

# Implication of IFRS 17 on the Operational Performance of Listed Insurance Companies in Nigeria

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**Abstract:** Although the application of IFRS 17 will generally affect the system and data required by insurance companies, the choice of measurement and models, and internal control system, discussion surrounding the standard suggests it will be an improvement on the former standard which failed to provide acceptable options to the insurance companies. Hence, this study examined the implication of IFRS 17 on the operational performance of listed insurance companies in Nigeria. Being a specific standard, a survey research design was employed in selecting at random 100 respondents with relevant profession expertise. Correlation and regression analysis were employed and applied using SPSS in explaining the implication of IFRS 17 on operational performance of the insurance companies under review, System data, internal control and measurement models were used as proxies for IFRS 17 and tailored questions developed to sample respondents' opinion. The result of the analysis revealed that, change in system and data, and measurement models have effect on operational performance of insurance companies in Nigeria. The study therefore recommends that, insurance companies put the necessary system and structure in place to support in adoption and implementation of the standard. In addition, measurement and models must be selected to suit the nature of operations within the company. Finally, the financial reporting council of Nigeria (FRCN) should continue to ensure that the adoption and application of new standards is encouraged.

**Keywords:** Companies, Contract, Insurance, Internal Control, Measurement, Models, Operational Performance

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## 1. Introduction

The purpose of standardizing financial reporting across borders is to facilitate efficient cross-border financial integration. According to the IFRS, financial integration has been increased by making sure that the majority of nations in both developed and developing countries speak the same language when it comes to financial reporting [9]. Financial reporting essential ideas and processes should be unified in order to provide accurate and relevant information to investors and other stakeholders.

Insurance companies are adopting International Financial Reporting Standards (IFRS) to ensure that financial reporting is consistent with worldwide standards. While the majority of

companies claim that their financial statements comply with IFRS disclosure rules, there are wide variations in the extent to which they really do. In addition, auditors frequently neglect to provide a judgment on whether or not an organization's financial reporting conforms to IFRS [16]. The Nigerian insurance market, according to [17], is similarly plagued by dearth of regulation and enforcement. In light of this, it is clear that industry and professional organizations must increase their efforts to address the problems that are causing the sector to perform so poorly [15].

Many financial experts and accountants have voiced their displeasure with the new accounting standard IFRS 4: Insurance Contracts, which they say gives insurance firms the ability to declare profit even if their insurance coverage has not yet been supplied [3]. The opacity of genuine profit generators is another

source of criticism, which is noted in [9]. Insurance accounting project's second phase, with an initial implementation date of January 1, 2021, was completed by the IASB's publication of IFRS 17, which replaced IFRS 4 in May 2017. Rather, in November 2018, the Board requested that the effective date be set for January 1, 2022, with the year of transition set for January 1, 2020.

However, Nigerian professionals (auditors, practitioners, and financial analysts) and other stakeholders are concerned about data, in particular the current state of data in the sector, the investment required to acquire data, the security of data, integrity, storage, and reliability of data, as well as the complex computation required [11]. The International Accounting Standard Board (IASB) permits early adoption of IFRS 17, which is set to take effect on January 1, 2023, for any organizations that issue contracts covered by the standard for insurance contracts (IASB). The National Insurance Commission [14] in Nigeria, on the other hand, has mapped out a step-by-step plan for bringing the standard to the country. A total of five pillars are in place, with the first pillar starting in January 2020.

### 1.1. Problem Statement

Previously, insurers could select to apply different accounting practices and each insurer also issued different types of insurance contracts. For those reasons, IFRS 17's effects on financial reporting are expected to differ vastly between insurers. For example, short-term insurance contracts will not significantly be affected, whereas long-term ones will be greatly affected. This leads to changes in the financial statements of insurers and they need to communicate these changes to their business stakeholders [12].

After nearly 20 years of debate, the issuance of IFRS 17 in 2017 did not end discussions on how to account for an insurance contract. There are still many lingering questions about how to apply this standard and the impact that it will have on the financial reporting results and the consequent market assessment of an insurance company [13]. What is certain is that IFRS 17 is a significant challenge to the entire organisation and not just for the actuarial and finance departments. The extension of this standard to 2022 will offer insurers more time for preparations, but IFRS 17 will continue to be a challenge that should be tackled as soon as possible [12].

In Nigeria, insurance companies will need to classify their insurance policy portfolios and maintain up to date data on each, the complexity of which depends on the number of clients [6]. Data collection on each portfolio could be complex and expensive. This is not to say that, a complete overhaul of the information technology (IT) systems is necessary [18]. In addition, training and up-skilling of employees is required if the application of this standard is to be a success. Another area of concern is the actuarial risk and management systems that should be considered. The internal controls of insurance companies will have to be altered to allow for the smooth application of the standard. In view of the forgoing, this study examined the implication of IFRS 17 on the operational performance of listed insurance companies

in Nigeria [7].

### 1.2. Objective of the Study

The main object of the study was to examine the implication of IFRS 17 on the operational performance of listed insurance companies in Nigeria. Other specific objectives of the study were to:

- 1) examine the effect of changes in system and data on the operational performance of listed insurance companies in Nigeria;
- 2) assess the effect of changes in internal control on the operational performance of listed insurance companies in Nigeria;
- 3) determine the effect of changes in measurement models on the operational performance of listed insurance companies in Nigeria.

### 1.3. Hypotheses of the Study

From the forgoing specific objectives of the study, the following hypotheses are developed in null form.

H<sub>01</sub>: Changes in system and data has no significant effect on the operational performance of listed insurance companies in Nigeria.

H<sub>02</sub>: Changes in internal control has not significantly affected the operational performance of listed insurance companies in Nigeria.

H<sub>03</sub>: Changes in measurement models does not significantly affects the operational performance of listed insurance companies in Nigeria.

Although the study was confined to the insurance sector of the Nigerian economy, its significance is of great benefit to shareholders and other stakeholders. Thus, the study provides insightful knowledge on the implications of this novel standard. In addition, it creates an avenue for practitioners in the insurance sector to acquire new knowledge that is necessary for global competitiveness. The implication of IFRS 17 is examined by changes associated with system and data, internal control and measurements models to be instituted by insurance companies, particularly in Nigeria. The remaining parts of the paper consist of section two which review the related empirical evidence and theoretical framework, section three gives the methodology of the study, while the result and discussions of findings was captured in section four, Section five conclude the paper.

## 2. Literature Review and Theoretical Framework

This section of the study conceptualizes the independent and dependent variables and further discusses key issues and concerns surrounding the application of IFRS 17.

### 2.1. Concept of Operational Performance

As a way of ensuring that an organization's overall goals and objectives are met, performance measurement systems

have been created. Every firm relies on performance measures, which are essential components of performance measurement systems [19]. These indicators help management forecast the economic success of their company and, on occasion, show the necessity for operational adjustments [1]. Organizational processes, such as dependability, cycle time, and inventory turnover, are all examples of operational performance metrics.

## 2.2. Concept of Insurance Contract

IFRS 17 is an international accounting standard for insurance contracts issued in 2017 by the International Accounting Standard Board. The objectives of the standard are to standardize insurance accounting globally, to improve comparability and increase transparency, and to provide users of accounts with needed information to understand the insurer's financial position, performance, and risk exposure. The implementation date of the standard is January 2023 but has been postponed several times, due to the complexity of the standard as well as critics from stakeholders [10].

IFRS 17 defines an insurance contract as "a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder." The standard provides definitions to distinguish "insurance risk" from "financial risk" [2].

## 2.3. Empirical Review

The value significance of IFRS 4: Insurance Contracts disclosure of listed Nigerian insurance businesses from 2012 to 2020 was evaluated by [9]. The study used a correlational approach to research. As of December 31, 2020, there were 26 insurance companies listed on the Nigerian Stock Exchange, and a sample size for the study was 15. When doing research, the Ohlson Price Model was utilised. IFRS 4 disclosures were determined to be related to value using robust ordinary least square regression, according to the findings. As a whole, the study's findings support the idea that IFRS enhances the quality of financial reporting. An insurance contract under IFRS 4 was investigated as part of the research, which has drawn criticism from practitioners and professionals alike. The proposed new standard for insurance contract accounting, IFRS 17, is examined in this study.

### 2.3.1. Income Tax and Application of IFRS 17

The taxable income of a corporation is normally calculated using income determined in accordance with generally accepted accounting standards. Under IFRS 4, insurers' taxable income is closely related to their accounting income. It is expected that IFRS 17 will have a substantial impact on the accounting of corporate income from insurance contracts, notably by modifying the recognition into profits of a portion of insurance revenues that are presently included in income when insurance contracts are sold.

How insurance industry earnings should be evaluated for tax purposes is at the heart of deferring. For this reason,

particular procedures for calculating income have developed around insurance contracts, where premiums are pooled and held for the purpose of paying claims years after the contracts have been sold. Insurers can set up tax-deductible reserves in acknowledgment of future claims that will be reimbursed from premiums collected [5].

It is expected that IFRS 17 reserves will be computed actuarially when insurance contracts are sold. Contractual Service Margins (CSM), a new reserve under IFRS 17, will hold a portion of the profits made on underwritten insurance contracts that will be delayed and gradually released into revenue over the projected life of insurance contracts. Introducing the CSM mechanism for tax reasons might result in a delayed recognition of gains as taxable income. As a result, IFRS 17 will provide an asymmetrical treatment of profit and loss, with only gains being postponed via the CSM. As soon as a batch of contracts is accepted for underwriting, the insurer must promptly subtract any predicted losses from their income.

### 2.3.2. The Impact of IFRS 17 on Key Performance Indicators

An analyst's approach to ratings will not be affected by IFRS 17 in the short term, despite the fact that some figures, ratios, and thresholds may change, and recommendations for some KPIs (e. g. Return on Equity) may need more review. In the long run, however, it is impossible to rule out some second-order ramifications. Some rating agency analysts have said they expect IFRS 17 to have an influence on the measures they use in their scorecards in the future. According to which business lines are most likely to be impacted, this will be determined (e. g. Life business). New accounting standards, despite their expense and complexity, have been welcomed by experts at the credit rating agencies [4].

#### (i). Return on Equity

It is expected that both the denominator (Equity) and the numerator (Net Income After Tax) would be significantly impacted by IFRS 17. A number of insurance companies are concerned that the accounting reform will have a negative impact on equity statistics, at least in theory and in unusual situations. Return on Equity (ROE) metrics can be misleading for some firms, notably those in the Life sector, if the Contractual Service Margin (CSM) is completely omitted. There may be an answer in the form of improved Solvency II capital declarations in Europe. Changes to the ROE will have a direct impact on executive remuneration and performance measurement. Peer group and sensitivity assessments will be carried out by the analysts in the future. In order to evaluate executive pay programmes, it is necessary to analyse net capital generation and how it relates to IFRS 17.

In the Life segment, increasing the denominator by the CSM (and using a consistent numerator) may be beneficial for obtaining a meaningful ROE. The insurer's underwriting strength, risk appetite, and claim and expenditure performance may all be gauged by looking at changes in the CSM. To sum up, some analysts may look more closely at regulatory capital disclosures, as well as CSM-adjusted ROEs, throughout the transition to IFRS 17.

**(ii). Return on Assets**

Because its numerator is likewise NIAT, Return on Assets will be impacted in the same way as Return on Equity. Analysts will need to understand the reasons for the shift in these two key KPIs and whether it is a result of an accounting mismatch (whether under IFRS 4 and/or IFRS 17) or an economic mismatch, or a combination of both. These ratios, on occasion, may shift in the other way. When the value of insurance obligations rises as a result of the CSM, equity may fall and the RoE may rise in response.

The difference between the yield on investment assets and the discount rate applied to insurance obligations might become an important performance statistic. An investment function's worth can be more clearly shown in the new income statement since it compares investment income to the amount needed to fulfil insurance obligations' discount rate unwind. Previously, this measure was not accessible. The discrepancy between the investment income and the unwinding of the discount rate on liabilities, as a whole, should reveal fresh information about the soundness of the investment function.

**(iii). Financial Leverage**

An immediate and considerable impact on insurance businesses' financial leverage might be caused by the IFRS 17 changeover, according to some experts. Due to insurance firms' desire to maximise their reported equity levels, financial leverage measurements might be skewed when reported equity turns negative. Equally large changes to financial leverage ratios can follow for many years after implementation. Since the industry is looking at additional KPIs, such as the leverage on a Solvency II capital basis, analysts anticipate it to look at them as well (in Europe). Analysts believe that including the CSM balance into the equity amount in the denominator may provide a solution to the problem. Finally, IFRS 17 is expected to have an influence on financial leverage indicators, and as a result, analysts are likely to place an increased emphasis on alternative measures.

**(iv). Operating Result**

As a result of this, the IASB is now revising the disclosure rules for the composition of income statements. Furthermore, the total significance of an insurer's operational performance is expected to improve in future IFRS 17 annual reports. When it comes to determining a company's profitability, it's important to look at its insurance operating result (the total of insurance service and insurance investment results). Analysts would benefit much from this information, even if it is not required for public publication. For the sake of completeness, tables displaying the operational profit generated by recurring revenue, new revenue, and run-off revenue should be included in disclosures.

**2.3.3. Implication of IFRS 17 on the Insurance Industry**

More than just a compliance exercise, the adoption of IFRS 17 is going to have significant impact on the fundamental aspects of the insurance business and its financial management.

*Business Impact:* It will be necessary to make changes to the performance management and KPI framework in light of the new reporting structure (KPI). The present design and economics of many insurers' policies are forcing them to reprocess past data in order to determine the financial impact of IFRS 17. There will be a need to change the present set of key measures for volume, revenue, and profitability to the new regime, which will affect the entire performance management process. There will be an increasing requirement for reconciliation with IFRS as a result of reporting various important indicators (IFRS, SST, Solvency 2, Market Consistent Embedded Value (MCEV)). In addition, investors will need to know exactly how management plans to implement IFRS 17 and IFRS 9 in order to control volatility in their financial statements. Communication with the capital markets will be made more difficult due to changes in the way financial results are presented and a rise in the number of variables that must be considered. During the transition period, companies will need to explain their results to investors and differentiate between changes in accounting grounds and changes in fundamental business performance. In order to deliver trustworthy financial projections in light of the rising volatility of financial results and equities, more advanced forecasting and simulation skills will be required.

*Operational Impact:* It will be necessary to adapt actuarial modelling for IFRS 17 so that it can establish the best and most appropriate expected fulfilment cash flows, risk adjustment technique and CSM. In order to achieve minimal regulatory standards and minimise risks throughout the financial reporting process, new controls over financial reporting and high auditability capabilities will be required.

*System Impact:* Insurance companies are more reliant than ever on technological innovations. For insurers, the adoption of IFRS 9, IFRS 17 and other complicated accounting requirements under IFRS is a big problem. Technology-enabled business and financial transformation services are in high demand, as the two fields have become intertwined in today's world. In order to keep up with changing business dynamics, accounting and regulatory requirements, organisations are trying to modernise their IT infrastructures and processes.

*Organisation & people impact:* The new accounting system requires a defined people strategy to handle the revolutionary change in Finance. Building a training and development framework that explains the accounting changes, new KPIs, and develops technical competence needed to support the adoption of this new accounting standard would need early communication and raising awareness of the changes.

**2.3.4. IFRS 17: Transition Practical Issues**

Companies implementing International Financial Reporting Standard (IFRS) 17 are required to disclose the impact on the balance sheet of transitioning to IFRS 17 in their first sets of financial statements. The impact is calculated at the "Transition Date", which is "the beginning of the annual reporting period immediately preceding the date of initial application." This is to enable companies to provide at least

one year's comparative information in their first sets of accounts. Therefore, for a company applying IFRS 17 from 1 January 2023, the Transition Date is 1 January 2022. As this transition date has now passed, companies should be well underway with their transition calculations. Some companies are aiming to finalise their transition results around the middle of this year, and it is expected that listed insurers will give indications of the likely impacts of transition to IFRS 17 to the market later in the year.

#### **(i). Full Retrospective Approach**

Some life insurers have found it impracticable to use the FRA for annual cohorts of business older than a couple of years. The main issue companies have had is finding the required data, at the required granularity, to be able to calculate the current contractual service margin (CSM) as if IFRS 17 had been in force from initial recognition of each contract. In order to do this, companies will need to have the expected cash flows from the date of initial recognition for each contract—this will require historical datafiles, historical assumption sets including discount rates and possibly also historical models, which may have since been updated and are no longer available. The granularity of the data needed may also pose a problem—the calculation of CSM will be needed at the unit-of-account level (i.e., by portfolio, profitability and annual cohort), which may not be easily available from historical information, as this level of granularity would not typically have been needed prior to IFRS 17. The issue of hindsight is another challenge. The FRA is considered to be impracticable if it is not possible to calculate past estimates without the use of hindsight, i.e., the estimates must be based on historical circumstances and shouldn't take into account changes in management intent or policies since then.

#### **(ii). Modified Retrospective Approach**

If a company decides to use the MRA there are simplifications which can help to alleviate some of the issues with the FRA, but this method still has its practical challenges. There is a simplification to estimate the expected cash flows at initial recognition. For this simplification, however, all of the actual cash flows which have occurred from initial recognition to the transition date are needed, and this data may not be readily available, particularly at the unit-of-account level (i.e., grouping by portfolio, profitability and annual cohort). There is a simplification for the grouping of contracts, where contracts issued more than one year apart can be grouped together, but they are still subject to grouping by portfolio and profitability. However, this may lead to a challenge with the discount rates to use. For example, if all business sold between 2007 and 2021 was grouped together, a decision would need to be made on which inception discount rates to use for the group—discount rates at 2007, at 2021 or maybe at the midpoint? These rates may vary significantly and have a big impact on the result. The simplifications which can be used for the MRA are prescribed by IFRS 17 and many companies feel they are too restrictive. For example, some companies may have enough data to make an estimate of the CSM which would be in line with the FRA, but this is not permitted if

simplifications not specified by the MRA are used. Another issue companies are struggling with for both the FRA and MRA is obtaining information for historical coverage units. Often even if historical finance cash flows are available, they won't include historical policy counts or sums assured, which may be used to calculate coverage units. The projection of coverage units can have a big impact on the CSM at transition.

#### **(iii). Fair Value Approach**

FVA calculates CSM as the difference between fair value and IFRS 17 fulfilment cash flows at the transition date, where fair value is determined in line with International Financial Reporting Standards (IFRS 13). (i.e., the sum of the IFRS 17 Best Estimate Liability and Risk Adjustment). The most difficult part of employing the FVA is determining which areas of judgement to include in the technique. A direct or an indirect strategy can be utilised, although in reality, most organisations choose the latter. In a direct technique, the price and/or value inferred by market transactions are used directly to establish the implied fair value of liabilities. The active annuity market, for example, might be used if it is available. Using a typical valuation approach to estimate a proxy fair value, or the price at which an orderly transaction may be completed, is an indirect method.

An indirect approach will necessitate the application of judgement while selecting a methodology. Solvency II Technical Provisions with an adjustment, IFRS 17 Fulfillment Cash Flows with an adjustment, or an Embedded Value approach are some of the possibilities. There are a few of different approaches that may be used to account for risk, and choosing between one is critical for any strategy. Decisions must be made on the cost of capital rate and which risks to include—for example, whether to include market risk in the allowance for risk.

Expenses under FVA may be based on market average levels rather than the entity's own expenses; contract boundaries under FVA may be applied in a more economical manner than under Solvency II and IFRS 17; and the discount rates to be used will all necessitate some degree of discretion. This is especially true for the fair value calculation.

The choices taken while determining fair value will have an impact on how IFRS 17 results are calculated in the future. It's not reasonable to count future premiums as a new CSM if they're already included in the fair value of an existing business's CSM. The regions of judgement that are put to use must be given careful thought.

## **3. Methodology and Model Specification**

This section discussed the methodology employed and provided variable definition and model specification.

### **3.1. Methodology**

The study employed the survey research design in understanding the implication of IFRS 17 on the operational performance of listed insurance companies in Nigeria. This design allows for the development, adaptation or adoption of

questionnaire designed to provide answers regarding a given discourse. Given that IFRS 17 is a new standard yet to be adopted and tested by many IFRS countries, this design is appropriate in sampling opinions of practitioners and stakeholders concerning the insurance contract standard introduced. The population of insurance companies as revealed by the Nigerian Exchange Group (NGX) as at December 31, 2021 is twenty-four (24). However, due to the qualitative nature of the study, and assess to respondents (professionals and stakeholders) a total of fifty (100) questionnaires were distributed at random and retrieved for analysis. The Statistical Package for Social Sciences (SPSS) version 25 was used in analysing the data generated from the responses from the respondents.

### 3.2. Model Specification

Based on the variables employed for this study, the model of the study anchoring the relationship between operational performance and implementation of IFRS 17 is presented.

$$Y = \alpha + \beta X \quad (1)$$

Where:

Y = Dependent variable;

$\alpha$  = constant;

$\beta$  = Coefficient;

X = Independent variable.

$$OP = \beta_0 + \beta_1 SYD + \beta_2 MM + \beta_3 IC + \mu \quad (2)$$

Where:

OP = Operational Performance;

SYD = System and Data;

MM = Measurement Models;

IC = Internal Control;

$\beta_0$  = Constant;

$\beta_1 - \beta_3$  = Coefficient;

$\mu$  = Stochastic error term.

## 4. Results and Discussion

This section of the study discusses the descriptive statistics, correlation matrix and regression results. It also provides discussions and statistical facts supporting conclusions and recommendations made.

### 4.1. Descriptive Statistics

Table 1. Descriptive Statistics.

Variables	N	Min	Max	Mean	Std. Dev.
OP	100	15	20	17.26	1.1157
SYD	100	12	20	15.34	1.892
MM	100	10	14	12.70	1.020
IC	100	16	20	17.73	1.033

Source: Extracted from SPSS 25 output, 2022.

Table 1 shows the nature of variables used and the data collected with respect to each variable. With a total observation (N) of hundred respondents, operational

performance (OP) showed minimum and maximum values of 15% and 20% respectively. It also showed the minimum and maximum values of 12% and 20% for system and data (SYD). Similarly, measurement and model showed a minimum of 10% and maximum of 14% with a mean value of 12.70%. Finally, the 16% minimum and 20% percent maximum for internal control (IC) showed an average value of 17.73%

### 4.2. Correlation Matrix

Table 2. Correlation Matrix.

Variables	OP	SYD	MM	IC
OP	1			
SYD	0.481 (0.026)	1		
MM	0.251 (0.000)	0.127 (0.209)	1	
IC	-0.109 (0.932)	-0.345 (0.000)	-0.126 (0.213)	1

Source: Extracted from SPSS 25 output, 2022.

Table 2 shows the strength and direction of association among the independent variables and the dependent variable. System and data (SYD) revealed a strong positive, and significant association with operational performance of listed insurance companies in Nigeria. This is evidenced by the coefficient value of 0.481 and p-value of 0.026 (significant at 5%). In addition, measurement models (MM) revealed a coefficient value of 0.251 and p-value of 0.000. This indicates that, there is a positive and strong association between MM and OP. this is statistically significant at 1%. Similarly, internal control (IC) changes within insurance companies showed a weak negative and insignificant association with OP of listed insurance companies in Nigeria. Generally, all the correlation coefficient of a less 80% indicating that there is no multicollinearity among the independent variables.

### 4.3. Regression Results

Table 3. Summary of Regression Results.

OP	Coefficient	T-Stats	P-value	VIF	1/VIF
C	18.024	6.020	0.000		
SYD	0.059	3.926	0.000	1.144	0.874
MM	0.065	0.581	0.562	1.024	0.976
IC	-0.039	-2.330	0.002	1.144	0.874
R-sq	0.327				
Adj-R-sq.	0.181				
F-Stats	5.372		0.000		
D/W	2.305				

Source: Extracted from SPSS 25 output, 2022.

$$OP = 18.024 + 0.059SYD + 0.065MM - 0.039IC \quad (3)$$

Table 3 showed the summarized version of the regression results. The overall robustness of the model is captured by the R-sq = 0.327, F-stats = 5.372 and p-value = 0.000. The R-sq value of 0.327 representing 32.7% indicates the overall statistical significance of the model. As the coefficient of determination, the R-sq value of 32.7% means that, 32.7 % variation on the operational performance of listed insurance firms in Nigeria can be explained jointly by SYD, MM and IC changes within the company. This suggests that, the

remaining 66.7% is accounted by other variables not captured in the study, hence, the introduction of the stochastic error term into the regression model.

Specifically, changes in system and data of insurance companies in Nigeria due to the application of IFRS17 will result in a positive significant change on their operational performance. This is supported by a positive coefficient value of 0.059 and p-value of 0.000 which is significant at 1%. This implies that, a significant change in the system and data structure of listed insurance firms in Nigeria due to the application of IFRS 17 will improve their operational performance. This provides sufficient evidence for failing to accept the null hypothesis one of the studies as stated earlier.

On the contrary, changes in the measurement and models caused by the application of IFRS 17 will not have a significant effect on the operational performance of the listed insurance companies in Nigeria. This is evidenced by a positive coefficient value of 0.065 and p-value of 0.562 which is greater than 5%. This implies that, a positive change in the choice of measurements and method as introduced by IFRS 17 will not improve operational performance of insurance companies in Nigeria. This provides sufficient evidence in support of the null hypothesis two stated earlier. Hence, the null hypothesis two is accepted.

Similarly, Changes in the internal control (IC) structure of listed insurance companies in Nigeria due to the proposed application of IFRS 17 will negatively but significantly affect the operational performance of insurance companies in Nigeria. This is supported by a negative coefficient value of -0.039 and a statistically significant value of 0.002 which is significant at 1%. This implies that, a negative change in the internal control of insurance companies due to the application of IFRS17 will result in and insignificant change their operational performance over time. This provides sufficient evidence for failing to accept hypothesis three of the study stated earlier.

To further support the absence of multicollinearity among the independent variables, the variance inflation factor and tolerance values were examined. According to [8] a variance inflation factor (VIF) value that is less than ten but greater than 1 indicate the absence of multicollinearity. In view of this, the above values indicate that there is no multicollinearity among the independent variables of the study, which further confirms the result of the correlation matrix.

## 5. Conclusion

Although the application of IFRS 17 will generally affect the system and data required by insurance companies, the choice of measurement and models, and internal control system, discussion surrounding the standard suggest it's an improvement on the former standard which failed to provide acceptable options to the insurance companies. Evidence from this study revealed that, system and data structure and measurement models change that will be caused by the standard is necessary in improving the operational

performance of insurance companies in Nigeria. Although, the internal control changes do not support operational operations, on a whole, changes due to the application of IFRS 17 by insurance companies in Nigeria will significantly improve their operational performance over time.

## 6. Recommendation

The study therefore recommends that, insurance companies put the necessary system and structure in place to support in adoption and implementation of the standard. In addition, measurement and models must be selected to suit the nature of operations within the company. Finally, the financial reporting council of Nigeria (FRCN) should continue to ensure that, the adoption and application of new standards is encouraged.

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