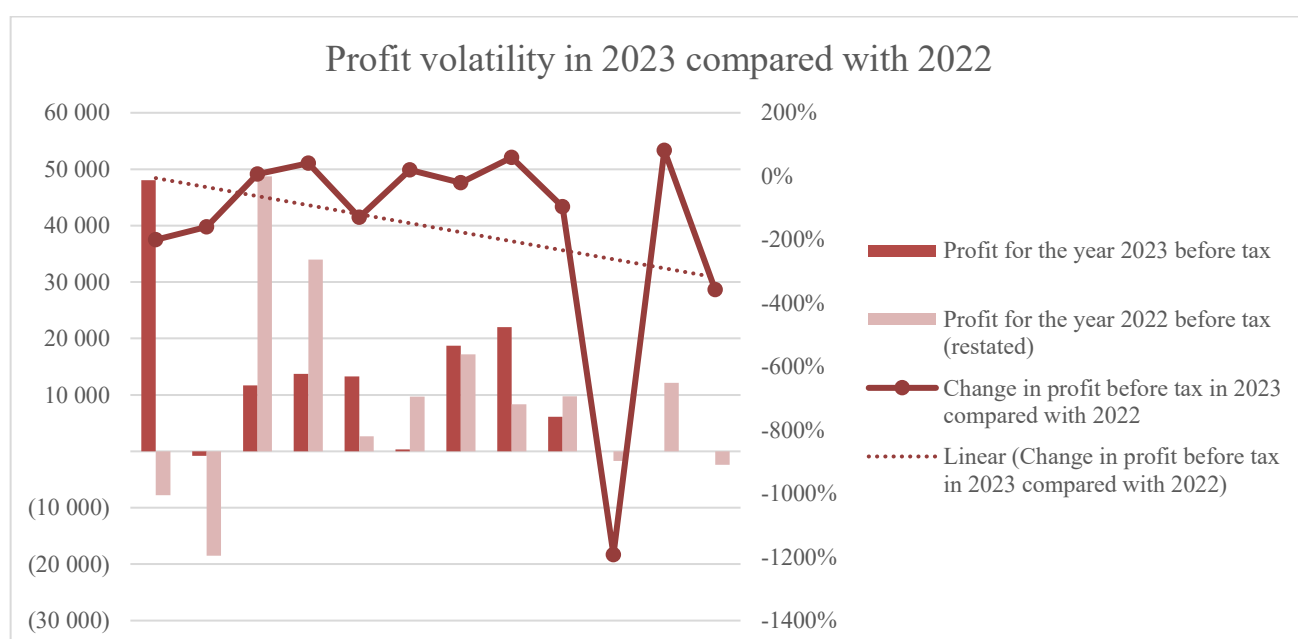
- *Both operating profits, managed in accordance with the new rules of the Standard, and investment income and expenses* affect profit before tax. Changes in financial markets (fluctuations in securities prices and exchange rates) contribute to volatility, particularly if the insurer holds significant investment portfolios. This circumstance is also reflected in the periods under review, as 2022 was a year of numerous market shocks linked to geopolitical conflicts and changes in energy supplies in Europe.

- As already demonstrated by one of the excluded observations (-1,192%), some companies may experience drastic changes in profit due to *specific business operations* – for example, large-scale portfolio sales, significant business acquisitions, withdrawal from certain lines of business, or substantial one-off expenses/revenues that are not directly related to operating activities but affect the final financial result.

- Effects of the macroeconomic environment.

High volatility and the occurrence of extreme outliers highlight the structural heterogeneity within the sector, confirming the need for an individual analysis of each company and the development of an in-depth regulatory review. In our view, the results suggest that external economic conditions, combined with internal corporate strategies, have a varying impact on the profitability of individual insurers.

Chart 2. Profit volatility



Source: Analysis of insurance companies' financial statements

The study also examines the volatility of underwriting results (excluding retained reinsurance contracts), analyses the effects of revaluation on ROE and ROA, the volatility of ROE and ROA, as well as other key indicators.

An initial review of the data provided reveals a highly varied and heterogeneous impact on capital requirements for the 12 Bulgarian general insurers, ranging from significant reductions to notable increases.

The percentage changes in the Solvency Capital Requirement (SCR) cover a wide range, from a substantial decrease of -68% to an increase of +18%. Similarly, the changes in the Minimum Capital Requirement (MCR) range from a sharp fall of -69% to an increase of +21%.

The majority of insurers in the sample (7 out of 12 for the SCR and 6 out of 12 for the MCR) experienced a reduction in their capital requirements in 2023 compared with 2022. Conversely, a minority of insurers reported increases in their SCR and MCR (e.g. an 18% increase in the SCR and a 15% increase in the MCR for one insurer). We consider it worth

noting that one particular insurer stands out as a significant anomaly, as it demonstrated a drastic reduction in both its SCR (-68%) and MCR (-69%). Such an extreme change suggests a unique set of circumstances or a pronounced impact of the transition. For most insurers, the direction and relative magnitude of change for the SCR and the MCR are largely consistent, which is to be expected given that the MCR is typically calculated as a percentage of the SCR. This consistency confirms that common underlying factors influence both capital thresholds.

The observed variability leads to the conclusion that the impact of IFRS 17 is not simply a uniform adjustment for all insurers, even within the same sector – the general insurance sector – and within the jurisdiction of a single country. In our view, the heterogeneity of the results from the changes to solvency capital requirements is due to several interacting factors:

- **Business mix and product characteristics:** Differences in the specific types of general insurance contracts (e.g. short-term versus long-term liabilities, specific product lines within general insurance) and their underlying risk profiles. Whilst general insurers predominantly use the simplified Premium Allocation Approach (PAA) under IFRS 17, even within the PAA, product characteristics such as claims development patterns and contract durations vary.

- **Valuation choices and accounting policies:** Although IFRS 17 is principles-based, entities have discretion in calculating components such as: risk adjustments, the choice of discount rates and the choice of transition approaches. These choices, which reflect the insurer's specific risk appetite, actuarial assumptions and accounting policies, lead to materially different reported results for liabilities and, consequently, for capital requirements.

- **Underlying business results:** How the actual financial results (e.g. claims experience, premium growth, underwriting profitability) for 2022 and 2023, which are examined in the thesis, interact with the new accounting rules. Strong underlying performance mitigates some negative accounting impacts or, conversely, exacerbates them.

- **Existing accounting practices:** The scale of the change from the application of IFRS 4 to the application of IFRS 17 depends on the extent to which the insurer's previous accounting practices were in line with the new principles of IFRS 17. Some insurers have already adopted more economically sound practices, leading to less dramatic changes in reported results, whilst others face a more significant reorganisation.

- **Maturity and implementation challenges:** The inherent complexity of implementing IFRS 17, particularly with regard to system changes, data granularity and the development of actuarial models, also contributes to the variability in financial performance following the Standard's implementation.

Initial observations from the results data *reveal mixed trends across the 12 insurers*. Our analysis shows that many insurers achieved significant increases in 'Insurance result (excluding retained reinsurance contracts)' in 2023 compared with 2022. For example, Insurer 1's result improved from 58,299 to 105,155, whilst Insurer 10's improved from 3,558 to 88,104. These changes may indicate strong premium growth or improved underwriting efficiency.

'Reinsurance result' shows more mixed and dynamic changes. Some insurers move from significant negative to positive results (e.g. Insurer 2: from -20,526 to 22,965), whilst others move from positive to negative (e.g. Insurer 1: from -38,166 to -95,951). This volatility highlights the dynamic nature of reinsurance contracts and the claims experience on ceded business. 'Result from insurance services' also presents a mixed picture, with some large

increases (e.g. Insurer 2, Insurer 4, Insurer 6, Insurer 10) and some decreases (e.g. Insurer 1, Insurer 5, Insurer 7). This indicator is directly influenced by the new revenue recognition model under IFRS 17.

IFRS 17 fundamentally changes the way in which revenue and profit are recognised, explicitly separating the results from insurance services from financial income/expenses. The data provided includes ‘Results from insurance services’ for both 2022 (in accordance with IFRS 4) and 2023 (in accordance with IFRS 17). In our view, *the observed changes in ‘Profit from insurance services’* are directly influenced by the new revenue recognition model under IFRS 17. Under IFRS 17, insurance revenue is recognised upon the provision of services, whilst the contract service margin (CSM) is recognised as profit over time. The reported ‘result from insurance services’ for 2023 reflects the new accounting treatment, which differs significantly from the ‘Insurance result’ reported under IFRS 4 in 2022. For example, the elimination of advance profits for certain products may initially lead to lower reported service results, even if the underlying business is economically sound. The change in *reported* profitability, whilst not directly altering the economic capital required under Solvency II, may indirectly affect ‘Own Funds’ via retained earnings and significantly shape investors’ perceptions and the way in which management views the results. The volatility in ‘Profit from insurance services’ further emphasises that the impact of IFRS 17 is highly specific to the product and the insurer, depending on the characteristics of their portfolio and previous accounting practices. According to Assoc. Prof. Bankova, ‘Management control within companies is essential for them to maintain their solvency.’²², which also raises the issue of the key role played by the management of insurance companies.

The ‘Reinsurance result’ indicator shows significant fluctuations among insurers. Reinsurance is a key tool for managing risk exposure and, consequently, the capital requirements under Solvency II. Whilst Solvency II technical provisions are net of reinsurance, IFRS 17 imposes specific gross risk adjustments and a separate valuation of amounts ceded to reinsurers. Reinsurance is a critical mechanism for insurers to optimise their net risk exposure, which directly affects the calculation of their Solvency Capital Requirement. A positive change in ‘Reinsurance result’ (e.g. Insurer 2) indicates a more effective reinsurance strategy, favourable claims experience on ceded business, or a strategic decision to cede more risk, thereby reducing the net risk retained by the insurer and potentially reducing its Solvency Capital Requirement. Conversely, negative changes may indicate an increase in retained risk and higher capital requirements. The fact that IFRS 17 requires a gross risk adjustment and a separate reinsurance adjustment means that insurers must now manage and report on their reinsurance contracts in even greater detail and with greater precision. There are grounds for believing that the increased transparency and specific accounting treatment under IFRS 17 may lead to strategic adjustments to reinsurance programmes, not only to optimise capital efficiency under Solvency II, but also to manage the impact on reported results under IFRS 17. The significant fluctuations observed are a sign that some insurers may have actively adjusted their reinsurance structures in anticipation of or in response to IFRS 17, or that they have experienced significant changes in ceded claims or reinsurance recoveries.

²² Bankova, D. (2021). Control in the management of insurance companies. Sofia: Avangard Prima, p. 88.

Establishing a direct, simple correlation between the reported percentage changes in the Solvency II SCR and MCR and the supplementary financial results is complex, mainly because the latter are also presented in accordance with the new IFRS 17 framework for 2023, meaning that they already reflect the accounting changes.

The main hypothesis is that changes in the Solvency II SCR and MCR are primarily due to changes in technical provisions (liabilities) and eligible own funds (capital). IFRS 17 directly affects the measurement of insurance liabilities (via the CSM, a risk adjustment) and indirectly affects own funds (via changes in reported equity and retained earnings due to the profit recognition models under IFRS 17).

3.5. Conclusion

The doctoral thesis, entitled ‘The Impact of the Application of IFRS 17 ‘Insurance Contracts’ on the Financial Statements of Insurance Companies – Scientific and Applied Aspects’, aimed to present a study of the transformations occurring in the financial reporting of the insurance sector as a result of the introduction of the new international standard. Within the scope of the study, we defined objectives which were systematically achieved through theoretical analysis, a historical review, an empirical study and the formulation of practical recommendations.

The aim of the thesis – to analyse the impact of IFRS 17 on the financial reporting of insurance companies – has been achieved through:

- Systematising the historical development of accounting in the insurance sector;
- A comparative analysis between IFRS 4 and IFRS 17;
- Clarifying the key concepts, mechanisms and models introduced by the new standard;
- Conducting an empirical study among industry experts;
- Formulating recommendations for practical application and adaptation.

The objectives set out in the introduction to this study include a theoretical justification of the need for change in the accounting framework, identification of the challenges involved in implementation, an assessment of the impact on financial indicators, and the formulation of guidelines for improving financial reporting. All of these have been addressed through logically structured chapters and an analytical approach.

The research thesis that the application of IFRS 17 leads to greater transparency, comparability and reliability of financial statements, whilst at the same time requiring significant organisational and technological efforts, is confirmed by both theoretical analysis and empirical data. The survey of experts showed that, although implementation is challenging, the expected benefits of the Standard are significant and long-term.

From a theoretical perspective, this study offers a systematic account of the historical development of accounting in the insurance sector, thereby enriching accounting theory. By tracing key stages – from early forms of financial reporting to contemporary international standards – a comprehensive picture is built of the evolution of accounting principles and their adaptation to the specific nature of the insurance business. Particular attention is paid to the transition from IFRS 4 to IFRS 17, analysing the reasons for the need for a new framework and the conceptual differences between the two standards. The study offers a theoretical explanation of the new measurement models introduced by IFRS 17 – the General Measurement Model, the Modified Approach for short-term contracts and the Variable Fee Approach for contracts with

investment components. Each of the models is examined in the context of its applicability, rationale and impact on financial reporting. Furthermore, the thesis analyses key conceptual elements such as the contractual service, the risk adjustment and the cash flows for performance, which form the basis of the new valuation methodology for insurance liabilities. The role of discount rates is also clarified, as is the significance of the level of contract aggregation, which has a direct impact on the presentation of financial results.

From a practical perspective, the thesis offers specific and applicable solutions that can be utilised by insurance companies, regulatory bodies and consultancy firms. Through an empirical analysis of the impact of IFRS 17 on the financial statements of Bulgarian insurers, a realistic picture is built of the extent to which the new standard affects key financial indicators such as profit, return on equity and return on assets, as well as the structure of the financial statements. The study identifies the main challenges faced by organisations in implementing the Standard, including: technological constraints, the need to adapt information systems, organisational changes and regulatory inconsistencies. Based on these observations, specific recommendations for adaptation have been formulated, the most notable of which are: investment in modern IT systems, the provision of targeted training for accounting and actuarial staff, and the improvement of internal communication between departments. The study proposes solutions for managing the volatility of financial results and for improving the comparability of financial statements across different companies, which is of vital importance to investors and regulators.

As a result of the study, several key conclusions and recommendations can be drawn. IFRS 17 introduces a single conceptual framework for the recognition, measurement and disclosure of insurance contracts, leading to significant changes in the structure and content of insurance companies' financial statements. These changes require not only a re-evaluation of accounting policies, but also significant investment in information technology, data management systems and staff training. The findings also lead to the conclusion that the Standard affords considerable discretion in the formulation of assumptions and the selection of accounting policies, which carries the risk of significant differences in the practices of individual companies and — paradoxically — may limit precisely that comparability which has been declared the primary objective of the reform. It must be recognised that several years of consistent application will be required before it is possible to objectively assess the extent to which financial statements prepared in accordance with the new standard are truly comparable. This observation does not call into question the fundamental validity of IFRS 17, but rather highlights the need for ongoing academic and regulatory monitoring in the medium and long term.

The findings of the research in this thesis are relevant from both a theoretical and a practical perspective. From a theoretical standpoint, the research offers a detailed analytical framework for assessing the effects of the implementation of new accounting standards, contributes to enriching the academic debate on the transparency and comparability of financial information, and outlines potential avenues for future research in the field of insurance company accounting. From a practical perspective, the results provide specific guidance on adapting to IFRS 17, support management decision-making and facilitate communication between stakeholders, including: regulators, investors and internal management structures.

4. Overview of the main scientific contributions in the thesis

The most significant assessments, conclusions and proposals, as achievements and results of the doctoral research, can be categorised into two groups: firstly, scientific-theoretical; and secondly, scientific-applied.

In summary, the scientific-theoretical contributions can be presented as follows:

1. Systematisation of the historical development of accounting in the insurance sector;
2. Theoretical clarification of the new measurement models – GMM, PAA and VFA;
3. Analysis of the conceptual changes introduced by IFRS 17, including the contractual service model (CSM), the risk adjustment and cash flows for performance;
4. Clarification of the role of discount rates and the level of contract aggregation.

All theoretical contributions enrich the understanding of the accounting logic and philosophy behind IFRS 17 and provide a suitable foundation for future academic and applied research.

From a practical perspective, the thesis offers concrete and applicable solutions that can be utilised by insurance companies, regulatory bodies and consultancy firms. Through an empirical analysis of the impact of IFRS 17 on the financial statements of Bulgarian insurers, the study provides a realistic picture of the extent to which the new standard affects key financial indicators, such as profit, return on equity and return on assets, as well as the structure of the financial statements. The study identifies the main challenges faced by organisations in implementing the standard – including technological constraints, the need to adapt information systems, organisational changes and regulatory inconsistencies. Based on these observations, specific recommendations for adaptation have been formulated, notably including investment in modern IT systems, the provision of targeted training for accounting and actuarial staff, and the improvement of internal communication between departments. The thesis proposes solutions for managing the volatility of financial results and improving the comparability of financial statements across different companies, which is of vital importance to investors and regulators.

The scientific and practical contributions of the thesis can be summarised as follows:

1. An empirical analysis of the impact of IFRS 17 on the financial statements of Bulgarian insurers;
2. Identification of the main challenges in implementation – technological, organisational and regulatory – through a survey conducted among insurance experts;
3. Formulation of specific recommendations for adaptation, including investment in IT systems, staff training and improvement of internal communication;
4. Proposals for managing volatility and improving comparability between financial statements.

The practical contributions are of direct relevance to professional practice and can support the process of transforming financial reporting in the insurance sector in accordance with the requirements of IFRS 17.

As a result of the research conducted, several key conclusions and recommendations can be formulated. IFRS 17 introduces a single conceptual framework for the recognition,

measurement and disclosure of insurance contracts, leading to significant changes in the structure and content of insurance companies' financial statements. These changes require not only a re-evaluation of accounting policies, but also significant investment in information technology, data management systems and staff training. Despite the challenges associated with implementation, the standard offers real opportunities to improve financial planning, strategic management and communication with investors. For the successful implementation of IFRS 17, it is recommended that organisations undertake active preparatory work, foster interdisciplinary collaboration between accountants, actuaries and IT specialists, and develop clear communication strategies aimed at both internal and external stakeholders.

5. List of publications on the topic of the doctoral thesis

1. Milanova, E., Stoyanov, G. (2025). *Accounting aspects related to money laundering in the insurance sector*. Yearbook of the University of Insurance and Finance, 45–72.
2. Stoyanov, G. (Issue 3, 2017). *The new standard in insurance*. Retrieved from IDES Journal: <https://www.ides.bg/media/1465/03-2017-georgi-stoyanov.pdf>
3. Stoyanov, G. (Issue 3, 2021). *THE IMPACT OF IFRS 17 INSURANCE CONTRACTS ON THE FINANCIAL REPORTING OF INSURERS*. Retrieved from IDES Journal: <http://www.ides.bg/media/1908/03-2021-georgi-stoyanov.pdf>
4. Stoyanov, G. (Issue 1, 2022). *RISK ADJUSTMENT IN ACCORDANCE WITH IFRS 17 INSURANCE CONTRACTS*. Retrieved from IDES Journal: <https://www.ides.bg/media/2005/03-2022-georgi-stoyanov.pdf>
5. Stoyanov, G. (Issue 3, 2022). *CONTRACTUAL SERVICE MARGIN IN ACCORDANCE WITH IFRS 17 INSURANCE CONTRACTS*. Retrieved from IDES Journal: <https://www.ides.bg/media/2005/03-2022-georgi-stoyanov.pdf>
6. Stoyanov, G. (March 2023). *Exemplary models for the accounting treatment of insurance contracts in accordance with IFRS 17*. Retrieved from Taxes 'Tita': https://www.tita.bg/danatsi_tita/edition/199/article/4858

6. Statement on compliance with the minimum national requirements for the award of the academic degree of ‘Doctor’

Indicator	Points
Group of indicators A.	
Indicator 1. Doctoral thesis for the award of the academic and scientific degree of ‘Doctor’.	
<i>The impact of the application of IFRS 17 ‘Insurance Contracts’ on the financial statements of insurance companies – scientific and applied aspects</i>	50
The doctoral thesis has been discussed and a defence procedure has been initiated.	
Group of indicators G.	
<i>Sum of indicators 4 to 10</i>	
7. Articles and papers published in non-indexed peer-reviewed journals or in edited collective volumes	
Stoyanov, G., ‘The New Standard in Insurance’ – IDES Journal, No. 3/2017, https://www.ides.bg/media/1465/03-2017-georgi-stoyanov.pdf , ISSN 1314-8990	10
Stoyanov, G., ‘The Impact of IFRS 17 “Insurance Contracts” on Insurers’ Financial Statements’ – IDES Journal, No. 3/2021, http://www.ides.bg/media/1908/03-2021-georgi-stoyanov.pdf , ISSN 1314-8990	10
Stoyanov, G., ‘Risk adjustment in accordance with IFRS 17 Insurance Contracts’ – IDES Journal, No. 1/2022, https://www.ides.bg/media/1964/01-2022-georgi-stoyanov-1.pdf , ISSN 1314-8990	10
Stoyanov, G. ‘Contractual Service Margin in accordance with IFRS 17 Insurance Contracts’ – IDES Journal, No. 3/2022, https://www.ides.bg/media/2005/03-2022-georgi-stoyanov.pdf , ISSN 1314-8990	10
Stoyanov, G. ‘Illustrative models for the accounting treatment of insurance contracts in accordance with IFRS 17’ – Tita Taxes, No. 182/2023, https://www.tita.bg/danatsi_tita/edition/199/article/4858 , ISSN 1314-6505	10
9. Studies published in non-indexed peer-reviewed journals or in edited collective volumes	
Milanova, E., Stoyanov, G., ‘Accounting aspects related to money laundering in the insurance sector’ – Yearbook of the University of Insurance and Finance, 2025, pp. 45–72. https://uzf.bg/uploads/files/8795/YearBookUZFvol172025.pdf , ISSN 3033-1994	7.5
Total number of points	107.5

DECLARATION OF ORIGINALITY AND AUTHENTICITY
(pursuant to Article 27(2) of the Rules for the Implementation of the Development
of the Academic Staff in the Republic of Bulgaria Act)

I, Georgi Nikolaev Stoyanov, doctoral student at the Department of Accounting and Auditing of the University of Insurance and Finance, declare that the dissertation submitted by me for defence, entitled ‘The impact of the application of IFRS 17 ‘Insurance Contracts’ on the financial statements of insurance companies – scientific and applied aspects’, comprising 236 pages, for the award of the academic and scientific degree of ‘Doctor’, is an original work and contains original results obtained through scientific research conducted by me; the author’s own ideas, texts and visualisations in the form of figures and tables have also been used.

I declare that the results obtained, described and/or published by other scholars are duly and thoroughly cited in the bibliography, in compliance with the requirements of the Copyright and Related Rights Act.

I declare that this dissertation has not been submitted to other universities, institutes or other higher education institutions for the award of an academic and scientific degree.

Date: 22.06.2026

Declarant: