IFRS 17 and the Decision-Usefulness of Insurers' Financial Reporting Information

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Abstract

We investigate the impact of IFRS 17, the new accounting standard for insurance contracts, on the decision usefulness of insurers' financial reporting information. While IFRS 17 aims to enhance transparency through timely recognition of economic changes and improved profitability measures, its complexity and reliance on assumptions raise concerns about whether its benefits fully materialize. Using a global sample of publicly listed insurers, we find that IFRS 17 adoption increases earnings informativeness and reduces information asymmetry, particularly for firms transitioning from less sophisticated reporting frameworks and life insurers with long-term contracts. However, firms already applying market-consistent Solvency II reporting or voluntary Embedded Value (EV) reporting derive fewer incremental benefits while still bearing full compliance costs. Additionally, we observe a slower resolution of investor disagreement around earnings announcements, highlighting transitional challenges due to the standard's complexity. Our findings contribute to financial reporting literature by providing early empirical evidence on IFRS 17's economic consequences.

Keywords: decision-usefulness, earnings informativeness, event study, financial disclosure complexity, IFRS 17, insurance accounting, accounting matching principle

JEL Classification: G14, G22, G38, M41, M48

1 Introduction

This paper provides early evidence on the capital market effects of IFRS 17, focusing on its impact on the decision-usefulness of insurers' financial reporting information. Specifically, we analyze how IFRS 17 adoption affects earnings informativeness, information asymmetry, and investors' information processing. These aspects are particularly critical in the insurance industry due to its reliance on long-term contracts, which present substantial challenges in accurately measuring and recognizing associated liabilities, especially in estimating future cash flows and allocating profits appropriately over time. While IFRS 17 seeks to address these longstanding challenges, its inherent complexity raises questions about whether its benefits outweigh its costs. Furthermore, the standard is introduced in an environment already shaped by regulatory frameworks like Solvency II[1] and voluntary practices like embedded value (EV) reporting, both of which, like IFRS 17, rely on market-based principles. This unique setting allows us to examine how firms with varying pre-existing reporting practices adapt to this change. By analyzing these dynamics, our study offers timely insights into whether and when the benefits of IFRS 17 adoption materialize while acknowledging that its long-term impact may evolve as stakeholders adapt.

Effective since January 1, 2023, IFRS 17 marks the first comprehensive accounting standard for insurance contracts, representing a significant shift in insurers' financial reporting. It aims to enhance transparency and comparability by introducing a current measurement approach that values insurance liabilities based on current estimates of future fulfillment cash flows, adjusted for the time value of money and a risk margin. Furthermore, profit is recognized as insurance service is provided, with separate presentation of insurance and finance results, enabling stakeholders to differentiate between the service and investment-related components. Previously, under IFRS 4,

[1] Solvency II is a European regulatory framework applicable since January 1, 2016, for insurers operating in the European Economic Area (EEA). It establishes market-consistent valuation and risk-based capital requirements to ensure financial stability in the insurance industry.

insurers relied on national GAAP practices that lacked comparability, with insurance contracts valued at historical cost, loss reserves often excluding the time value of money, and premiums recognized as revenue on a cash basis (IASB, 2017a). By imposing significant changes in insurance accounting, IFRS 17 is likely to alter the information environment of insurers, reshaping investors' assessment of future cash flows.

The current measurement approach under IFRS 17 can enhance reporting relevance, consistent with prior research emphasizing the value relevance of fair value as a measurement basis (Barth, 1994, 2014; Song et al., 2010). Addressing prior accounting mismatches by aligning the measurement of assets and liabilities also reduces artificial volatility. The standard aligns revenue more closely with actual performance by spreading profit recognition over time, offering a clearer depiction of financial outcomes. Moreover, the separate presentation of core earnings and financial results on the income statement under IFRS 17 should improve the explanatory power of earnings as a market valuation input, facilitating better-informed investment decisions (Collins et al., 1997; Kothari, 2001). Finally, IFRS 17 enhances the comparability of insurers' financial statements by increasing uniformity across insurers with similar idiosyncratic risks (Corona et al., 2024; Fiechter et al., 2024) and introducing "insurance revenue" as a standardized metric, aligning it with practices in other industries.

However, despite these purported benefits, stakeholders have long raised concerns about implementing and applying IFRS 17 due to its inherent complexity and extensive reliance on assumptions. In fact, the disaggregation of earnings components and increased reliance on managerial discretion can exacerbate information processing challenges for investors (Barth et al., 2020; Hirshleifer & Teoh, 2003). Such complexity may not only increase investor disagreement and uncertainty but also delays the realization of transparency benefits (Beaver, 1968; Bloomfield, 2002; Landsman & Maydew, 2002). These effects may persist until investors fully process

earnings news, delayed by limited resources and the high costs of analyzing complex information (Bloomfield, 2002; Hirshleifer & Teoh, 2003; Simon, 1978). Therefore, whether the standard fulfills its promise of improving insurers' financial reporting remains an empirical question.

Our study begins by analyzing ex-ante market reactions to the announcement and initial implementation of IFRS 17 to gauge market participants' assessment of the standard's expected net benefits. Using event study methodology on a global sample of 575 publicly listed insurance companies, we document adverse market reactions to events leading up to the adoption of IFRS 17. This finding applies to all insurance firms, regardless of type or prior reporting practices, suggesting that investors broadly anticipated the standard's complexity and compliance costs to outweigh its potential information benefits. These results align with prior research on the market's responses to IFRS 17 (e.g., Basu & Grace, 2022; Longoni, 2019) and provide important context for interpreting its subsequent effects.

Since insurers adopted IFRS 9 concurrently with IFRS 17, we also examine market reactions to events leading up to IFRS 9's development and issuance. We find no significant market reactions, consistent with IFRS 9's limited expected impact on insurers. This finding helps mitigate concerns that our subsequent analyses might be confounded by IFRS 9's effects.

To examine the post-implementation effects of IFRS 17 on the decision usefulness of insurers' financial reporting information, we employ a difference-in-differences (DiD) design using the period from 2018 to 2024. We compare changes in key financial metrics between 320 insurers subject to IFRS 17 and a control group of 115 US-GAAP and 140 local GAAP insurers unaffected by the standard. Our primary analyses focus on three dimensions of decision-usefulness: earnings informativeness, information asymmetry, and investor information processing.

First, we examine the impact of IFRS 17 on earnings informativeness, focusing on the earnings response coefficient (ERC) around earnings announcements. Our findings reveal increased

earnings informativeness, evidenced by higher ERCs in the post-adoption period among insurers implementing IFRS 17. These results support the view that high-quality, standardized reporting under IFRS 17 improves the alignment of reported earnings with underlying economic performance and enhances investors' ability to interpret earnings surprises (Barth et al., 2017; Landsman et al., 2012). Notably, the findings highlight the role of the current measurement approach in improving the informativeness of reported earnings in a setting where all insurance liabilities are non-traded. While these results may not be generalizable to other contexts, they inform the broader literature on fair value accounting (Barth et al., 2001; Liao et al., 2021).

To examine how the effects of IFRS 17 differ across insurers, we leverage cross-sectional variation in insurer types. We find that improved earnings informativeness and reduced information asymmetry accrue primarily to life and health (L/H) insurers. This is consistent with IFRS 17 having a greater impact on insurers issuing long-term contracts that often span decades and frequently include participation features. These contracts benefit significantly from the standard's focus on current value measurement and its profit recognition model, which aligns with service delivery. In contrast, we find no evidence of these benefits for property and casualty (P/C) insurers. The shorter-term nature of P/C contracts, typically not exceeding one year, means that IFRS 17 accounting closely mirrors prior practices. These findings highlight how contract characteristics, particularly contract duration and complexity, determine the extent to which insurers benefit from adopting IFRS 17.

Next, we examine variation in IFRS 17 adoption effects across previous regulatory and voluntary reporting practices, focusing on insurers that previously applied Solvency II or voluntary EV reporting. Both Solvency II and EV reporting adopt a market-consistent approach similar to

IFRS 17. Additionally, the Contractual Service Margin (CSM)[2], a new concept under IFRS 17, provides standardized metrics akin to those already disclosed in EV reports. These similarities suggest that firms already following these frameworks may derive limited reporting benefits from IFRS 17, as much of its transparency-enhancing function is redundant for them. However, a critical distinction remains: while Solvency II and EV reporting focus on a balance sheet perspective, they lack an explicit accounting-based earnings depiction. In contrast, IFRS 17 introduces a current measurement of earnings, potentially offering new decision-useful information that was not fully captured under market-consistent valuation frameworks alone.

Our results show that improvements in earnings informativeness are primarily observed among insurers not already reporting under market-consistent frameworks, suggesting that the incremental benefits of IFRS 17 are limited for firms that had previously incorporated market-based measurement approaches.

We next examine quarterly bid-ask spreads as another measure of decision-usefulness to assess the impact of IFRS 17 on information asymmetry. We find that IFRS 17 adoption is associated with narrower bid-ask spreads only for L/H insurers and insurers not applying EV or Solvency II reporting. For L/H insurers, reduced bid-ask spreads reflect IFRS 17's enhanced transparency for long-term contracts, where its current measurement approach and profit alignment with service delivery have a more pronounced effect. The results also support the view that insurers adhering to Solvency II or EV reporting gain fewer incremental information benefits from IFRS 17, as their market-based valuation approach has already enhanced transparency and comparability (Gatzert & Heidinger, 2020; Mukhtarov et al., 2022). Overall, these findings underscore the importance of considering insurers' type and initial reporting practices when evaluating the impact of IFRS 17.

[2] The Contractual Service Margin (CSM) is a new component of insurance liabilities introduced under IFRS 17, representing the unearned profit from a group of insurance contracts. It is systematically amortized over the coverage period as insurance services are provided, ensuring that profit recognition aligns with the delivery of those services.

Combined with our event study findings, which indicate that market participants perceived IFRS 17 adoption as costly for all insurers, the results on earnings informativeness and information asymmetry support the argument that mandatory disclosure may reduce the valuation benefits of firms that voluntarily disclose high-quality information (Manchiraju & Rajgopal, 2017). While bearing the costs of IFRS 17 adoption, these firms appear to gain limited benefits, at least in the short term. These findings contribute to the broader debate on the benefits of disclosure regulation and the interplay of regulated and voluntary reporting (Leuz & Wysocki, 2016).

Finally, we examine the implications of IFRS 17's complexity for investors' information processing, focusing on how quickly investor disagreement and uncertainty are resolved around earnings announcements. We measure the speed of resolution using the proportion of trading volume and equity return volatility concentrated in the days immediately surrounding the earnings announcements relative to the full announcement period of up to 22 days. These measures serve as proxies for how quickly investor disagreement and uncertainty are resolved (Barth et al., 2020). Consistent with prior research linking complexity to heightened market disagreement (Beaver, 1968; Holthausen & Verrecchia, 1990; Landsman & Maydew, 2002), we find insurers adopting IFRS 17 to exhibit a slower resolution of investor disagreement. However, we find no change in the speed of investor uncertainty resolution. Overall, these results suggest that, following IFRS 17 adoption, heterogeneity in individual investors' expectations takes longer to resolve, but there is no delay in the market reaching a consensus on the firm value implications of the earnings news.

Our results remain robust across various tests designed to isolate the effects of IFRS 17. In all analyses, we control for firm-level characteristics such as size, market-to-book ratio, leverage, analyst following, and operational metrics like premiums earned and loss reserves, ensuring that these factors do not drive our findings.

Additionally, we examine the market's sensitivity to earnings surprises over time using a difference-in-differences framework with interaction terms for each year. We find a significant and positive market response to earnings surprises in 2023, the first full year of IFRS 17 implementation, suggesting that the standard enhances the decision-usefulness of earnings during the adoption year. The lack of significant effects in earlier years supports the parallel trend assumption, while the absence of significant results for 2024 is likely due to limited data, highlighting the need for further research as more post-implementation data become available.

Finally, we conduct an exogenous test of IFRS 17's effects by analyzing market reactions to European Central Bank (ECB) interest rate changes. We find a stronger sensitivity of IFRS-reporting insurers to interest rate changes in the post-adoption period. This suggests that IFRS 17 enhances transparency by reducing accounting mismatches between assets and liabilities and, in turn, mitigating artificial volatility in income. As a result, IFRS 17 financial statements more accurately reflect insurers' true market sensitivity while providing clearer insights into the effectiveness of their asset-liability management.

Overall, our study offers early empirical evidence on the capital market effects of IFRS 17, demonstrating that its impact on decision-usefulness varies significantly across insurers. While firms transitioning from less sophisticated reporting frameworks benefit significantly from IFRS 17's enhanced transparency and comparability, those already adhering to market-based frameworks derive limited incremental benefits yet bear the full costs of implementing the new standard. Additionally, we identify challenges associated with the standard's complexity, including heightened informational processing costs and slower investor adjustment. As our analysis is limited to data up to the second quarter of 2024, some observed effects—particularly those related to the resolution of investor disagreement—could be transitory and diminish as market participants become more familiar with the new standard.

To our knowledge, this study is the first to examine the capital market effects of introducing IFRS 17, providing novel insights into its economic consequences. Our findings contribute to the broader literature on the economic implications of financial reporting standards, reinforcing the role of high-quality accounting in reducing information asymmetry and enhancing decision-usefulness (Barth et al., 2008; Leuz & Wysocki, 2016). We also contribute to the literature on industry-specific accounting (Fiechter et al., 2024; Serafeim, 2011) by analyzing how IFRS 17 addresses the unique challenges of insurance contracts. Furthermore, our results emphasize the transitional challenges of adopting complex, principles-based standards like IFRS 17, highlighting the trade-offs between complexity and transparency (Bushman & Smith, 2001). Finally, as IFRS 17 enhances relevance by incorporating projected future fulfillment cash flows but raises reliability concerns due to estimation subjectivity, our findings contribute to the debate on reliability versus relevance in entity-specific current measurement, such as Level 3 fair value measurement (Song et al., 2010).

For practitioners and policymakers, our study underscores the importance of IFRS 17 in improving financial reporting for insurers, especially for firms with less sophisticated prior practices. At the same time, the findings highlight the need for learning and adaptation to address the initial uncertainty faced by market participants. These insights are critical for regulators, investors, and insurers in evaluating the ongoing implementation of IFRS 17 and similar standards.

The remainder of this paper is structured as follows. Section 2 provides the institutional background, and section 3 summarizes the relevant literature and develops predictions. Section 4 outlines the research design and methodology, and section 5 defines the data, sample, and descriptives. Section 6 presents the main results, and Section 7 discusses additional analyses. Section 8 concludes with implications and suggestions for future research.

2 Institutional background

Insurers are among the largest institutional investors, managing €8.57 trillion in assets in the EEA as of 2023 (EIOPA, 2023). Given their systematic importance, transparent and comparable reporting is essential for investors to assess their cash flows and make informed economic decisions. However, the international financial reporting landscape for insurers has long lacked timely and comparable information, largely due to IFRS 4, an interim standard aimed at minimal harmonization, while standard setters worked to develop a common accounting framework for insurers.[3] IFRS 4 permitted insurers to retain national GAAP practices for accounting for insurance contracts, leading to significant inconsistencies. Contracts were often valued at historical cost, ignoring the time value of money in the measurement of loss reserves and recognizing premiums as revenue on a cash basis. Inconsistent accounting practices limited comparability across insurers (IASB, 2017a). The 2008 financial crisis further exposed life insurers' systemic risks from variable annuities[4], which are highly sensitive to market fluctuations. A key issue was the accounting mismatch between assets and liabilities. While assets were marked to fair value under IAS 39[5], liabilities were recorded at historical cost, creating distortions in financial statements and obscuring true economic risks (Koijen & Yogo, 2022).

To partially address the GAAP deficiencies, many insurers have relied on non-GAAP measures. In particular, embedded Value (EV) reporting emerged in the late 1980s as a voluntary, market-driven approach and became especially popular among life insurers. It provides a current value-based metric to assess the performance of insurance businesses (Serafeim, 2011). Moreover, since

[3] The IASB and FASB launched a joint initiative in 2001 to develop a comprehensive accounting standard for insurers, aiming to improve transparency, comparability, and consistency in financial reporting (IASB, 2001).

[4] Variable annuities are long-term insurance products that combine investment options with income payments. Policyholders allocate premiums into investment portfolios, and the annuity's value fluctuates with market performance. Insurers often bear significant risks through guarantees, such as minimum income or withdrawal benefits, which expose them to market volatility and long-term obligations.

[5] IAS 39, effective until 2022 for insurers, governed the recognition and measurement of financial instruments, requiring many financial assets to be measured at fair value to reflect current market conditions.

2016, European insurers have also reported under Solvency II for regulatory purposes. This framework requires the disclosure of market-consistent balance sheets alongside financial and solvency data, potentially serving as a complementary tool for financial reporting (Gatzert & Heidinger, 2020; Mukhtarov et al., 2022). Nevertheless, despite these supplementary measures, the lack of a unified global accounting standard still limited transparency and comparability.

In response to the persistent limitations of IFRS 4 and the challenges posed by diverse national GAAP practices, the IASB issued IFRS 17 on 18 May 2017. Developed over more than 20 years, IFRS 17 marks the first true accounting standard for insurance contracts. The standard aims to enhance transparency and comparability of insurers' financial positions and performance and has been effective since 1 January 2023 (IASB, 2017b).

IFRS 17 adopts a market-consistent approach, requiring insurers to use current valuations for insurance liabilities. Under its default model, the General Measurement Model (GMM), insurers must estimate the present value of future cash inflows and outflows, discounted to reflect the time value of money, and adjusted for a risk margin to account for uncertainty. The remaining balance after these adjustments—the Contractual Service Margin (CSM), a new concept under IFRS 17—represents the unearned profit from the insurance contracts. The CSM is systematically recognized over the coverage period, aligning profit recognition with the delivery of services, in accordance with the matching principle. For participating contracts, where policyholders are entitled to a share of investment returns, the standard applies the Variable Fee Approach (VFA), adjusting the CSM to reflect changes in the fair value of underlying assets. However, for short-term contracts, IFRS 17 allows insurers to apply the Premium Allocation Approach (PAA), a simplified model similar to traditional unearned premium accounting used for short-term property and casualty contracts. Under the PAA, premiums are initially recognized as liabilities and released over the coverage period, avoiding the need for a CSM.

While broadly similar to the non-GAAP EV measure, which follows a fair value approach (Serafeim, 2011), the CSM is distinct in its adherence to the matching principle, aligning revenues with expenses and assets with liabilities. The combined use of current measurement of future cash flows and profit recognition tied to service delivery reflects the IASB's view that an insurance contract embodies both investment and service contract characteristics (IASB, 2017a). This distinction is further reflected in the separate presentation of the insurance service result and finance result. It departs from previous historical cost practices that recorded insurance liabilities at outdated values and recognized premiums as revenue without distinguishing between operating and financial components. The shift to current, market-consistent measurements aligns IFRS 17 with other standards emphasizing current valuations and revenue recognition based on service delivery (IASB, 2017a).[6]

Despite the standard setters' intent to enhance insurers' comparability and transparency in insurance reporting through uniform accounting practices, stakeholders have long raised concerns about implementation challenges and potential unintended consequences (IASB, 2017a, 2020).

On the one hand, IFRS 17's requirements, designed to address the intricate risks already embedded in insurance contracts, inherently involve significant complexity and technicality. These difficulties have posed implementation concerns since the Exposure Draft in 2010 (IASB, 2010), prompting the IASB's deferral of the implementation date in 2020 (IASB, 2020).[7] Insurers have since invested in updated systems, processes, and actuarial expertise to support the transition. Nevertheless, these requirements might not be entirely new for publicly traded European insurers,

[6] IFRS 17 aligns closely with IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) in its approach to measurement and revenue recognition. While IFRS 9 requires current valuation of financial instruments, supporting consistency in asset and liability valuation, IFRS 15 emphasizes revenue recognition over time as services are provided, aligning with IFRS 17's approach to recognizing insurance revenue based on service delivery rather than premium receipt.

[7] The implementation of IFRS 17 was initially set for 1 January 2021, but ongoing debate over the standard's complexity led to amendments issued in 2020, deferring the effective date by two years to 1 January 2023 and introducing some transitional relief measures [IASB, 2020].

as they can leverage their Solvency II investments, which also rely on current value measurement and similar inputs (EFRAG, 2020; EIOPA, 2018).

On the other hand, IFRS 17, as a principles-based standard, requires insurers to use significant judgment, resulting in potential variations that may affect transparency and comparability. While extensive disclosure requirements aim to enhance clarity, the volume of disclosures can complicate cross-company comparisons (Clube, 2022; Yousuf et al., 2021). Reflecting the significant reliance on professional judgment, Yousuf et al. (2021) even wryly describe the CSM as the "Contractual Subjective Margin." However, leveraging the prescriptive approach of Solvency II for certain assumptions, where alignment with IFRS 17 is possible, could promote consistency and mitigate these challenges.

Finally, IFRS 17's market-consistent valuations may amplify concerns about volatility, particularly in the life insurance sector, where long-term liabilities are highly sensitive to market fluctuations (Horton et al., 2007). However, this heightened sensitivity could encourage insurers to adopt enhanced hedging strategies, as seen in insurers' prior derivative practices, to stabilize capital and reduce earnings volatility, potentially improving risk management and aligning with investor expectations (Eastman et al., 2021; Sen, 2023). To address these challenges, standard setters also included IFRS 17's OCI option to reduce the impact of accounting mismatches and reduce earnings volatility.[8] Nonetheless, as noted in the IFRS 17 Effects Analysis (IASB, 2017a), the full effect of these measures will only become apparent as the standard is implemented.

[8] The OCI option in IFRS 17 (IFRS 17.87-89) allows insurers to report the effects of changes in discount rates either in profit or loss or in other comprehensive income (OCI). Additionally, IFRS 9 (Financial Instruments) allows fair value changes of financial assets to be reported in OCI, providing insurers with the ability to align the valuation of assets backing insurance contracts with the OCI option under IFRS 17. Furthermore, for foreign currency translation adjustments, IFRS 17 incorporates IAS 21 (The Effects of Changes in Foreign Exchange Rates), permitting OCI treatment for exchange differences on monetary items related to insurance contracts.

3 Theoretical underpinnings and empirical predictions

The objective of financial reporting under IFRS is "*to provide financial information about the reporting entity that is useful to existing and potential investors*" in making economic decisions (IFRS Foundation, 2018). Shareholders and investors rely on financial statements to evaluate their expectations of a firm's future cash flows, current performance, and market valuation (Ball & Brown, 1968; Barth, 2000; Kothari, 2001). Conceivably, an equilibrium in capital supply exists prior to an accounting change, influenced by the quality of information available to capital providers (Diamond & Verrecchia, 1991; Fiechter et al., 2024; Myers & Majluf, 1984). Changes in the information environment can alter market expectations about a firm's future cash flows, leading to adjustments in market prices (Fama, 1970, 1991).

By imposing significant changes to insurance accounting, IFRS 17 is likely to alter the information environment for insurers, affecting the decision-usefulness of insurers' financial statements through various key aspects.

Consistent with prior research highlighting the value relevance of fair values as a current measurement basis (Barth, 1994, 2014; Song et al., 2010), IFRS 17's reliance on current measurement can increase the relevance of insurers' financial reporting. By aligning the measurement of insurance liabilities with current valuations, IFRS 17 resolves prior mismatches between assets and liabilities, thereby reducing artificial volatility. Previously, financial analysts excluded other comprehensive income from financial metrics because it reflected only asset-side volatility (Nissim, 2010). IFRS 17 eliminates the need for such adjustments, enhancing the relevance of earnings in financial metrics. This shift also moves insurers away from a traditional reliance on unrealized gains and losses as reserve buffers for earnings smoothing. In doing so, IFRS 17 addresses long-standing concerns about loss reserves being used as a primary tool for earnings management (Beaver et al., 2003; Gaver & Paterson, 2004; Petroni et al., 2000).

Furthermore, the introduction of the CSM and the systematic recognition of profit over time aligns revenue recognition more closely with actual performance, in contrast to the upfront capitalization of expected economic profits under the previous standard. This approach reduces the volatility of Return on Equity (RoE) across reporting periods, providing a more stable depiction of financial performance (Yousuf et al., 2021). Moreover, the separate presentation of core earnings and financial results under IFRS 17 should enhance the explanatory power of earnings as a market valuation input (Collins et al., 1997; Kothari, 2001). This disaggregation reduces information asymmetry by isolating the performance of core operations from market-driven financial effects, enabling investors to make more informed decisions.

Imposing uniform accounting practices, IFRS 17 also affects the comparability of insurers' financial statements. Corona et al. (2024) show that uniformity in accounting practices improves comparability, particularly in the presence of idiosyncratic risk. Similarly, Fiechter et al. (2024) document capital market benefits of industry-specific standards, showing that they reduce information asymmetry and increase comparability. Additionally, IFRS 17 introduces "insurance revenue" as a standardized metric, shifting the focus from premiums to a revenue recognition approach aligned with other industries. This improves cross-industry comparability, consistent with prior research linking accounting convergence with positive market effects (Barth et al., 1999) and reduced forecast errors (Ashbaugh & Pincus, 2001).

However, while IFRS 17 may improve decision usefulness, its inherent complexity introduces significant challenges that may amplify uncertainty and hinder information processing (Blankespoor et al., 2020; Bloomfield, 2002; Hirshleifer & Teoh, 2003; Simon, 1978). In their analysis of the anticipated net benefits of IFRS 17, Basu and Grace (2022) and Longoni (2019) report negative market sentiment, attributing this to perceived net costs for investors. Longoni (2019)notes a particularly strong adverse reaction among large insurers, suggesting

disproportionate cost burdens, while Basu and Grace (2022) draw parallels to IAS 39 and IFRS 9 in banking, where concerns included financial statement volatility and reliance on complex assumptions.

In particular, the principles-based approach and reliance on managerial judgment under IFRS 17 can introduce variability in reported practices.[9] At the transition date, the CSM reflects various uncertainties, making it difficult to discern whether its value is driven by higher profitability or adjustments from prematurely recognized profits under IFRS 4. Preparers have raised concerns about the comparability and verifiability of these estimates, impacting users' ability to accurately process the information (ESMA, 2024; ESRB, 2021; ICAEW, 2024).

New information comprising multiple components with differing implications for investment decisions and a lack of familiarity add complexity to investors' assessment process (Barth et al., 2020; IASB, 2017a). Prior research suggests that greater complexity leads to increased investor disagreement and uncertainty (Beaver, 1968; Holthausen & Verrecchia, 1990; Landsman & Maydew, 2002). These effects are likely to persist until investors fully process the earnings news, which can take time due to limited resources and the higher costs of processing complex information (Bloomfield, 2002; Hirshleifer & Teoh, 2003; Simon, 1978). Therefore, whether IFRS 17 ultimately delivers on its promise of improving decision-usefulness remains uncertain.

In addition, the wide variation in accounting practices, institutional frameworks, and regulatory environments suggests that the net benefits of IFRS 17 adoption will vary across insurers and

[9] For example, under IFRS 17, insurers have flexibility in selecting approaches to measure the risk margin, such as the top-down or bottom-up methods. Additionally, IFRS 17 permits discretionary use of Other Comprehensive Income (OCI) for certain components of the net investment result. Together, this discretion can lead to inconsistencies in reported figures across insurers. See, for more, *The Footnotes Analyst*, "IFRS 17 Insurance – More comparability and new insights" (5 September, 2022), available at IFRS 17 Insurance - More comparability and new insights | The Footnotes Analyst [last accessed 20/11/2024], and William Hawkins (Keefe, Bruyette & Woods), "IFRS 17: Some thoughts of a sell-side analyst," presentation from March 20th, 2018, available at Slide 1 [last accessed 20/11/2024].

countries. We expect factors such as the types of insurance contracts and the regulatory and voluntary reporting environments to play a significant role in shaping these outcomes.

First, the impact of IFRS 17 is likely to vary across insurers due differences their contracts. Life insurance contracts, which often span decades and include participation features, will be significantly affected by the Contractual Service Margin (CSM). In contrast, P/C insurers, which deal with shorter-term contracts typically not exceeding one year, can apply the simpler PAA under IFRS 17. Because the PAA closely aligns with existing accounting practices for P/C contracts, the changes introduced by IFRS 17 are expected to be less significant for P/C insurers. As a result, we anticipate that IFRS 17 will lead to a greater improvement in decision-usefulness for L/H insurers than for P/C insurers.

Second, insurers already reporting under Solvency II are likely to experience fewer informational benefits from IFRS 17, as Solvency II's market-consistent valuation practices already incorporate current measurement approaches, enhancing transparency (Gatzert & Heidinger, 2020; Mukhtarov et al., 2022). While IFRS 17 builds on this foundation, its incremental advantages can be less pronounced for these firms than those without similar systems. However, it is important to note that Solvency II follows a balance sheet approach designed for regulatory purposes and does not provide an accounting-based earnings measure, limiting its usefulness in financial performance assessment. Additionally, insurers may face challenges integrating IFRS 17 with Solvency II, due to limited integration between actuarial and financial reporting systems and differing reporting timelines (EFRAG, 2020).

Finally, insurers voluntarily disclosing EV reports may also experience smaller informational benefits from IFRS 17, as EV already employs a market-based current measurement approach to capture the value of the in-force business. While IFRS 17 offers a more standardized and regulated approach, reducing reliance on voluntary non-GAAP measures and lower overall reporting costs

(Beyer et al., 2010; Dye, 1985; Verrecchia, 1983), its incremental advantages may be less significant for these firms. Over time, however, IFRS 17 can lead to a shift away from supplemental reporting methods like EV as financial statement users become more familiar with its standardized metrics.

4 Research design

4.1 Analysis of anticipated effects of IFRS 17

We begin our analysis by investigating the anticipated effects of IFRS 17, following Armstrong et al. (2010), to assess its net benefits and overall impact on investor expectations. To do so, we replicate the studies by Basu and Grace (2022) and Longoni (2019) while expanding the event timeline to include key developments leading up to the final adoption of IFRS 17 in 2023, such as amendments and implementation delays. Moreover, we extend these prior studies by also examining the anticipated effects of IFRS 9 on the insurance industry. Although IFRS 9 was developed earlier, it came into force simultaneously with IFRS 17. To assess its impact, we follow the study of Onali and Ginesti (2014) and use their identified IFRS 9 events but employ market reactions in the insurance sector instead of the banking industry.

IFRS announcements create opportunities to observe anticipatory market reactions as investors and analysts adjust their expectations for the costs and benefits associated with the new standard. The premise is that stock prices should reflect current information and investor expectations of future impacts. In particular, as IFRS 17 represents a substantial shift in insurance accounting, we anticipate that the market will react when the standard is formally adopted, as well as during key milestones in its development and implementation stages. However, we do not expect the same market reaction for IFRS 9, as its impact on insurers is more limited and largely tied to the classification and measurement of financial instruments rather than the recognition and measurement of insurance contracts.

We assess cumulative abnormal returns (CARs) within a three-day window centered around each event (Abarbanell & Bushee, 1998; Armstrong et al., 2010; Khan et al., 2018; Krüger, 2015; Landsman et al., 2012). To address potential uncertainties about the event date, we include the day before and after the event (MacKinlay, 1997).

We focus on daily *CAR*s and estimate the market model parameters using a 50-day estimation period before and after the event, starting 60 (10) days and ending 10 (60) days before (after) each event date. We use the CRSP value-weighted index, the STOXX Europe 600 index, and the LSEG Workspace Total Return Index as the market index. Our results and inferences are robust and independent of the choice of the mentioned indices.[10] We use the LSEG Workspace Total Return index as our primary benchmark due to its availability for the entire sample period, with stock prices retrieved from LSEG Workspace. We calculate the abnormal returns (ARs) for firm *i* and event day *t* as follows:

$$AR_{i,t} = R_{i,t} - \alpha_i - \beta_i \times R_{vw,t} \quad (1)$$

where $R_{i,t}$ stands for the actual firm return, α_i and β_i are estimated market model parameters based on CAPM, and $R_{vw,t}$ stands for the LSEG Workspace Total Return Index return on event day *t*. We compute the CARs as the sum of ARs over the event window [-1, +1].[11] To account for potential cross-sectional dependence arising from correlated shocks affecting all treated firms simultaneously, we cluster standard errors by event.

[10] To address the potential effects of benchmark choice, we use an alternative approach by employing a regulatory benchmark to capture general market developments. Given that recent events coincide with the COVID-19 crisis, a period of significant market volatility, this method controls for broader market effects. Following Armstrong et al. (2010), who used non-IFRS-adopting firms' returns as a benchmark in their study on IFRS adoption in Europe, we adopt a similar strategy. Specifically, we calculate the average return of non-IFRS insurers as a benchmark for each event. we then compute abnormal returns (ARs) for firm i and event day t as follows: $AR_{it} = R_{i,t} - R_{non\text{-}IFRS,t}$ where R*i,t* represents the return for firm *i* on event day *t*, and $R_{non\text{-}IFRS}$ is the average return of non-IFRS insurers on that day.

[11] In addition to calculating a t-statistic that adjusts for event-induced changes in variance, as outlined by Boehmer et al. (1991), we also employ a nonparametric sign test, following Cowan (1992). This approach provides a robust alternative for assessing the statistical significance of abnormal returns, particularly when dealing with non-normal distributions and small sample sizes. The sign test assesses whether the proportion of positive versus negative abnormal returns significantly differs from what would be expected by chance, thereby complementing the parametric t-tests with a nonparametric measure of significance.

To further explore investors' cost-benefit analyses, we use variations across insurer types, regulatory frameworks, and non-GAAP reporting in a cross-sectional regression:

$$CAR_{i,t}=\beta_0+\beta_1 LIFE_i+\beta_2 SOLVENCY\ II_i+\beta_3 EV_i+\beta_5 SOLVENCY+\gamma_n \Sigma CONTROLS_{i,t} \quad (2)$$

where $CAR_{i,t}$ is the three-day cumulative abnormal return for firm i around the event t. $LIFE_i$ is an indicator variable that equals zero for property- and casualty insurers, one for life- and health insurers, two for multiline insurers, and three for reinsurers. $SOLVENCY\ II_i$ is an indicator variable that equals one if the insurer reports under the regulatory framework of Solvency II, and EV_i is an indicator variable that equals one if the insurer voluntarily reports embedded value. Finally, we include *Size*, *Leverage*, *Reserves*, and *Earned Premiums* to control for other insurer-specific factors affecting insurers' stock prices.

4.2 Analysis of informativeness of insurers' financial statements

To examine changes in the decision usefulness of insurers' financial statements before and after adopting IFRS 17, we analyze earnings response coefficients around insurers' quarterly earnings announcements. We focus on earnings announcements because IFRS 17 particularly impacts insurers' earnings, as discussed in the theory section. Additionally, prior research shows that earnings announcements are a dominant source of new information in equity markets (Basu et al., 2013) and that their informational content has significantly increased after 2001 (Beaver et al., 2018).

We employ a difference-in-differences design comparing the earnings response coefficients of insurers that adopted IFRS 17 with those that did not before and after the adoption to assess changes in earnings informativeness. We estimate the earnings response coefficients following Gipper et al. (2020):

$$CAR_{i,t}=\beta_0+\beta_1 UE_{i,t}+\beta_2 POST_t+\beta_3 TREAT_i+\beta_4 UE_{i,t}\times POST_t+\beta_5 UE_{i,t}\times TREAT_i+$$
$$\beta_6 POST_t\times TREAT_i+\beta_7 UE_{i,t}\times POST_t\times TREAT_i+\gamma_n \Sigma CONTROLS_{i,t}+\delta FE+\epsilon \quad (3)$$

where $CAR_{i,t}$ is the three-day cumulative abnormal return for firm i around the earnings announcement date t calculated as in the event study of anticipated effects. $UE_{i,t}$ is the difference between the actual quarterly earnings per share (EPS) and the mean analyst forecast for quarterly EPS. $TREAT_i$ is an indicator variable that equals one if the insurer adopts IFRS 17 and zero otherwise (US GAAP or local GAAP). $POST_t$ is a time indicator that equals one for fiscal year from 2023 onward, and zero otherwise.

We control for firm size, market-to-book ratio, leverage, analyst following, loss, net income, premiums earned, and loss reserves to account for firm-specific characteristics that influence market valuation. Firm size, market-to-book ratio, and leverage capture differences in scale, growth opportunities, and financial risk, respectively. Analysts following controls for variations in information availability, while loss and net income address differences in profitability that can affect investor reactions. Premiums earned and loss reserves account for operational scale and liability profiles specific to insurers. These controls ensure that the observed effects are attributable to IFRS 17 and not confounding firm-level factors. Following Khan et al. (2018), we include country-, firm-, sub-industry-, and year-fixed effects to control for time effects and unobservable heterogeneity across firms. This model determines whether the informativeness of earnings increases following IFRS 17 adoption and how it compares with non-adopting insurers.

In addition, we analyze the quarterly bid-ask spread to assess the impact of IFRS 17 on information asymmetry. The bid-ask spread is measured as the natural logarithm of the quarterly median value of the daily bid-ask spread, scaled by the midpoint of the bid and ask prices. This measure serves as a proxy for information asymmetry, with a greater spread indicating higher asymmetry, i.e., greater uncertainty or disparity in information between informed and uninformed investors (Callahan et al., 1997; Glosten & Milgrom, 1985).

To evaluate IFRS 17's effect on information asymmetry, we use a difference-in-differences regression similar to equation (2):

$$\log(BA)_{i,t}=\beta_0+\beta_1 TREAT_i+\beta_2 POST_t+\beta_3 TREAT_i\times POST_t+\gamma_n \Sigma CONTROLS_{i,t}+\delta FE+\epsilon \quad (4)$$

where log(*BA*) is the natural logarithm of firms' bid-ask spreads. *TREAT*, *POST*, *Controls*, and *fixed effects* are defined as before.

A significant increase in the bid-ask spread post-IFRS 17, as captured by the β_3, suggests that the standard increases information asymmetry, potentially due to the complexity of the new disclosures. Conversely, a decrease implies that IFRS 17 enhances transparency and reduces information asymmetry, facilitating better-informed trading. This metric provides insight into IFRS 17's impact on the insurer's information environment.

For the cross-sectional analysis, we conduct separate regressions to examine the impact of IFRS 17 on the decision usefulness of financial disclosures across different insurer subgroups. Specifically, we partition our sample based on three key dimensions: (1) sub-industry classification (as indicated by the variable $LIFE_i$), and (2) prior reporting practices captured by the regulatory environment (whether the insurer is subject to the Solvency II framework, as denoted by $SOLVII_i$) and voluntary disclosure (whether the insurer previously engaged in voluntary embedded value reporting, denoted by EV_i). This approach provides insights into how IFRS 17's effects vary depending on regulatory frameworks, sub-industry characteristics, and prior disclosure practices, thereby offering a nuanced understanding of the standard's impact on the insurance sector.

For the sub-industry analysis, we split the sample into sub-industry: property and casualty (P/C), life and health (L/H), multiline, and reinsurance companies. We run separate regressions for each sub-industry following the equations (3) and (4). For the prior reporting practices analysis we follow Christensen et al. (2013). We replace the variable TREAT with FirmType, where

FirmType#1 represents the insurer not reporting Solvency II or EV, FirmType#2 stands for insurers reporting Solvency II, and FirmType#3 stands for insurers reporting EV.

4.3 Analysis of investors' disagreement and uncertainty resolution

To assess the impact of IFRS 17 on investors' information processing, we draw on research methods from studies on investors' disagreement and uncertainty resolution around earnings announcements (Balakrishnan et al. (2022), Barth et al. (2020), and Bushman et al. (2010)). We estimate three measures to evaluate the speed of resolution of investor disagreement and uncertainty.

As a first measure, we adopt Barth et al. (2020) *EA_VOLM* model to measure the proportion of earnings announcement trading volume that occurs in the initial announcement period resolving investor disagreement. The model captures abnormal trading volume by calculating the proportion of trading activity concentrated around the immediate earnings announcement window relative to a longer period. The *EA_VOLM* metric is defined as:

$$EA\_VOLM_{i,t} = \sum_{d=-1}^{2} VOLM_{i,t,d} / \sum_{d=-1}^{20} VOLM_{i,t,d} \quad (5)$$

where $VOLM_{i,t,d}$ is the daily trading volume for firm i, scaled by outstanding shares, over days d = -1 to 20 relative to the earnings announcement date (day d = 0). The numerator reflects trading activity within the immediate announcement window [-1, +2], while the denominator captures volume over the 22-day announcement period. A low EA_VOLM ratio indicates dispersed trading activity over a longer period around the earnings announcement, suggesting greater investor disagreement.

The second measure, *IPT_VOLM*, is based on Balakrishnan et al. (2022) and Bushman et al. (2010). This metric captures the speed of investor disagreement resolution by examining how quickly trading volume reflects available information after an earnings announcement. The *IPT_VOLM* formula is:

$$IPT_{VOLM_{i,t}} = \sum_{d=-1}^{20} \left(\frac{CUM_{VOLM_{i,t,d}}}{CUM_{VOLM}} \right) + \frac{1}{2} \quad (6)$$

where $CUM\_VOLM_{i,t,d}$ is the cumulative trading volume for firm *i* from day -2 to day *d* relative to the earnings announcement, and *CUM_VOLM* is the total cumulative volume over the full window [-2,+20].

This measure calculates the area under the volume curve, reflecting how quickly information is absorbed. A higher (lower) *IPT_VOLM* value suggests faster (slower) resolution of investor disagreement, as trading activity is more (less) concentrated early in the window.

The third measure, *EA_VOLA*, from Barth et al. (2020), captures abnormal trading volatility by calculating the proportion of equity volatility that occurs in the initial announcement period. It helps us assess uncertainty, specifically how quickly the market reaches a consensus on a firm's value after releasing new information. The *EA_VOLA* formula is:

$$EA\_VOLA_{i,t} = \sum_{d=-1}^{2} VOLA_{i,t,d} \,/\, \sum_{d=-1}^{20} VOLA_{i,t,d} \quad (7)$$

where $VOLA_{i,t,d}$ is the square of the abnormal stock return for firm *i* on day *d* around the earnings announcement. Abnormal returns are calculated as described in equation (1). The ratio measures the proportion of return volatility concentrated in the immediate announcement window [-1, +2] relative to the entire period [-1, +20]. A higher (lower) *EA_VOLA* indicates faster (slower) uncertainty resolution, as more volatility is concentrated in the initial days.

To analyze the impact of IFRS 17 on investor behavior and market reactions, we plug the three measures—*EA_VOLM*, *IPT_VOLM*, and *EA_VOLA*—into a difference-in-differences regression framework. Each measure serves as the dependent variable in a separate regression, allowing us to examine distinct aspects of investor response to IFRS 17.

$$Outcome_{i,t} = \beta_0 + \beta_1 POST_t + \beta_2 TREAT_i + \beta_3 POST_t \times TREAT_i + \gamma_n \Sigma CONTROLS_{i,t} + \delta FE \quad (8)$$

where $Outcome_{i,t}$ represents one of the three dependent variables: *EA_VOLM*, *IPT_VOLM*, or *EA_VOLA* for firm *i* in quarter *t*. *TREAT*, *POST*, *Controls*, and *Fixed Effects (FE)* are defined as

before. The coefficient on the interaction term, β_3, indicates whether IFRS 17 significantly affects disagreement and uncertainty resolution around earnings announcements of insurers.[12]

For the cross-sectional analysis, we conduct separate regressions to examine the impact of IFRS 17 on information processing across different insurer subgroups, following the principles outlined in section 4.2.

5 Data, sample selection, and summary statistics

We begin with a comprehensive set of publicly listed insurance firms identified from 2010 through 2024 via both LSEG Workspace and S&P Capital IQ, yielding an initial sample of 1,225 unique firms. To ensure completeness, we cross-reference both databases, as some insurers appear in only one source. This matching process produces a unified sample, which forms the basis for our analysis of IFRS 17 adoption.

We apply several filters to refine this initial set of firms based on market activity and data availability, as shown in Table 1.[13] First, we remove firms with duplicate listings by consolidating those sharing identical ISINs, reducing the sample by eight firms. Next, we exclude insurers delisted before 2023 to maintain a current and representative sample. This step further reduces the sample by 397 firms, leaving us with 820 actively listed insurers as of 2023.

We prioritize firms with available financial and market data to ensure data completeness. We source capital market data from LSEG Workspace, excluding 96 firms that lack sufficient market information, which is essential for assessing IFRS 17's capital market effects. Lastly, we exclude insurers if we cannot identify the accounting standard and those not covered in I/B/E/S, from which we retrieve analysts' earnings forecasts.

[12] This approach allows us to assess the effects on investor disagreement, price discovery speed, and uncertainty resolution separately.

[13] Table 1 provides a detailed breakdown of each stage in the sample refinement process, presenting a clear view of the progression from the initial pool of insurers to our final dataset and supporting the transparency and replicability of our selection process.

Our final sample comprises 575 publicly listed insurers with financial data, earnings forecast data from I/B/E/S, Solvency II metrics, and embedded value (EV) data obtained from S&P Capital IQ. Of these firms, 115 insurers report under US GAAP, 140 follow local GAAP, and the remaining 320 firms adhere to IFRS.

Table 2 presents summary statistics for key variables in our analysis, including measures of market activity (e.g., abnormal volume, bid-ask spreads), firm characteristics (e.g., size, leverage, market-to-book ratio), and earnings metrics (e.g., loss reserves, earned premiums, net income).

The descriptive statistics indicate no significant differences between the treatment and control groups for most firm characteristics and independent variables. For example, variables such as firm size, leverage, and market-to-book ratio are statistically similar across groups, suggesting that the sample is well-balanced regarding baseline characteristics. These findings support the validity of our control group in isolating the effects of IFRS 17.

In contrast, differences can be observed in the dependent variables. For instance, treated firms exhibit lower mean CAR (0.002) compared to the control group (0.004).

6 Empirical results

6.1 Analysis of anticipated effects of IFRS 17

Table 3 presents the results of event study analyses related to IFRS 17 and IFRS 9. Panel A reports univariate analyses of mean cumulative abnormal returns (CARs) around key events in IFRS 17's development. Panel B summarizes results of IFRS 9 events, while Panel C presents the multivariate analyses.

Panel A compares the mean CARs across treatment and control groups. Treated firms (IFRS insurers) exhibit a significant mean CAR of −0.0038, while the control group (non-IFRS insurers) shows an insignificant mean CAR of 0.0002. A paired t-test confirms a significant difference in CARs between treated and control firms ($p = 0.063$, $t=2.011$). The sub-industry analysis reveals

that treated firms experience consistently significant negative CARs across all subindustries, with reinsurance firms showing the largest negative reaction (−0.0084). In contrast, control firms exhibit no significant changes, except in the reinsurance subgroup, where we observe a smaller but significant CAR of −0.0050. These findings align with Basu and Grace (2022) and Longoni (2019), supporting the argument that market participants anticipated significant net costs associated with IFRS 17 implementation.

Panel B presents the mean CARs for events surrounding the adoption of IFRS 9, comparing treatment and control groups following Onali and Ginesti (2014). Treated firms (IFRS insurers) exhibit a positive but insignificant mean CAR of 0.0019, while the control group (non-IFRS insurers) also shows an insignificant mean CAR of -0.0002. We find no significant difference in CARs between treated and control firms ($p = 0.157$, $t=1.473$). These results suggest that market participants do not anticipate significant net benefits associated with the implementation of IFRS 9 for IFRS insurers.

Panel C examines the determinants of cumulative abnormal returns (CARs) for treated firms using a multivariate regression approach. Across all specifications, the results are largely insignificant, indicating that firm-specific and subindustry characteristics do not strongly influence the market reaction to IFRS 17-related events. For example, while P/C insurers exhibit a negative coefficient (−0.003) and Solvency II-compliant firms show a positive coefficient (0.008), neither result is statistically significant. Similarly, the coefficients for L/H insurers and firms with prior embedded value (EV) reporting are small and insignificant, suggesting limited heterogeneity in CARs across subgroups.

The market reactions to IFRS 17 are broadly consistent across treated firms, with no significant variation attributable to firm-specific or sub-industry characteristics, demonstrating that the market perceives IFRS 17 developments as predominantly negative for insurers. The findings suggest that

market participants anticipated implementation costs and complexity, among other aspects, of IFRS 17 to outweigh the potential benefits.

Appendix B details the CARs for 16 key events during IFRS 17's development, ranging from the IASB's re-exposure of proposals to the final endorsement of the standard in the EU. Events that increase the likelihood of IFRS 17 adoption generally result in negative CARs for insurers. For instance, the re-exposure of proposals on June 20, 2013, resulted in a significant CAR of −0.0050, while the announcement of amendments to aid implementation on June 26, 2019, yielded a significant positive CAR of 0.0029.

Overall, the findings show that market participants react negatively (positively) to events that increase (decrease) the likelihood of IFRS 17 adoption, while IFRS 9 elicits no significant response. This suggests that applying IFRS 17 imposes significant net costs on insurers compared to IFRS 9. Therefore, our further analyses focus on the early effects of IFRS 17.

6.2 Analysis of earnings informativeness

Table 4 presents the regression results examining the earnings response coefficients (ERCs), which capture the market's reaction to unexpected earnings (UE). The analysis focuses on the interaction term POST×TREAT×UE, which measures the incremental impact of IFRS 17 on the decision-usefulness of earnings. The results are divided into three panels: the full sample (Panel A), sub-industry effects (Panel B), and subsamples based on reporting characteristics (Panel C).

Panel A reports a positive and statistically significant interaction term POST×TREAT×UE across specifications, with a coefficient of 0.006 in the baseline model (Column (1)). This result suggests that IFRS 17 adoption enhances the market's sensitivity to unexpected earnings for treated firms, indiating an improvement in the decision-usefulness of earnings information. The insignificant coefficients on POST×UE and TREAT×UE imply that the observed effect is driven by the combined impact of IFRS 17 implementation and earnings surprises, rather than either

factor alone. However, the magnitude of the estimates should be interpreted cautiously, as ERCs are noisy and difficult to measure (Gipper et al., 2020).

Panel B examines subindustries, including property and casualty (P/C), life and health (L/H), multiline, and reinsurance companies. The results reveal substantial heterogeneity in the market's response to earnings surprises across these groups. For L/H insurers, the interaction term POST×TREAT×UE is positive and significant, with a coefficient of 0.017, suggesting stronger earnings informativeness following IFRS 17 adoption. In contrast, the results for P/C, multiline, and reinsurance firms do not show statistically significant changes in earnings informativeness.

Panel C examines the role of prior regulatory and voluntary reporting practices by examining Solvency II compliance and Embedded Value (EV) reporting. The results show that firms not subject to Solvency II reporting and those without prior EV reporting (FirmType#1) benefit the most from IFRS 17 adoption. The interaction term POST×TREAT×UE is positive and significant, with a coefficient of 0.007, suggesting that IFRS 17 enhances decision-usefulness primarily for firms that did not previously apply regulatory or voluntary market-consistent reporting. In contrast, Solvency II- and EV-compliant firms do not exhibit significant changes in earnings informativeness around IFRS 17 adoption.

As an additional robustness check (untabulated), we re-estimate the CARs using alternative event windows (e.g., [-2;+2]) and compare these results with the initial findings from the univariate and cross-sectional analyses. The results remain robust to variation in event windows, verifying the consistency and reliability of the inferences. Furthermore, we apply the same cross-sectional approach to the Solvency II and EV subsample as we did for subindustries (in Table 4 Panel B), splitting the sample (untabulated). Although the smaller sample sizes limit statistical power, the separate regressions yield similar results.

These findings suggest that IFRS 17 enhances the decision-usefulness of earnings primarily for firms less accustomed to sophisticated reporting frameworks, such as non-Solvency II and non-EV reporters. In contrast, its incremental benefits are less pronounced for firms already operating under comparable regulatory or reporting structures. This highlights variations in IFRS 17's information benefits based on firms' prior practices and regulatory environments.

Table 5 presents the regression results analyzing the effects of IFRS 17 adoption on the bid-ask spread, a widely used proxy for information asymmetry. The bid-ask spread reflects the cost of trading and is influenced by the availability and quality of public information. A narrowing of the spread post-adoption would indicate improved decision-usefulness of financial disclosures, while a widening spread may signal increased complexity or reduced transparency. The analysis is structured across three panels: the full sample (Panel A), sub-industry effects (Panel B), and reporting characteristics (Panel C).

Panel A provides results for the full sample, capturing the overall effect of IFRS 17 adoption. We do not find significant results, suggesting that market-wide bid-ask spreads did not significantly change after 2023. However, the large positive TREAT coefficient suggests that IFRS 17 firms initially had higher bid-ask spreads. This aligns with Table 2, where IFRS-adopting firms exhibited higher bid-ask spreads (-5.947 vs. -5.543 for non-IFRS firms), possibly because they were less transparent before IFRS 17.

Panel B examines the effects of IFRS 17 adoption across subindustries. For L/H and multiline insurers, the interaction term POST×TREAT is negative and significant (−0.063 and −0.202, respectively), indicating a notable reduction in information asymmetry under IFRS 17. In contrast, property and casualty (P/C) insurers and reinsurers do not exhibit significant changes in the bid-ask spread, implying that IFRS 17 had a limited impact on information asymmetry for these firms.

Panel C explores differences based on regulatory and reporting practices, specifically Solvency II compliance and EV reporting. Firms not subject to Solvency II or EV experience a significant reduction in the bid-ask spread (FirmType#1). In contrast, Solvency II and EV-compliant firms (FirmType#2 & 3) show no significant change, likely due to the overlap between IFRS 17 and Solvency II frameworks.

The average log(Bid-Ask Spread) in the sample is -5.403, corresponding to an actual bid-ask spread of approximately 0.0045 (or 45 basis points). Following IFRS 17 adoption, L/H insurers experienced a 6.3% decline, reducing the bid-ask spread from 0.0045 to 0.0042, indicating modest improvements in market liquidity. The strongest effect appears for firms not previously reporting under market-consistent regulatory or voluntary reporting regimes (FirmType#1), where bid-ask spreads declined by 30-35% ($p<0.01$), translating to a drop from 0.0045 to approximately 0.0029, suggesting a substantial reduction in transaction costs and enhanced price efficiency.

Overall, these results suggest that IFRS 17 improvements were most pronounced for L/H and multiline insurers and firms not subject to Solvency II or prior EV reporting, suggesting that IFRS 17 delivers the greatest benefits to firms lacking similar reporting practices for long-term contracts.

6.3 Analysis of the speed of investors' disagreement and uncertainty resolution

Table 6 presents the regression results analyzing the effects of IFRS 17 adoption on measures of the speed of disagreement and uncertainty surrounding earnings announcements. Specifically, the analysis focuses on three key dependent variables: EA_VOLM (abnormal trading volume during earnings announcement periods), IPT_VOLM (intra-period timeliness of trading volume), and EA_VOLA (abnormal return volatility around earnings announcements). The table reports results for both baseline models and models including fixed effects (e.g., firm, year, sub-industry, and country), with robust t-statistics in parentheses.

The results for EA_VOLM (Columns 1–2) indicate that IFRS 17 adoption significantly slows the speed of investor disagreement resolution around earnings announcements for treated firms. Specifically, the interaction term POST×TREAT is negative and statistically significant in both specifications (Column 1: −0.018; Column 2: −0.020). Similarly, the results for IPT_VOLM (columns 3–4) provide further evidence of the speed of a slower resolution of disagreement for treated firms post-IFRS 17, as indicated by the negative and significant interaction terms POST×TREAT (−7.094; −7.218). This may reflect the increased complexity of IFRS 17, which could delay the assimilation of information.

Columns 5 to 6 show the results for EA_VOLA measuring the speed of investor uncertainty resolution around earnings announcements. The interaction term POST×TREAT is insignificant in both specifications, suggesting that IFRS 17 adoption does not materially affect uncertainty resolution for treated firms relative to control firms. This finding suggests that IFRS 17 did not result in a delay in the market's ability to reach a consensus on the firm value implications of the earnings news. Overall, the results in Table 6 Panel A imply that while investor disagreement persisted longer, overall market uncertainty remained unaffected by IFRS 17 adoption.

In Table 6 Panel B, we observe a reduced speed in the resolution of investor disagreement only for L/H insurers following the adoption of IFRS 17, as measured by EA_VOLM and IPT_VOLM, but not for other subindustries. Furthermore, in Table 6 Panel C, we find that firms not subject to Solvency II and those without prior EV reporting (FirmType#1) exhibit a slower resolution speed of investor disagreement, specifically when measured using EA_VOLM. However, no significant results emerge when using IPT_VOLM or EA_VOLA.

Across our models, we find that IFRS insurers reporting under Solvency II or those with prior EV reporting (FirmType#2 & 3) demonstrate a higher resolution speed of investor disagreement and reduced uncertainty around earnings announcements before the IFRS 17 implementation.

While these findings are not uniformly significant across all models (partially untabulated), they suggest that Solvency II and EV reporting contribute to resolving investor disagreement and uncertainty surrounding earnings announcements, independently of GAAP reporting.

Collectively, our results highlight the mixed effects of IFRS 17, with improvements in decision-usefulness metrics potentially offset by lingering complexity. Therefore, the results should be carefully evaluated, as we cannot predict whether the costs of complexity prevail over the information benefits (Blankespoor et al., 2020).

7 Additional analyses

7.1 Analysis of trends of earnings response coefficients

In this section, we conduct additional analyses to provide further insights into the effects of IFRS 17 on earnings informativeness. These analyses examine the time-varying impact of IFRS 17 adoption on cumulative abnormal returns (CARs) and explore potential heterogeneity in its effects across different dimensions.

Table 7 investigates market reactions to earnings surprises over time, using a difference-in-differences framework with interaction terms for each year (Fiechter et al., 2022)). The base year is 2019, which predates both the initial application of IFRS 17 and the onset of the COVID-19 pandemic, offering a clean benchmark for comparison. The dependent variable is cumulative abnormal returns (CARs), measured over a three-day earnings announcement window [-1, +1].

The results show a significant and positive effect for treated firms in 2023, the first full year of IFRS 17 implementation. The interaction term 2023×TREAT×UE is consistently positive across all specifications, with coefficients ranging from 0.007 to 0.010 and significant at the 5% level. This suggests that IFRS 17 enhances the decision-usefulness of earnings, leading to a stronger market response to earnings surprises during the adoption year.

The interaction terms for earlier years (2020, 2021, and 2022) are statistically insignificant, indicating no measurable changes in the market's reaction to earnings surprises before IFRS 17's effective date. The absence of significant results for the pre-adoption period suggests no pre-trend in the market's reaction, supporting the parallel trend assumption required for the validity of the difference-in-differences approach. Similarly, the interaction term for 2024 is insignificant. However, this result is likely due to limited data availability, as the 2024 observations only cover quarterly earnings announcements. This restriction likely reduces the statistical power, making it more difficult to detect meaningful effects for the post-implementation period.

We employ the same analysis at the sub-industry level and for firms categorized by Solvency II compliance and prior embedded value (EV) reporting (untabulated) and obtain similar results, with the IFRS 17 effect emerging in 2023. These findings reinforce our inference that IFRS 17's impact on the decision-usefulness of earnings varies based on firm-specific and regulatory characteristics.

7.2 Market reaction to changes in ECB interest rates

Given the significant impact of interest rate fluctuations on insurers' financial performance, we extend our analysis to examine how the market responds to changes in the European Central Bank (ECB) interest rates. Unlike firm-specific earnings announcements, ECB rate changes are exogenous events that uniformly affect all firms, providing a potentially cleaner test of market reactions to external economic shocks.

Table 8 presents the regression results analyzing the market reactions to ECB interest rate changes (Δr) using a difference-in-differences framework. The dependent variable is cumulative abnormal returns (CARs), measured over a three-day window [-1, +1] centered on ECB monetary policy announcements. The interaction term POST×TREAT×Δr captures the incremental market reaction to ECB rate changes for treated firms (IFRS-reporting insurers) after adopting IFRS 17.

The results indicate a significant and positive coefficient for the interaction term in the post-IFRS 17 period, suggesting that the market's sensitivity to interest rate changes has increased for IFRS-reporting insurers after adopting the new standard. This finding aligns with prior literature highlighting L/H insurers' heightened interest rate sensitivity due to their asset-liability structures (Berends et al., 2013; Brewer III et al., 2007). Moreover, the results suggest that investors may have more information about insurers' interest rate exposures following adopting IFRS 17, leading to stronger market reactions to interest rate changes.

However, we interpret these results with caution. Other macroeconomic or industry-specific factors coinciding with the IFRS 17 adoption period could influence the observed effect. Nonetheless, the findings support the argument that IFRS 17 improves the transparency and decision-usefulness of financial statements related to insurers' interest rate sensitivities, thereby enhancing market responsiveness to monetary policy changes.

8 Conclusion

This study examines the impact of IFRS 17 on the decision-usefulness of financial information in the insurance industry, focusing on earnings informativeness, investor asymmetry, and information processing. Our findings suggest that IFRS 17 enhances the informativeness of earnings announcements, as reflected in improved earnings response coefficients (ERCs), with stronger effects for L/H insurers and firms previously lacking market-consistent reporting frameworks like Solvency II or EV reporting. Similarly, we find that IFRS 17 reduces information asymmetry, but only for L/H insurers and firms not previously subject to Solvency II or EV reporting, suggesting that its transparency benefits are conditional on insurers' type and prior reporting practices. Beyond these direct effects, our findings suggest that IFRS 17 enhances financial reporting where transparency gaps exist, reinforcing the value of a market-consistent approach in better reflecting economic changes. However, its limited impact on firms with existing

market-consistent reporting—whether regulatory or voluntary—highlights the reduced incremental benefits of mandatory reporting regimes for these firms.

Further, the complexity of IFRS 17 presents challenges for investors' information processing, leading to slower resolution of investor disagreement and potentially dampening the intended benefits, at least in the short term. This highlights a key trade-off: while IFRS 17 enhances decision-usefulness for some insurers, its reliance on managerial estimates and actuarial assumptions may increase estimation uncertainty, affecting transparency and comparability across firms. As firms and market participants adapt, the long-term effects of IFRS 17 will depend on how well investors adjust to the new reporting environment and whether standard-setters refine guidance to mitigate complexity-related concerns.

This study is subject to certain limitations. First, although we do not find a significant market reaction of insurers to IFRS 9 events, its concurrent implementation with IFRS 17 may still influence our results, making it difficult to fully disentangle the effects of first-time adoption. Second, our analysis is constrained by the limited availability of post-implementation data, particularly for later periods, which may restrict the ability to capture long-term effects. Third, our findings are based on publicly available data, which may not fully reflect firm-specific differences in IFRS 17 implementation. Finally, although our sample captures a broad range of insurers, cross-country heterogeneity in adoption practices may introduce additional complexity.

Despite these limitations, our results provide valuable insights into how IFRS 17 reshapes financial reporting in the insurance sector and impacts capital markets. This study contributes to the ongoing discourse on the decision-usefulness of accounting information and offers a foundation for future research as more post-implementation data become available.

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Appendix A. Variable Descriptions

Name	Definition
Outcome Variables	
$CAR_{i,t}$	Three-day cumulative abnormal return for firm *i* around the event *t* using a market-adjusted returns model.
log(*BA*)	Proxy for information asymmetry; measured as the natural logarithm of firm *i* quarterly median value of the daily bid-ask spreads during the observation period, scaled by the midpoint of the bid and ask prices.
EA_VOLM	Abnormal trading volume during the earnings announcement window, calculated as the volume in the period (-1, +2) divided by the volume in the longer window (-1, +20).
EA_VOLA	Abnormal return volatility during the earnings announcement window, calculated as the volatility in the period (-1, +2) divided by the volatility in the longer window (-1, +20).
IPT_VOLM	Intra-period timeliness of volume, reflecting the proportion of total trading volume concentrated in the immediate earnings announcement window (-1, +2).
Independent Variables	
$POST_t$	Time indicator that equals one if the fiscal year is equal to 2023 (post-IFRS 17 implementation period) and zero otherwise.
$TREAT_i$	Indicator variable that equals one if the company adopts IFRS 17 and zero otherwise.
$UE_{i,t}$	Difference between the actual quarterly EPS and the mean analyst forecast for quarterly EPS for firm *i* after the event *t*
$LIFE_i$	Indicator variables for subindustries (e.g., life and health, property and casualty, multiline insurers, and reinsurance).
$SOLVENCY\ II_i$	Indicator variable that equals one if the insurer *i* reports is subject to the Solvency II regulatory framework. and zero otherwise
EV_i	Indicator variable that equals one if the insurer *i* voluntarily reported embedded value metrics before IFRS 17 adoption and zero otherwise
Size	Natural logarithm of market capitalization, used as a proxy for firm scale and visibility.
MtB	Market-to-Book Ratio: Proxy for growth opportunities, calculated as the market value of equity divided by the book value of equity.
Leverage	Financial risk indicator, measured as natural logarithm of total liabilities divided by total assets.
NetIncome	Firm's reported net income, used to measure profitability and financial performance.
LOSS	Dummy variable indicating whether the firm reported a net loss in the period (1 = net loss; 0 = net profit).
PremiumsEarned	Total earned premiums for the period, reflecting the revenue generated from insurance contracts.
Reserves	Total reserves held by the firm for future claims, reflecting liabilities from insurance contracts.
Analyst Following	Number of analysts covering the firm, used as a proxy for market attention and information environment.

Appendix B. Detailed Event Study on Market Reactions to IFRS 17 Developments

This table reports CARs for 16 IFRS 17 events presenting the results of an event study analyzing market reactions to key IFRS 17 development milestones. The dependent variable is cumulative abnormal returns (CARs), calculated using a market-adjusted returns model over event windows centered on significant IFRS 17-related announcements. CARs are computed over a three-day window ([-1, +1]), where day 0 represents the event date. The reported CARs capture the aggregate market response for insurers, with t-statistics indicating whether the reaction is statistically significant. Robust t-statistics are reported in the last column. Statistical significance is denoted by ***, **, and *, corresponding to the 1%, 5%, and 10% levels, respectively.

Cumulative Abnormal Returns (CARs) by Event

Event Date	Description	Effect	CAR	t-stat
June 20, 2013	IASB re-exposes proposals on insurance contracts.	Increase	-.0050**	-1.999
February 20, 2014	FASB abandons convergence with IASB on insurance contracts.	Decrease	.0009	0.457
March 16, 2015	IASB updates insurance project; new standard expected after 2015.	Increase	-.0081***	-3.739
September 15, 2015	IASB is considering deferring IFRS 9 for insurers.	Decrease	.0008	-0.390
September 24, 2016	IASB expects the final insurance standard by March 2017.	Increase	-.0070***	-4.621
May 18, 2017	IASB issues IFRS 17, effective January 1, 2021.	Increase	.0006	0.389
November 3, 2018	IASB agenda includes possible deferral of IFRS 17 effective date.	Decrease	.0038**	-2.373
November 14, 2018	IASB tentatively defers IFRS 17 effective date to January 1, 2022.	Decrease	-.0026	1.466
June 26, 2019	IASB consults on amendments to support IFRS 17 implementation.	Increase	.0029**	2.107
March 17, 2020	IASB sets new IFRS 17 effective date: January 1, 2023.	Increase	-.0188***	-4.597
June 25, 2020	IASB issues amendments to IFRS 17 to aid implementation.	Increase	-0.0022	-1.190
March 31, 2021	EFRAG submits Final Endorsement Advice on IFRS 17 to EU Comm.	Increase	.0012	0.704
July 19, 2021	IFRS 17 endorsement progresses in EU.	Increase	-.0092***	-6.512
July 28, 2021	IASB proposes amendment to IFRS 17/IFRS 9 transition requirements.	Decrease	.0032**	-2.237
November 19, 2021	EU endorses IFRS 17, including June 2020 amendments.	Increase	-.0093***	-5.007
February 1, 2022	EFRAG completes due process on IFRS 17/IFRS 9 comparative information.	Increase	-0.0018	-1.138

TABLES

Table 1: Sample selection and distribution

This table reports the selection steps of the initial sample selection for our insurance sample in Panel A. Panel B provides an overview of the distribution of the number of IFRS and non-IFRS insurance firms by country in our sample in 2023.

Panel A: Sample selection criteria

	Unique firms	Share
Total public insurers (since 2010)	1225	100%
- duplicates in terms of ISIN	-8	-1%
- delistings until 2023	-397	-32%
Listed public insurers in 2023	820	67%
- no capital market data	-96	-8%
Public insurers with available returns	724	59%
- accounting standard not identifiable	-6	
- I/B/E/S forecast data missing	-143	-12%
Public insurers with complete data	575	47%
- US GAAP insurers	-115	-9%
- Local GAAP insurers	-140	-11%
IFRS insurers	320	26%

Panel B: Sample Composition for IFRS Adoption Countries

Country	Firms	Share	Country	Firms	Share	Country	Firms	Share
UAE	27	8.44%	Syria	5	1.56%	Russia	2	0.63%
Saudi A.	26	8.13%	Switzerl.	4	1.25%	Slovenia	2	0.63%
Jordan	19	5.94%	Cyprus	3	0.94%	Zambia	2	0.63%
UK	16	5.00%	France	3	0.94%	Belgium	1	0.31%
S. Korea	15	4.69%	Italy	3	0.94%	Botswana	1	0.31%
Taiwan	13	4.06%	Mauritius	3	0.94%	Bulgaria	1	0.31%
Canada	12	3.75%	Morocco	3	0.94%	Chile	1	0.31%
Australia	11	3.44%	Nigeria	3	0.94%	Greece	1	0.31%
Oman	9	2.81%	Poland	3	0.94%	Hong K.	1	0.31%
Pakistan	9	2.81%	Singapore	3	0.94%	Hungary	1	0.31%
S. Africa	9	2.81%	Spain	3	0.94%	Iceland	1	0.31%
Israel	8	2.50%	Austria	2	0.63%	Indonesia	1	0.31%
Malaysia	8	2.50%	Bosnia H.	2	0.63%	Ireland	1	0.31%
China	7	2.19%	Croatia	2	0.63%	Isle Man	1	0.31%
Kuwait	7	2.19%	Denmark	2	0.63%	Malawi	1	0.31%
Palestine	7	2.19%	Finland	2	0.63%	Malta	1	0.31%
Bermuda	6	1.88%	Ghana	2	0.63%	Namibia	1	0.31%
Brazil	6	1.88%	Jamaica	2	0.63%	New Zeal.	1	0.31%
Germany	6	1.88%	Kazakhs.	2	0.63%	Serbia	1	0.31%
Kenya	6	1.88%	Netherl.	2	0.63%	Sweden	1	0.31%
Qatar	6	1.88%	Norway	2	0.63%	Trinidad	1	0.31%
Bahrain	5	1.56%	Peru	2	0.63%	**Total**	**320**	**100%**

(Table continued on next page)

Table 1 (Continued)

Panel C: Sample Composition for non-IFRS Adoption Countries

Country	Firms	Share	Country	Firms	Share	Country	Firms	Share
US	90	35.29%	Turkey	6	2.35%	B.Virgin I	1	0.39%
Indonesia	20	7.84%	China	5	1.96%	Colombia	1	0.39%
Japan	20	7.84%	Tunisia	5	1.96%	Germany	1	0.39%
Thailand	20	7.84%	Mexico	4	1.57%	Italy	1	0.39%
Bermuda	15	5.88%	Hong K.	3	1.18%	Philippine	1	0.39%
Pakistan	13	5.10%	Switzerl.	3	1.18%	Poland	1	0.39%
Vietnam	12	4.71%	Egypt	2	0.78%	Romania	1	0.39%
India	11	4.31%	Ireland	2	0.78%	Russia	1	0.39%
Cayman I.	6	2.35%	Morocco	2	0.78%			
Peru	6	2.35%	Oman	2	0.78%	**Total**	**255**	**100%**

Table 2: Descriptive statistics

This table reports summary statistics for the key variables used to analyze IFRS 17 adoption. The variables are categorized into dependent variables and independent variables. For each variable, the table provides the number of observations (N), mean, median, and standard deviation (SD) (and the 25th and 75th percentiles for panel A). All continuous variables are winsorized at the 1% and 99% levels to mitigate the influence of outliers.

Panel A: Summary statistics for the entire sample

Variable	N	Mean	S.D.	P25	P50	P75
Dependent Variables						
CAR	5134	0.003	0.048	-0.026	0.003	0.032
log _AVOL	5128	0.167	0.405	-0.070	0.155	0.392
log _AVAR	5131	0.554	0.997	-0.111	0.580	1.249
log_Bid-Ask	5059	-5.403	1.909	-6.793	-5.557	-3.784
EA_VOLM	5088	0.234	0.073	0.188	0.229	0.274
IPT_VOLM	5098	14.948	3.115	13.946	14.929	15.856
EA_VOLA	5098	0.355	0.217	0.177	0.324	0.513
Continuous independent variables						
UE	5134	0.008	0.995	-0.113	0.007	0.160
Size	5134	15.415	1.638	14.297	15.566	16.624
Leverage	5134	-0.302	0.311	-0.366	-0.229	-0.094
Market-to-Book	5134	2.219	3.317	0.931	1.331	2.069
Analyst Coverage	5055	6.057	5.322	2.000	4.000	9.000
Employes	5063	20379	41703	1079	5339	22233

Panel B: Summary statistics for the treatment and control group

	IFRS insurer *TREAT* = 1				non-IFRS insurer *TREAT* = 0			
Variable	**N**	**Mean**	**S.D.**	**P50**	**N**	**Mean**	**S.D.**	**P50**
Dependent Variables								
CAR	1764	0.002	0.043	0.000	3334	0.004	0.051	0.004
log _AVOL	1763	0.163	0.431	0.158	3329	0.166	0.389	0.151
log _AVAR	1763	0.407	1.003	0.435	3332	0.629	0.985	0.653
log_Bid-Ask	1748	-4.957	1.674	-5.249	3311	-5.954	2.033	-6.192
EA_VOLM	1758	0.224	0.071	0.220	3330	0.239	0.073	0.233
IPT_VOLM	1764	14.734	1.864	14.773	3334	15.061	3.601	15.018
EA_VOLA	1764	0.324	0.210	0.290	3334	0.371	0.219	0.343
Continuous independent variables								
UE	1764	-0.008	0.899	0.000	3334	0.016	1.046	0.015
Size	1764	15.898	1.348	16.081	3334	15.178	1.718	15.346
Leverage	1764	-0.226	0.267	-0.118	3334	-0.343	0.327	-0.263
Market-to-Book	1764	1.781	1.825	1.278	3334	2.446	3.875	1.367
Analyst Coverage	1714	3.866	3.343	3.000	3306	7.235	5.784	6.000
Employes	1721	31591	57622	11956	3306	14760	28886	3400

(Table continued on next page)

Table 2 (Continued)

Panel C: Summary statistics by subindustry

	Property & Casualty Insurance				Life & Health Insurance			
Variable	**N**	**Mean**	**S.D.**	**P50**	**N**	**Mean**	**S.D.**	**P50**
Dependent Variables								
CAR	2370	0.005	0.050	0.006	1379	0.001	0.043	0.001
log _AVOL	2369	0.167	0.408	0.157	1376	0.142	0.396	0.129
log _AVAR	2370	0.636	1.002	0.654	1376	0.397	0.984	0.449
log_Bid-Ask	2354	-5.614	1.833	-5.738	1371	-5.649	1.751	-5.787
EA_VOLM	2367	0.236	0.074	0.232	1374	0.224	0.069	0.221
IPT_VOLM	2370	15.016	4.078	14.944	1379	14.770	1.946	14.81
EA_VOLA	2370	0.376	0.221	0.348	1379	0.319	0.203	0.291
Continuous independent variables								
UE	2370	0.042	1.018	0.015	1379	-0.001	0.573	0.000
Size	2370	14.938	1.647	15.102	1379	16.172	1.223	16.278
Leverage	2370	-0.386	0.307	-0.312	1379	-0.125	0.175	-0.071
Market-to-Book	2370	2.032	2.802	1.430	1379	1.775	2.241	1.116
Analyst Coverage	2341	5.686	4.887	4.000	1350	5.653	5.077	3.000
Employes	2339	11536	24605	2290	1368	38316	64091	17470

	Multiline Insurance				Reinsurance			
Variable	**N**	**Mean**	**S.D.**	**P50**	**N**	**Mean**	**S.D.**	**P50**
Dependent Variables								
CAR	959	0.002	0.050	0.004	390	-0.001	0.046	-0.002
log _AVOL	957	0.210	0.414	0.206	390	0.120	0.363	0.116
log _AVAR	959	0.591	0.984	0.634	390	0.494	0.975	0.532
log_Bid-Ask	949	-4.937	2.006	-4.549	385	-5.402	2.036	-5.429
EA_VOLM	957	0.246	0.078	0.238	390	0.229	0.062	0.226
IPT_VOLM	959	15.09	1.968	15.104	390	14.812	1.644	14.879
EA_VOLA	959	0.353	0.219	0.317	390	0.357	0.219	0.325
Continuous independent variables								
UE	959	-0.029	0.977	0.003	390	-0.080	1.788	-0.010
Size	959	15.567	1.709	15.795	390	15.423	1.611	15.879
Leverage	959	-0.361	0.400	-0.235	390	-0.278	0.203	-0.225
Market-to-Book	959	3.711	5.372	1.828	390	1.213	0.990	1.090
Analyst Coverage	945	8.068	6.589	5.000	384	5.154	4.029	4.000
Employes	931	22939	32745	10236	389	6189	11800	1746

Table 3: Event Study on Market Reactions to IFRS 9 and 17 Developments

This table presents the results of an event study analyzing market reactions to key IFRS 17 development milestones. The dependent variable is cumulative abnormal returns (CARs), calculated using a market-adjusted returns model over event windows centered on significant IFRS 17-related announcements. CARs are computed over a three-day window ([-1, +1]), where day 0 represents the event date. Panel A presents univariate analyses comparing mean CARs of IFRS 17 events across treated firms (IFRS-reporting insurers) and control firms (non-IFRS insurers), as well as by subindustry (property and casualty, life and health, multiline insurers, and reinsurance). Panel B presents univariate analyses comparing mean CARs of IFRS 9 events across treated firms (IFRS-reporting insurers) and control firms (non-IFRS insurers). Panel C provides multivariate regression results analyzing the determinants of CARs, incorporating firm-specific and subindustry characteristics, such as Solvency II compliance and prior embedded value (EV) reporting. Control variables in the multivariate analysis include firm size, leverage, premiums earned, and reserves. All continuous variables are winsorized at the 1% and 99% levels to mitigate the influence of outliers. Regressions include year and country fixed effects, and standard errors are clustered at the firm level. Robust t-statistics are reported in parentheses. Statistical significance is denoted by ***, **, and *, corresponding to the 1%, 5%, and 10% levels, respectively.

Panel A: Univariate Analysis of CARs around IFRS 17 by Treatment and Subindustry

Cross Section		Firms	Return	t-statc
Treatment Group	IFRS Insurer	320	-0.0038**	2.698
Control Group	non-IFRS Insurer	255	0.0002	0.162
Treatment Group	Property & Casualty Insurance	105	-0.0035***	3.768
	Life & Health Insurance	74	-0.0036***	3.646
	Multiline Insurance & Brokers	126	-0.0038***	4.764
	Reinsurance	15	-0.0084***	3.776
Control Group	Property & Casualty Insurance	114	0.0006	0.673
	Life & Health Insurance	59	-0.0011	0.790
	Multiline Insurance & Brokers	61	0.0019	1.180
	Reinsurance	21	-0.0050***	2.269
Treatment Group	SolvencyII	57	-0.0042***	7.432
	non-SolvencyII	263	-0.0022**	2.134
	EV	42	-0.0037***	6.647
	non-EV	278	-0.0045***	4.444
Control Group	SolvencyII	8	0.0000	0.053
	non-SolvencyII	247	-0.0019	0.758
	EV	13	0.0004	0.000
	non-EV	242	-0.0073*	0.007

Panel B: Univariate Analysis of CARs around IFRS 9 by Treatment and Subindustry

Cross Section		Firms	Return	t-statc
Treatment Group	IFRS Insurer	271	0.0019	1.549
Control Group	non-IFRS Insurer	177	-0.0002	0.151

(Table continued on next page)

Table 3 (Continued)

Panel C: Multivariate Analysis of CAR Determinants around IFRS 17 events				
	CAR	*CAR*	*CAR*	*CAR*
Property & Casualty Insurance	-0.003**	-0.002	-0.002	-0.008
	(-2.161)	(-0.456)	(-0.452)	(-0.988)
Life & Health Insurance	0.000	0.000	0.000	0.000
	(0.221)	(0.153)	(0.145)	(0.341)
Multiline Insurance & Brokers	-0.000	-0.001	-0.001	-0.001
	(-0.215)	(-0.787)	(-0.804)	(-0.365)
Reinsurance	-0.005**	-0.005**	-0.005**	-0.002
	(-2.463)	(-2.208)	(-2.175)	(-0.904)
SOLVENCY II	0.002	0.003	0.003	0.008*
	(0.939)	(1.139)	(1.135)	(2.054)
EV	-0.002	-0.000	-0.000	0.001
	(-0.818)	(-0.071)	(-0.088)	(0.277)
Observations	4,298	3,911	3,911	3,910
R-squared	0.002	0.002	0.012	0.031
Controls	No	YES	YES	YES
Year FE	No	No	YES	YES
Country FE	No	No	No	YES

Table 4: Earnings Response Coefficients (ERCs) Around IFRS 17 Adoption

This table presents the regression results analyzing the market's reaction to unexpected earnings (UE) around IFRS 17 adoption, as measured by Earnings Response Coefficients (ERCs). POST is a dummy variable equal to 1 for the period after IFRS 17 implementation and 0 otherwise. TREAT is a dummy variable indicating treated firms (IFRS-reporting insurers). The interaction term POST×TREAT×UE captures the incremental effect of IFRS 17 adoption on the market's sensitivity to unexpected earnings for treated firms. The dependent variable is cumulative abnormal returns (CAR) during the earnings announcement window, calculated using a market-adjusted returns model. UE represents unexpected earnings, calculated as actual earnings minus analyst consensus forecasts, scaled by the absolute value of analyst forecasts. Panel A reports results for the full sample, while Panel B provides results by subindustry, including property and casualty (P/C), life and health (L/H), multiline, and reinsurance insurers. Panel C examines subsamples based on prior reporting practices (e.g., embedded value reporting) and regulatory alignment (e.g., Solvency II compliance). Control variables include firm size, market-to-book ratio, leverage, number of analysts following, loss, net income, premiums earned, and reserves. We account for year, subindustry, and country fixed effects depending on the model. All continuous variables are winsorized at the 1% and 99% levels to mitigate the influence of outliers. Robust t-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Full Sample Analysis

	CAR	*CAR*	*CAR*	*CAR*	*CAR*	*CAR*
	(1)	(2)	(3)	(4)	(5)	(6)
UE	-0.000	0.001	0.001	0.001	0.001	0.001
	(-0.231)	(0.790)	(0.825)	(0.604)	(0.725)	(0.763)
POST	0.002	0.001		-0.001	0.001	
	(0.698)	(0.390)		(-0.251)	(0.400)	
TREAT	0.000	0.003	0.002		0.003	
	(0.036)	(0.627)	(0.597)		(0.697)	
POST×UE	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002
	(-0.637)	(-0.835)	(-0.823)	(-0.842)	(-0.788)	(-0.789)
TREAT×UE	-0.002	-0.002	-0.002	-0.002	-0.002	-0.002
	(-0.879)	(-1.221)	(-1.206)	(-1.239)	(-1.203)	(-1.303)
POST×TREAT	-0.002	-0.004	-0.004	-0.004	-0.004	-0.003
	(-0.468)	(-0.931)	(-0.932)	(-1.007)	(-0.883)	(-0.839)
POST×TREAT×UE	0.006**	0.006**	0.006**	0.005*	0.006*	0.005*
	(2.111)	(2.028)	(1.999)	(1.734)	(1.920)	(1.701)
Constant	0.003***	0.014	0.014	-0.023	0.012	0.019
	(3.601)	(1.025)	(1.042)	(-0.462)	(0.918)	(1.352)
Observations	5,095	5,095	5,095	5,095	5,095	5,095
R-squared	0.001	0.007	0.008	0.053	0.007	0.012
Controls	No	YES	YES	YES	YES	YES
Year FE	No	No	YES	No	No	YES
Firm FE	No	No	No	YES	No	YES
Subindustry FE	No	No	No	No	YES	YES
Country FE	No	No	No	No	No	YES

(Table continued on next page)

Table 4 (Continued)

Panel B: Subindustry Analysis

	CAR			
	P/C	L/H	Multiline	Reinsurance
	(1)	(2)	(3)	(4)
UE	-0.000	-0.003	-0.004**	0.003*
	(-0.288)	(-0.522)	(-2.062)	(1.996)
TREAT	0.011*	-0.003	-0.009	0.004
	(1.901)	(-0.493)	(-1.366)	(0.534)
POST×UE	0.000	-0.012*	0.004	-0.005
	(0.094)	(-1.822)	(0.916)	(-0.848)
TREAT×UE	0.001	0.000	-0.002	-0.005***
	(0.621)	(0.061)	(-0.711)	(-2.960)
POST×TREAT	-0.014**	0.005	0.006	-0.006
	(-2.209)	(0.780)	(0.848)	(-0.515)
POST×TREAT×UE	0.003	0.017**	-0.011	0.010
	(0.949)	(2.091)	(-1.470)	(1.371)
Constant	0.005***	0.000	0.004***	-0.000
	(4.211)	(0.165)	(2.763)	(-0.044)
Observations	2,370	1,379	959	390
R-squared	0.019	0.027	0.027	0.045
Controls	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES

(Table continued on next page)

Table 4 (Continued)

Panel C: Subsample Analysis by Regulatory and Reporting Characteristics

	CAR (1)	*CAR* (2)	*CAR* (3)	*CAR* (4)
UE	0.001	0.001	0.001	0.001
	(0.674)	(0.677)	(0.659)	(0.668)
POST	0.020		-0.008	
	(0.645)		(-0.251)	
FirmType	-0.008	-0.008	0.002	0.003
	(-0.695)	(-0.719)	(0.173)	(0.236)
POST×UE	-0.002	-0.002	-0.002	-0.002
	(-1.014)	(-0.972)	(-0.951)	(-0.920)
FirmType#1×UE	0.000	0.000	-0.000	-0.000
	(0.261)	(0.309)	(-0.139)	(-0.105)
FirmType#2×UE	-0.014**	-0.014***	-0.014**	-0.014**
	(-2.567)	(-2.692)	(-2.155)	(-2.274)
FirmType#3×UE	-0.005***	-0.005***	-0.005***	-0.005***
	(-3.285)	(-3.346)	(-3.064)	(-3.009)
POST× FirmType#1	0.007	0.007	-0.002	-0.003
	(0.589)	(0.610)	(-0.197)	(-0.244)
POST× FirmType#2	0.008	0.009	-0.019	-0.021
	(0.356)	(0.380)	(-0.711)	(-0.794)
POST× FirmType#3	0.023	0.024	-0.003	-0.005
	(0.725)	(0.745)	(-0.100)	(-0.156)
POST× FirmType#1×UE	0.007*	0.007*	0.006*	0.006*
	(1.972)	(1.958)	(1.723)	(1.678)
POST× FirmType#2×UE	0.023	0.029	0.018	0.025
	(0.241)	(0.306)	(0.187)	(0.258)
POST× FirmType#3×UE	0.004	0.004	0.004	0.003
	(0.811)	(0.731)	(0.685)	(0.559)
Constant	0.029**	0.032**	0.035**	0.031**
	(2.131)	(2.168)	(2.481)	(2.069)
Observations	5,095	5,095	5,095	5,095
R-squared	0.012	0.013	0.018	0.020
Controls	YES	YES	YES	YES
Year FE	No	YES	No	YES
Subindustry FE	No	No	No	YES
Country FE	No	No	YES	YES

Table 5: The Impact of IFRS 17 Adoption on the Bid-Ask Spread

This table reports regression results analyzing the impact of IFRS 17 adoption on the bid-ask spread, a proxy for information asymmetry. POST is a dummy variable equal to 1 for the period after IFRS 17 implementation and 0 otherwise. TREAT is a dummy variable indicating treated firms (IFRS-reporting insurers). The interaction term POST×TREAT captures the incremental effect of IFRS 17 adoption on treated firms. The dependent variable is the average daily bid-ask spread during the observation period, scaled by the midpoint of the bid and ask prices. Panel A presents results for the full sample, while Panel B reports subindustry-specific results for property and casualty (P/C), life and health (L/H), multiline, and reinsurance insurers. Panel C examines subsamples based on prior embedded value (EV) reporting and Solvency II compliance. Control variables include firm size, market-to-book ratio, leverage, number of analysts following, loss, net income, premiums earned, and reserves. We account for year, subindustry, and country fixed effects depending on the model. All continuous variables are winsorized at the 1% and 99% levels to mitigate the influence of outliers. Standard errors are clustered at the firm level. Robust t-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Full Sample Analysis

	BidAsk	*BidAsk*	*BidAsk*	*BidAsk*
	(1)	(2)	(3)	(4)
POST	0.072	0.082**		
	(1.260)	(2.057)		
TREAT	1.009***	1.264***	1.271***	0.400***
	(29.154)	(37.558)	(37.800)	(6.285)
POST×TREAT	-0.058	0.073	0.067	0.033
	(-0.743)	(1.069)	(0.985)	(0.652)
Observations	5,059	5,059	5,059	5,059
R-squared	0.068	0.520	0.523	0.750
Controls	No	YES	YES	YES
Year FE	No	No	YES	YES
Subindustry FE	No	No	No	YES
Country FE	No	No	No	YES

Panel B: Subindustry Analysis

	BidAsk			
	P/C	L/H	Multiline	Reinsurance
	(1)	(2)	(3)	(4)
POST×TREAT	0.071	-0.063**	-0.202**	-0.046
	(1.603)	(-1.962)	(-2.402)	(-0.921)
Observations	2,354	1,371	949	385
R-squared	0.941	0.938	0.956	0.947
Controls	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES

(Table continued on next page)

Table 5 (Continued)

Panel C: Subsample Analysis by Regulatory and Reporting Characteristics

	BidAsk (1)	*BidAsk* (2)	*BidAsk* (3)	*BidAsk* (4)
POST	0.075**		0.062**	
	(2.053)		(2.131)	
FirmType#1	1.823***	1.827***	0.570***	0.570***
	(49.119)	(49.317)	(7.441)	(7.240)
FirmType#2	0.632***	0.641***	0.374***	0.356***
	(10.453)	(10.625)	(4.017)	(3.730)
FirmType#3	0.597***	0.602***	0.318***	0.322***
	(13.395)	(13.486)	(4.852)	(4.725)
POST× FirmType#1	-0.350***	-0.358***	-0.302***	-0.305***
	(-2.587)	(-2.657)	(-2.777)	(-2.810)
POST× FirmType#2	0.069	0.066	0.101	0.092
	(0.902)	(0.859)	(1.451)	(1.499)
POST× FirmType#3	-0.051	-0.055	0.066	0.057
	(-0.513)	(-0.551)	(0.788)	(0.690)
Constant	-0.748***	-0.741***	0.515***	0.498***
	(-4.263)	(-4.228)	(3.463)	(3.339)
Observations	5,059	5,059	5,059	5,059
R-squared	0.600	0.603	0.750	0.752
Controls	YES	YES	YES	YES
Year FE	No	YES	No	YES
Subindustry FE	No	No	No	YES
Country FE	No	No	YES	YES

Table 6: Investors' Disagreement and Uncertainty Around Earnings Announcements

This table presents regression results examining the impact of IFRS 17 adoption on measures of disagreement and uncertainty during earnings announcements. POST is a dummy variable equal to 1 for the period after IFRS 17 implementation and 0 otherwise. TREAT is a dummy variable indicating treated firms (IFRS-reporting insurers). The interaction term POST×TREAT captures the incremental effect of IFRS 17 adoption. The dependent variables capture different aspects of investor disagreement and market uncertainty during the earnings announcement window. EA_VOLM, reported in column 1 and 2 (Panel A), measures abnormal trading volume during the earnings announcement period and is calculated as the ratio of trading volume in the window (-1, +2) to the baseline window (-1, +20). Higher values indicate greater investor disagreement. Column 3 and 4 examines IPT_VOLM, which measures the intra-period timeliness of trading volume. This variable reflects the proportion of trading activity concentrated in the immediate announcement window (-1, +2), with higher values indicating faster disagreement resolution. Column 5 and 6 reports results for EA_VOLA, which captures abnormal return volatility during the earnings announcement window. This measure is calculated as the ratio of return volatility in (-1, +2) to volatility in (-1, +20), with higher values indicating greater market uncertainty. Panel B reports subindustry-specific results for property and casualty (P/C), life and health (L/H), multiline, and reinsurance insurers. Panel C examines subsamples based on prior embedded value (EV) reporting and Solvency II compliance. Control variables include firm size, market-to-book ratio, leverage, number of analysts following, loss, net income, premiums earned, and reserves. We account for year, subindustry, and country fixed effects depending on the model. All continuous variables are winsorized at the 1% and 99% levels to mitigate the influence of outliers. Standard errors are clustered at the firm level. Robust t-statistics are reported in parentheses. Statistical significance is denoted by ***, **, and *, corresponding to the 1%, 5%, and 10% levels, respectively.

	EA_VOLM		*IPT_VOLM*		*EA_VOLA*	
	(1)	(2)	(3)	(4)	(5)	(6)
POST	-0.002		4.942		-0.034**	
	(-0.297)		(1.379)		(-2.410)	
TREAT	0.025***		1.630		0.043***	
	(6.801)		(1.170)		(3.598)	
POST×TREAT	-0.018***	-0.020***	-7.094*	-7.218*	0.016	-0.009
	(-2.783)	(-2.951)	(-1.783)	(-1.891)	(0.833)	(-0.430)
Constant	0.228***	0.358***	21.553**	4.464	0.274***	0.305**
	(8.155)	(4.049)	(2.409)	(0.332)	(3.071)	(2.125)
Observations	5,088	5,088	5,098	5,098	5,098	5,098
R-squared	0.044	0.204	0.029	0.030	0.034	0.152
Controls	YES	YES	YES	YES	YES	YES
Year FE	No	YES	No	YES	No	YES
Subindustry FE	No	YES	No	YES	No	YES
Country FE	No	YES	No	YES	No	YES

(Table continued on next page)

Table 6 (Continued)

Panel B: Subindustry Analysis

	EA_VOLM			
	P/C	L/H	Multiline	Reinsurance
	(1)	(2)	(3)	(4)
POST×TREAT	-0.007	-0.047***	-0.005	-0.023
	(-0.627)	(-3.644)	(-0.373)	(-1.410)
Observations	2,367	1,374	957	390
R-squared	0.176	0.253	0.266	0.227
Controls	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES

	IPT_VOLM			
	P/C	L/H	Multiline	Reinsurance
	(1)	(2)	(3)	(4)
POST×TREAT	-7.483	-20.054*	-1.084	-1.157
	(-1.072)	(-1.747)	(-0.570)	(-0.815)
Observations	2,370	1,379	959	390
R-squared	0.005	0.015	0.015	0.105
Controls	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES

	EA_VOLA			
	P/C	L/H	Multiline	Reinsurance
	(1)	(2)	(3)	(4)
POST×TREAT	0.015	-0.051	-0.083	0.012
	(0.415)	(-1.394)	(-1.571)	(0.145)
Observations	2,370	1,379	959	390
R-squared	0.164	0.126	0.189	0.139
Controls	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES

(Table continued on next page)

Table 6 (Continued)

Panel C: Subsample Analysis by Regulatory and Reporting Characteristics

	EA_VOLM		*IPT_VOLM*		*EA_VOLA*	
	(1)	(2)	(3)	(4)	(5)	(6)
POST	0.025***		1.570		0.043***	
	(7.802)		(0.225)		(4.200)	
FirmType#1	-0.013***	0.036***	6.829	0.069	-0.050***	0.021
	(-4.310)	(4.138)	(1.596)	(0.168)	(-5.039)	(0.767)
FirmType#2	0.029***	0.030***	-1.283	0.162	0.026	0.081**
	(5.453)	(2.887)	(-0.144)	(0.326)	(1.534)	(2.439)
FirmType#3	0.005	0.028***	0.518	0.120	-0.036***	0.002
	(1.268)	(3.544)	(0.069)	(0.325)	(-2.907)	(0.086)
POST×	-0.020***	-0.022***	-9.046	-0.329	0.004	-0.016
FirmType#1	(-2.861)	(-3.250)	(-0.886)	(-0.992)	(0.161)	(-0.744)
POST×	-0.017	-0.010	-0.436	-0.164	0.053	0.062
FirmType#2	(-1.357)	(-0.844)	(-0.020)	(-0.283)	(1.376)	(1.612)
POST×	-0.010	-0.015	-1.335	0.055	0.020	0.014
FirmType#3	(-1.039)	(-1.548)	(-0.073)	(0.119)	(0.654)	(0.464)
Constant	0.240***	0.236***	18.192	16.213***	0.299***	0.148***
	(15.267)	(14.047)	(1.360)	(22.297)	(6.046)	(2.787)
Observations	5,088	5,088	5,098	5,098	5,098	5,098
R-squared	0.0601	0.124	0.004	0.005	0.040	0.097
Controls	YES	YES	YES	YES	YES	YES
Year FE	No	YES	No	YES	No	YES
Subindustry FE	No	YES	No	YES	No	YES
Country FE	No	YES	No	YES	No	YES

Table 7: Earnings Response Coefficients (ERCs) per Year

This table presents regression results analyzing the time-varying effect of IFRS 17 adoption on cumulative abnormal returns (CARs) during earnings announcements. The interaction terms Year×TREAT×UE capture the incremental market reaction to unexpected earnings (UE) for IFRS-reporting insurers (treated firms) each year from 2020 to 2024. CARs around earnings announcements are calculated using a market-adjusted returns model over a three-day window ([-1, +1]). Control variables include firm size, market-to-book ratio, leverage, number of analysts following, loss, net income, premiums earned, and reserves. We account for year, firm, subindustry, and country fixed effects depending on the model. All continuous variables are winsorized at the 1% and 99% levels to mitigate the influence of outliers. Robust t-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

	CAR	*CAR*	*CAR*	*CAR*	*CAR*	*CAR*
	(1)	(2)	(3)	(4)	(5)	(6)
2020×TREAT×UE	0.003	0.000	0.000	0.003	0.000	0.001
	(0.496)	(0.074)	(0.074)	(0.601)	(0.089)	(0.263)
2021×TREAT×UE	-0.002	-0.005	-0.005	-0.004	-0.005	-0.004
	(-0.357)	(-0.941)	(-0.941)	(-0.857)	(-1.008)	(-0.783)
2022×TREAT×UE	-0.002	-0.004	-0.004	-0.003	-0.005	-0.004
	(-0.548)	(-1.105)	(-1.105)	(-0.831)	(-1.164)	(-0.951)
2023×TREAT×UE	0.010**	0.007*	0.007*	0.009**	0.007*	0.009**
	(2.437)	(1.709)	(1.709)	(2.080)	(1.658)	(2.101)
2024×TREAT×UE	-0.004	-0.007	-0.007	-0.009	-0.008	-0.008
	(-0.493)	(-0.803)	(-0.803)	(-0.849)	(-0.843)	(-0.799)
Observations	5,095	5,095	5,095	5,095	5,095	5,095
R-squared	0.0087	0.0179	0.0179	0.0913	0.0197	0.0313
Controls	No	YES	YES	YES	YES	YES
Year FE	No	No	YES	No	No	YES
Firm FE	No	No	No	YES	No	No
Subindustry FE	No	No	No	No	YES	YES
Country FE	No	No	No	No	No	YES

Table 8: Market Reaction to Changes in ECB Interest Rates

This table reports regression results analyzing the market's reaction to changes in the European Central Bank (ECB) interest rate (Δr) using a difference-in-differences framework similar to the Earnings Response Coefficients (ERC) model. The dependent variable is cumulative abnormal returns (CARs), measured over a three-day window ([-1, +1]) centered on ECB monetary policy announcements. Δr represents the change in the ECB interest rate during the event window. POST is a dummy variable equal to 1 for the period after IFRS 17 implementation and 0 otherwise. TREAT is a dummy variable indicating treated firms (IFRS-reporting insurers). The interaction term POST×TREAT×Δr captures the incremental market reaction to ECB rate changes for treated firms post-IFRS 17 adoption. Columns (1)–(6) progressively add control variables and fixed effects. Control variables include firm size, market-to-book ratio, leverage, return volatility, share turnover, and inverse share price. Fixed effects include year, firm, subindustry, and country effects, as specified in the table. All continuous variables are winsorized at the 1% and 99% levels to mitigate the influence of outliers. All regressions are clustered by EVENT to account for within-event correlation. Robust t-statistics are reported in parentheses. Statistical significance is denoted by ***, **, and *, corresponding to the 1%, 5%, and 10% levels, respectively.

	CAR	*CAR*	*CAR*	*CAR*	*CAR*	*CAR*
	(1)	(2)	(3)	(4)	(5)	(6)
Δr	0.016	0.012	0.012	0.011	0.012	0.013
	(0.721)	(0.499)	(0.499)	(0.483)	(0.476)	(0.482)
POST	0.017	0.016		0.017	0.016	0.016
	(0.954)	(0.845)		(0.939)	(0.824)	(0.807)
TREAT	-0.012	-0.013	-0.013		-0.013	-0.011
	(-1.644)	(-1.438)	(-1.438)		(-1.354)	(-1.062)
POST×Δr	-0.042	-0.037	-0.037	-0.038	-0.037	-0.037
	(-1.681)	(-1.307)	(-1.307)	(-1.497)	(-1.286)	(-1.242)
TREAT×Δr	-0.020	-0.018	-0.018	-0.013	-0.018	-0.021
	(-1.326)	(-0.993)	(-0.993)	(-0.670)	(-0.983)	(-0.929)
POST×TREAT	0.026**	0.027*	0.027*	0.025*	0.027*	0.028*
	(2.304)	(2.038)	(2.038)	(1.920)	(2.028)	(1.880)
POST×TREAT×Δr	0.063**	0.063**	0.063**	0.062**	0.063**	0.066*
	(2.630)	(2.333)	(2.333)	(2.506)	(2.323)	(2.189)
Constant	-0.008	-0.007	0.003	0.155**	-0.007	-0.002
	(-0.485)	(-0.426)	(0.392)	(2.640)	(-0.437)	(-0.108)
Observations	2,948	2,549	2,549	2,546	2,549	2,549
R-squared	0.005	0.007	0.007	0.242	0.008	0.045
Controls	No	YES	YES	YES	YES	YES
Year FE	No	No	YES	No	No	YES
Firm FE	No	No	No	YES	No	No
Subindustry FE	No	No	No	No	YES	YES
Country FE	No	No	No	No	No	YES